



WHEATLEY HOUSING GROUP LIMITED

BOARD MEETING

**12 May 2020, 10.00am BY VIDEO CONFERENCE
Board Room, Wheatley House**

AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Minutes of meetings held on 20 February and 8 April and matters arising
4. Group CEO update
5. Business update – housing and care
6. Framework for startup and renewal of activity
7.
 - a) Financial performance 2019/20 and 2020/21 budgets
 - b) Treasury update
 - c) Bank of England funding scheme
8. Group Coronavirus Response - Technology Supported Service Delivery
9. Procurement update
10. Personal Protective Equipment Update
11. Alertacall expansion
12. Early release of prisoners
13. Group new build performance report
14. Governance update
15. AOCB

Report

To: Wheatley Housing Group Board

By: Olga Clayton, Group Director of Housing and Care

Approved by: Martin Armstrong, Group Chief Executive

Subject: Business update - Housing and care

Date: 12 May 2020

1. Purpose

- 1.1 This report provides an update on our response to the impact of the current Coronavirus crisis on our partner organisations, their tenants and communities.

2. Authorising context

- 2.1 The activities addressed in this report are principally of an operational nature, and are therefore delegated to the Group CEO under the Group Standing Orders. The Board has been kept regularly apprised of our progress through email updates.

3. Risk appetite and assessment

- 3.1 The unprecedented nature of the current situation raises risks in a number of key areas. These include:
- i. *Customers* - risks that our customers may suffer hardship and distress, not just through the risk of catching or through having the virus itself, but through the current government measures causing other effects such as hunger, isolation and mental and physical health problems
 - ii. *Staff* - risks that staff are exposed to the virus, especially those engaged in customer-facing activity; that we have a reduced workforce due to illness and/or self-isolating, and that those working from home may not be able to function effectively
 - iii. *Financial viability* - risks to our financial position, such as increasing rent arrears and reduced cash flow
- 3.2 These areas and the steps we continue to take to mitigate the risks are addressed below.

4. Background

- 4.1 This report provides a further update to Board members on our contingency operations to support both essential business and the new issues faced by our RSLs and tenants.

5. Discussion

(i) How we are supporting customers

- 5.1 We have determined the services which are essential for our customers & continue to provide these. The provision of services has evolved over the eight weeks as we gain experience in the “new normal”. In all of these, securing our rental income remains a key focus. Details on this are included in section (iii) of the report. Core services can be categorised into:

- Keeping our customers safe in their homes;
- Supporting our customers in a time of crisis;
- Supporting the provision of emergency accommodation;
- Delivering our priority care services; and
- Wheatley 360 services; and
- Support to local organisations.

- 5.2 Some specific examples to give a flavour of the support we are giving to customers are contained in Appendix 1.

Keeping our customers safe in their homes

- 5.3 Our core service provision relates to ensuring life and limb repairs continue for customers, gas safety servicing, maintaining staffing in our multi-storey blocks and maintaining some of our environmental service particularly to deliver actions which support fire safety.

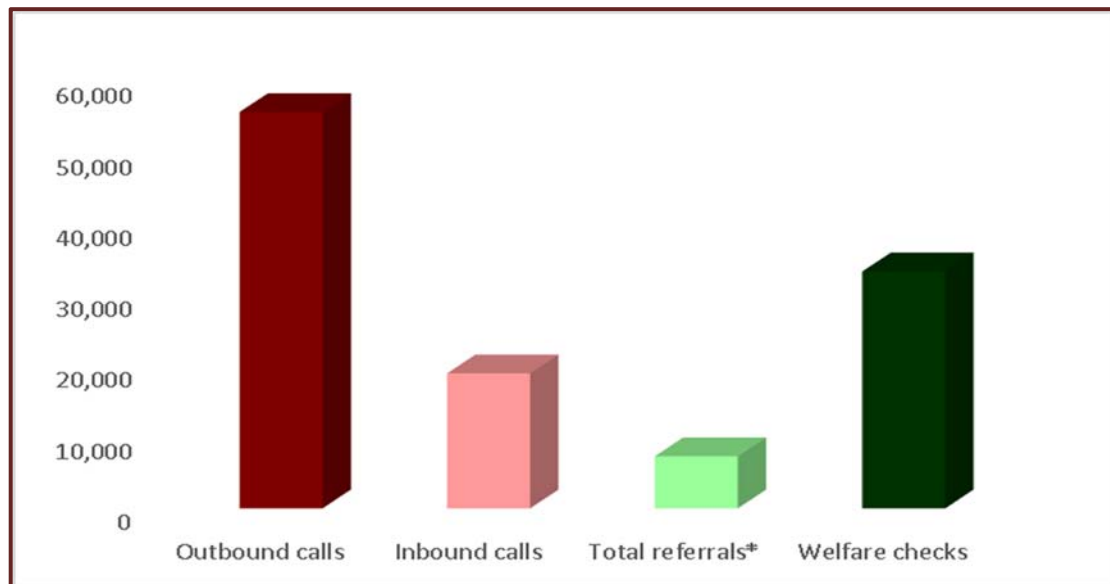
- 5.4 **Life and limb repairs** continue and for the first four weeks of lock down we undertook approximately 5,000 repairs across the Group. In Dumfries and Galloway, the new repairs service has successfully delivered 740 life and limb repairs in its first month of operation.

- 5.5 The **gas safety service** has developed as the coronavirus emergency measures continue. We are now finding that some customers do not wish to allow tradespeople into their homes to undertake a service. Our approach is in line with Scottish Government advice. Where customers refuse a service or are unavailable, we take clear notes of communication and will recontact them following the end of lockdown. To date 70 gas certificates have expired across the Group from over 40,000 homes with gas appliances. More than 1,000 services have taken place over the last four weeks.

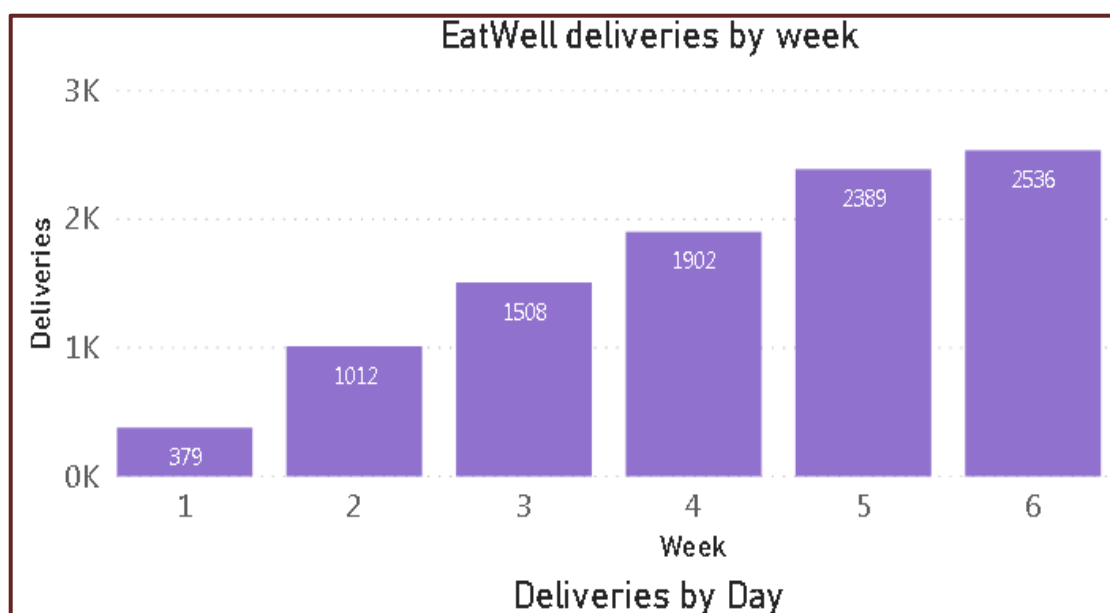
Supporting our customers in a time of a crisis

- 5.6 Many of our customers are facing difficulties, whether through the loss of work, the need to shield, lack of school and child care or the increased risk of domestic abuse during lockdown. While the majority of these issues are not related to our core care and housing provision, our contact with customers places us in a strong position to help them directly or through signposting.

- 5.7 Our housing officers, call centre staff and concierge teams are maintaining **regular contact** with customers. This contact has a particular focus on those who may be vulnerable and also those who may have issues with paying rent. We have worked with strategic partners to identify which of our customers are in the 'at risk' category for health and have added them to our contact processes. The graph below shows the extent of contact made by our housing officers alone over the period from the start of lock down. For reference, we have just over 60,000 homes within the RSLs in the Group.



- 5.8 Housing officers, wardens and environmental officers have been adept at going the extra mile and “Thinking Yes together” to find solutions to very specific needs. Some examples of the support given are included in Appendix 1.
- 5.9 Our **Eatwell** service has been massively expanded to deal with the current crisis. This has been supported through £250,000 of funding from within the Wheatley Group and £350,000 of additional funding from the Scottish Government. By 30 April, approximately 10,000 packs had been delivered across all the local authority areas we operate in as shown below. There has been hugely positive feedback on the quality of the food parcels.



- 5.10 The service continues to evolve and three local distribution hubs have been opened at the Wyndford, Charles Street and Dougrie Place in Glasgow. This helps to ensure that the service is less reactive. The service has been able to respond to some very acute need by providing deliveries not only in the same day but often the same hour.
- 5.11 **Additional support** is also available to our tenants through welfare benefits advice, fuel advice and the Emergency Response Fund. Our welfare benefits advisors have provided help and support to some customers in very desperate times, helping them to apply for benefit and to navigate appeals and tribunals. Advisors have very successfully adapted to the new experience of appeals and tribunals by telephone, frequently at short notice, often achieving very successful outcomes for customers. Our fuel advisors have helped a number of customers who had run out of credit and had no power. They have also helped achieve a smoother and faster process for utility connections in the homes that we are leasing to local authorities for temporary homeless accommodation.
- 5.12 The **Wheatley Foundation Emergency Response Fund** has enabled our staff to support customers with needs which extend beyond food and benefits. This has included mobile phones, fridges and washing machines, baby supplies and pet food. Sadly, we have also provided funding in at least one instance for funeral related costs.

Supporting the provision of emergency homeless accommodation

- 5.13 The requirement for homeless individuals and households to self-isolate or shield has significantly increased the pressure on the availability of temporary accommodation for homeless households provided by local authorities. We have offered approximately 200 suitable voids to our key local authority partners in Glasgow, Edinburgh, Dumfries and Galloway.:
- 5.14 Further to the above, liaison is also underway with relevant agencies in relation to accommodation requirements for those fleeing domestic abuse and for the planned early prisoner release (Board has been provided with a separate report that gives additional detail on the early prisoner release scheme).

Delivering our care services

- 5.15 Wheatley Care staff have continued to provide **support** to individuals across 9 Local Authority areas. Service delivery models and support have been refined to ensure each person we work for receives a tailored approach based on their individual needs. This includes both face to face support and telephone support, while taking cognisance of regulatory requirements in respect of staff presence in our building based services and Government guidelines.
- 5.16 In the first 4 weeks of our Covid 19 emergency response, care staff supported 798 people we work for face to face with all other individuals receiving telephone support. Staff continue to adhere to regulatory requirements and record all contact with individuals. Support provision is reviewed and altered as required with service provision being stepped up where any staff member has any concerns about an individual's wellbeing or safety.

- 5.17 Sourcing the appropriate **Personal Protective Equipment** for every staff member has been critical to enabling safe service delivery. While there have been national concerns around the sourcing of PPE, care staff and colleagues in procurement have worked tirelessly to secure the appropriate PPE from a range of sources. There is currently sufficient stock in Care for another 10 weeks. Weekly monitoring procedures are in place across Group with the aim of holding 12 weeks of stock at all times.
- 5.18 The **challenges to supporting people we work for in Care**, some of whom have complex support needs, cannot be understated. Supporting individuals in shared living environments and our care homes has posed a number of issues. To date staff have done an exceptional job in difficult circumstances and in our care homes and shared living environments, while there have been people displaying symptoms, no one has been diagnosed with covid 19.
- 5.19 It is worth noting that our care homes are registered to support individuals with Alcohol Related Brain Damage and individuals with enduring mental health concerns. While these individuals have their own vulnerabilities, collectively it differs from the vulnerabilities associated with care homes for the elderly which have been present in the news in recent weeks. To give context - of the 3,000 people we support weekly there are 29 we support in our 2 care homes.
- 5.20 Work is underway to ensure that every Wheatley Care employee is issued with a smart phone in the coming 12 weeks. This will give Care staff instant access to emails, Intranet, training resources and enable them to communicate with a range of colleagues, agencies and people we work for through issuing of an equipped Organisational device. This is a significant investment for Care staff, being delivered much earlier than anticipated within the 2025 strategy. Initial capital costs are being met by Wheatley Group.

Wheatley 360

- 5.21 The service model for Wheatley 360 has been completely realigned in many areas to ensure safe working and, as far as practically possible, services continue to be delivered.
- 5.22 The anti-social behaviour investigation team continue to deliver a service via home working and they are providing a same day response for all ASB complaints received across Group. All serious incidents are being progressed via partner agencies, in particular Police Scotland, who are still able to provide a physical presence and carry out onsite investigations. The focus of the team is to provide reassurance to all complainers, log and record all complaints and to triage complaints to ensure the most serious and repeat complaints receive the appropriate response. The table below summarises the caseload over the last four weeks.

| WEEK | Total No of ASB Incidents processed | Cat A | Cat B |
|-----------------------------------|-------------------------------------|-------|-------|
| W.C 23.03.2020 (WK 1) | 73 | 10 | 63 |
| W.C 30.03.2020 (WK 2) | 228 | 16 | 212 |
| W.C. 06.04.2020 (WK 3)X4DAY WEEK | 171 | 11 | 160 |
| W.C. 13.04.2020 (WK4) X4 DAY WEEK | 212 | 16 | 196 |
| W.C. 20.04.2020 (WK5) | 216 | 19 | 197 |
| TOTALS | 900 | 72 | 828 |

- 5.23 Fire safety remains a key priority for us and our multi-storey blocks continue to be fully operational and staffed appropriately. Our resources have been realigned and shift patterns reconfigured to ensure this continues to be the case. We are adhering to social distancing guidance but core work in relation to fire safety and additional cleaning is being carried out on a daily basis. Importantly our multi-storey staff are also providing a vital point of contact and assistance while people are in lock down.
- 5.24 Following the suspension of our grass cutting and close cleaning services a smaller environmental team has continued to operate to patrol all stock types and areas on a daily basis and remove bulk and other items which are a fire safety risk. They have also assisted older or more vulnerable customers who have been unable to move their waste to the correct area and are playing a key role in the delivery of our EatWell food packages. The NETs have demonstrated a great “Think Yes” approach to helping our customers and some examples are included at Appendix 1.

Working with local organisations

- 5.25 Each of our Subsidiary organisations is working to support local third sector and community based organisations. This has involved funding, practical support and access to locations for parcel distribution.
- 5.26 In Glasgow and the surrounding area GHA, Cube and Loretto are working with more than 40 organisations ranging from those which operate city wide to some small organisations in local communities. These include FARE, Drumchapel Foodbank, Love Milton, Scottish Association for Mental Health, local foodbanks and Glasgow Womens Aid.
- 5.27 Dunedin Canmore has been working with a variety of local partners including care agencies and community support groups. Examples include FourSquare, Bethany Christian Trust, Cyrenians, Crossroads, Trussell Trust and Edinburgh Women’s Aid. There has been close working with Social Work and NHS colleagues to support vulnerable customers.
- 5.28 In WLHP we work closely with the Citizens Advice Bureau and the Trussell Trust to provide additional support to our customers.
- 5.29 In Dumfries and Galloway, DGHP are a strategic partner within the local resilience team, working alongside the Local Authority, Health, Police, Fire Brigade and other key partners to co-ordinate responses across the region. We have also worked with a range of third sector and voluntary organisations to help share communication, resources and support to help customers.

Other developments

- 5.30 Over the last 6 weeks we have maximised the benefit of our strong partnership relationships with Government, local authorities and other agencies to try to ensure the best results for the housing and care sector and most particularly for our customers.

- 5.31 We attend virtual meetings of the Scottish Housing Resilience Group which helps to advise the Scottish Government in relation to housing policy through lockdown and beyond. We have used this forum to ensure that the Government is aware of issues on the ground, to encourage changes to guidance and legislation where this is required and to provide support to lobby for change elsewhere.
- 5.32 We have been able to lobby the Department for Work and Pensions, Scottish and UK Governments around key asks and issues, particularly in relation to improving the customer experience in making a claim for Universal Credit, the challenges faced by our customers in applying and the impact that issues such as the 5 week wait are having on customers.
- 5.33 As part of the Coalition of Care Providers Scotland (CCPS) and Scottish Care, we are ensuring that the care voice and concerns are being raised at the weekly Scottish Government National Contingency Planning Meeting for Social Care. This looks at sectoral issues in relation to Covid-19.
- 5.34 Some major developments in the organisation have continued despite lockdown and the emergency working provisions we have put in place, including:
- Our new single care vehicle **Wheatley Care** went live as an entity on 1 April with a virtual launch via internet.
 - The new **DGHP repairs** service went live on 6 April 2020, with the TUPE transfer of the repairs service from Morgan Sindell. Despite the challenges of lockdown, customers continued to receive a seamless service for life and limb repairs throughout the transition.
- 5.35 Staff in DGHP continue to deliver housing support to customers in sheltered housing and temporary accommodation across the region. Over the last 4 weeks the team have continued with an onsite presence in the two temporary accommodation schemes and delivered support to customers in sheltered housing off site by phone. They have completed over 2,900 support calls and over 400 follow up support actions.
- 5.36 In Dunedin Canmore our retirement housing managers continue to support their customer in our complexes – mainly from home using phonecalls and remote monitoring, but also with a weekly visit to the complex to test fire and security systems. Our cleaners continue to ensure high hygiene standards are maintained within the complexes.

Future developments

- 5.37 We are currently investigating a number of other avenues to support our customers and stakeholders and to continue to evolve our emergency business model including:
- Working in partnership with organisations specialising in support to those facing domestic abuse to ensure pathways to assistance and potential provision of accommodation;
 - Liaising closely with Scottish Government to seek additional funding to support our communities in relation to non-food items;

- Lobbying government for potential changes to statutory requirements, benefit issues and fuel poverty issues which affect our tenants. In particular, the Chair has written to the Secretary of State for Work and Pensions to request changes in areas such as allowing backdating of benefit payments, deducting rent automatically from advances received by claimants and ending the five-week wait for the first payment under Universal Credit;
- Reviewing options for business priorities in the first phase of any easing of lockdown; and
- Working with partners to support the early prisoner release programme.

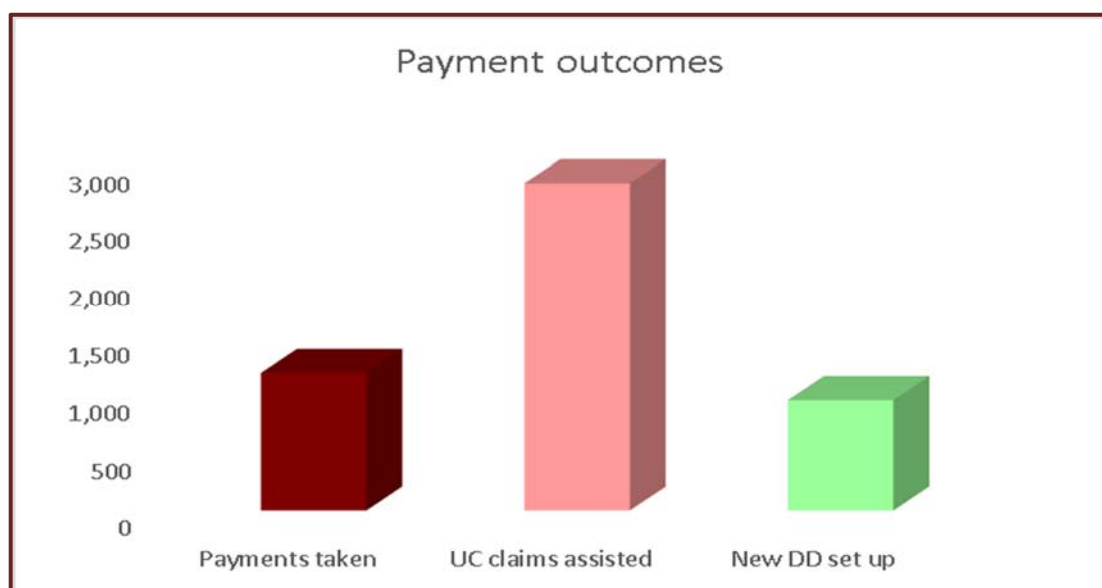
(ii) *How we are managing and protecting our staff*

- 5.38 We have supported the “Stay Home, Stay Safe” approach by ensuring all noncritical staff are working from home. This includes:
- All housing officers;
 - All central support staff;
 - Care staff who are providing support by telephone;
 - Our 24-hour call centres in Glasgow and Dumfries – technology and equipment was sourced and deployed at very short notice to allow all functionality to take place with staff working from home. 5,200 calls were taken in the first week of lock down despite the transition to home working;
 - Closing all common rooms in MSFs and LivingWell; and
 - Ceasing investment works and new build development.
- 5.39 We are following the Scottish Government’s guidance in respect of care staff and those working with customers, for example in supported housing settings, our concierge and those doing cleaning (for example in lifts). Occupational Safety Manuals have been updated with the relevant guidance about when and where to use personal protective equipment and how to implement social distancing requirements. This has been supplemented by an additional message from the Chief Executive to reinforce the guidance. Staggered lunch breaks and altered work patterns have also been put in place where necessary to maintain social distancing.
- 5.40 Phone and video-conference meetings have replaced face to face contact for teams across the Group, with people adapting rapidly to different ways of working and showing great innovation to make sure they keep in touch. Inevitably, some activities are more difficult to do remotely, and after the initial period of change, staff are beginning to settle into a new routine.
- 5.41 These measures have ensured that staff morale and motivation remains high. The evidence from some of our work with customers in Appendix 1 shows that they continue to “Think Yes together” and have taken this to a new level across all aspects of the business.
- 5.42 Given the extent of activity we have suspended, we are proposing to make use of the new UK government scheme to put around 500 staff across the Group on a temporary leave of absence, known as “furlough”. These staff will continue to be paid in full, with no interruption to their benefits or pension service, but in areas such as new build and research and development, where little activity is currently possible, we will be able to claim back salary costs. Over 3 months, this is anticipated to be in the region of £2 million. The furlough period must be reviewed at 3 weekly intervals, and staff can come and go from the list at these break points.

- 5.43 We plan to track closely the mood of staff over the weeks ahead to try to identify common issues arising and maintain morale when face to face contact is impossible. This is especially important with those staff who are on the furlough leave period. We are already making sure that the positive stories of the difference we are making to people's lives are shared through our intranet and a daily email to all staff, as well as blogs and planned online events and competitions. In Dumfries and Galloway we have launched the confidential 24/7 Support service to colleagues, bringing the support in line with that offered across the rest of the group. We are keen, despite the difficult circumstances, to track the learning we take from this period about how a workforce functions remotely away from the office. This was clearly a theme in our 2025 strategy, and while this strategy will now need to be recast in part, we wish to understand which elements of this remote working service model work well and which do not.

(iii) Financial viability

- 5.44 **Income collection** is a core part of our function and without that income we will not be able to provide the support and accommodation our customers need. Housing Officers and call staff at the Hub have had a firm focus on this work throughout the lockdown period. Those with missed payments, direct debit rejections or who make their payments through face to face methods have been contacted as a priority.
- 5.45 Contact is provided in a supportive manner to identify the issues that customers face. Daily tracking of income shows new UC cases and customers with increasing arrears balances which indicates where attentions and support needs to be directed. Income services at DGHP are delivered through a dedicated income collection team. The vast majority of 70,000 plus inbound and outbound telephone calls made by our housing officers will have included a conversation in relation to rent. In addition, some specific payment outcomes have been achieved, as shown in the chart below. These numbers do not include additional actions through our contact centres or payment outcomes from DGHP which are recorded differently.



- 5.46 Our conversations help customers to switch payment methods where that is helpful to them. Where customers are furloughed we have managed amendments to direct debits to be paid once they receive income. Where they may have other issues we are able to support access to power and review of benefit entitlement.
- 5.47 The biggest challenge in rent collection is the number of tenants who now need to move onto **Universal Credit**. Many of these customers have no previous experience of the benefits system and are delighted to receive much needed advice and support through this journey. Many others were already on Universal Credit but have needed to update information and other details. The number of customers on UC has increased by more than 1,500 (14%) since 20 March 2020 and we have assisted nearly 3,000 customers with UC claims and amendments.
- 5.48 Since 20 March 2020, our Welfare Benefits and Fuel Advisors have supported more than 3,000 customers with benefits and fuel issues, making almost 5,800 contacts with these customers to provide assistance with fuel issues, making Universal Credit and other benefits claims. These have often involved using video and conference calling to assist customers to explain their situations to DWP and other advisors.
- 5.49 Our Tenancy Support Service Plus team have experienced a 5 fold increase in the number of customers it supported in the first few weeks of this crisis compared to the previous month, delivering advice and support by phone and via e-mail. Our standard TSS service also continues to provide advice and support by telephone and e-mail. Provision has been made to allow face to face contact where this is essential to the person's welfare.
- 5.50 We have accelerated our use of bulk texting to customers. Initial messages encouraged customers to make contact so that we could help and targeted messages are now being sent to those who have missed payments. The next phase of messaging will provide links to the payment site so that customers can easily pay when they are reminded.
- 5.51 It is estimated that the additional 1,500 customers now claiming UC could add around £650,000 to our sitting tenant arrears in the short term. However, we are working hard to ensure that customers make payment to their rent where they have received a DWP advance payment and that we are engaging with customers to set up a Direct Debit for ongoing payments at the same time their UC payment is due. Where a customer had been furloughed but had not received any pay, we are now starting to receive payments from these customers.
- 5.52 We anticipate an increase in arrears beyond the initial impact of customers moving onto UC. Predicting this is challenging at present, but we have modelled a number of scenarios at Group level, including a scenario that c9,000 (15%) customers pay no rent at all for the next 6 months. This would equate to lost rent of around £20m. Set against this risk, we have instigated a number of cost saving measures. The cessation of non-life and limb repairs and investment work is the most significant.

5.53 In relation to **Care income** we have been in contact with all HSCPs and purchasers. The majority have confirmed continued full payment irrespective of altered delivery models. There has been a commitment that care providers will have any additional costs covered by local government. However, we expect that there will be further scrutiny of support and further discussions on savings in due course.

6. Value for money implications

6.1 We continue to work to provide value for money to our customers; prioritising their needs within the constraints of the limitations on staff movement imposed on us.

7. Impact on financial projections

7.1 Set out above. These will continue to be updated as the situation persists over the coming weeks and months.

8. Legal, regulatory and charitable implications

8.1 We have maintained regular dialogue with the Scottish Housing Regulator over recent weeks, and they have appreciated our role, for example, in the housing sector National Resilience Group along with Scottish Government and local authority representatives, and our offer of support to smaller RSLs who may be unable to effectively deliver services in the current conditions.

8.2 The SHR have also set up a new, short monthly landlord information return to help them understand the impact of the Coronavirus on landlord's services and to support the work of the Social Housing Resilience Group. A copy of the return is attached at Appendix 2.

9. Partnership implications

9.1 We continue to utilise our strong relationships with Scottish Government, local authorities and national agencies to support delivery during the crisis but also to influence planning to the benefit of our customers and services. Each of our Subsidiaries works closely at a local level with third sector organisations to benefit local communities.

10. Implementation and deployment

10.1 Co-ordination of all Group activity continues to be led by the Group CEO and Executive Team, who have a group call at least twice daily.

11. Equalities impact

11.1 None noted.

12. Recommendation

12.1 The Board is asked to note this update.

Appendix 1: Supporting our customers – some examples

Appendix 2: SHR data return

Appendix 1: Supporting our customers – some examples

- A local foodbank made a referral to Glasgow Mutual Aid volunteers on behalf of a customer who they discovered had no power in the house. As a result, she was unable to charge her phone and was therefore isolated from family and from all other sources of support. Glasgow Mutual Aid contacted our staff who immediately arranged a required food package to supplement what the foodbank had been able to give. Our fuel advisor arranged for fuel to be topped up by her supplier to allow her to charge her phone and to cook some food.
- Staff identified a customer in Edinburgh with underlying conditions which placed him in the shielding category. The customer had no fridge to store food in and had previously used a laundrette for washing. A new table top fridge and a washing machine have been installed using our Emergency Response Funding and using our environmental staff to undertake installation. An EatWell food package has also been supplied.
- One of our elderly customers with no family was discharged from hospital. His care package had been cancelled, not sure where to turn for help he contacted his housing officer. The housing officer arranged a food parcel, plus fresh food to assist his health condition. Contact was made with his carers to get his package put back in place.
- Our environmental teams went the extra mile to help a tenant with a disabled son. After a request from housing officer, the team set to work building a garden shed to help securely store large medical equipment.
- Housing Officer identified a customer who was unemployed due to Covid19 at end of March and helped her gain employment within a few weeks within Wheatley Care on 21/4/20 and new DD set up.
- A Welfare Benefit Advisor (“WBA”) supported one of our customers who is 25, single and lost his job through the Covid-19 crisis. The young man got a new job, which he was over the moon about, but he could neither afford to buy basic clothing for his new job, nor did he have the money to travel to and from the new job. The WBA completed an on-line Scottish Welfare Application for a crisis grant, which allowed him to buy gas/electricity/food and he then used his £58 UC to fill up his car to get to work. Through the Wheatley Foundation Emergency Response Fund we arranged a £50 Asda Voucher which enabled him to buy a basic set of clothes.
- A Care staff member worked over the weekend on scheduled days off to support a customer in distress and at risk of suicide. The level of flexibility from care staff in challenging times has been exceptional.
- After the Local Authority bin vehicle dropped the contents of several of the bins over 2 surrounding streets in the Birchwood area, the Housing officer asked for assistance to clear up, NETs team responded (they were not due back till Monday) to clear away all litter much to resident’s delight.

Report

To: Wheatley Housing Group Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Framework for startup and renewal of activity

Date of Meeting: 12 May 2020

1. Purpose

- 1.1. This report sets out a draft framework for the staged resumption of more of our business operations over the coming months.

2. Authorising context

- 2.1. The Group CEO has responsibility for business operations across the Group. The Covid-19 situation has had a significant effect on these operations and has impacted on the delivery of the Group strategy signed off by the Board late last year. The Board's agreement is therefore sought to the principles of the proposed approach for how we might work over the coming months, subject to the detail of Scottish Government legislation and guidance.

3. Risk appetite and assessment

- 3.1. The Group's risk appetite relating to laws and regulations is "averse"; defined as avoidance of risk and uncertainty is a key organisational objective. The Group strategic risk register identifies the particular risk associated with associated with non-compliance with health and safety requirements.
- 3.2. Our priority in the coming months will continue to be protecting the health and safety of our customers, our staff and the other people they come into contact with. The proposals in this paper seek to do that in the context of some relaxation of lockdown restrictions, but recognising that government guidance may change and mean we have to alter our plans.

4. Background

- 4.1. Since lockdown in mid-March, we have been running a significantly altered operating model, with many staff – including our call centre and housing officers - working from home. We have continued to provide essential frontline services such as life and limb repairs, concierge in multi-storey flats, many care activities and a huge expansion in our EatWell service, to provide food to those in need.

5. Discussion

- 5.1. On Thursday 7th May, the Scottish Government announced that the current lockdown-style restrictions will continue for at least another three weeks. However, there has been progress in reducing the rate of infection nationally, and signs that at the next review, there may be some easing of restrictions of movement and contact. For scenario planning purposes we have assumed this might include, during June:
- Continuation of the advice to work from home if possible and enforcement of social distancing
 - The ability to extend a family/household “bubble” to include other close relatives such as grandparents, allowing travel to visit these people
 - Approval for a resumption of construction activity in Scotland (which has taken a stricter line than England, effectively banning all activity at present), based on strict controls designed to maintain social distancing
 - Reintroduction of the ability to move house, again based on maintaining social distancing
 - An increase in the range of shops that may be permitted to open
 - Acknowledgement by the Scottish Government that staff may return to workplaces such as offices and factories, but on strict condition that 2 metre social distancing can be enforced
- 5.2. In anticipation of this, we have been planning for some weeks what our “phase 2” response might be, and what services and activities we would reintroduce. We have also carried out a review across the organisation of what has been working well, how we have addressed challenges, and what we might need to do differently as we approach the next phase.
- 5.3. Clarity and transparency will be vital as we adapt our service model in the next phase. A comprehensive internal and external communications strategy will be needed to explain to staff, customers and stakeholders why we are reintroducing certain services (or not), and how people will be kept safe as we do this. Close working with our trade union partners will be important in developing this.
- 5.4. Our proposals are set out below, detailing the current service/activity and how this would change for an assumed period from June to the end of September. It should be emphasised that these are provisional plans at this stage, and may need to be altered depending on what the Scottish Government decides in the coming weeks. Some indicative considerations for the period beyond this to the end of the year are the discussed.

Housing and Environmental Services

- 5.5. *Current operating model: mid-March to end of May*
- Housing officers all working from home
 - Call centre staff all working from home
 - Priorities have been welfare calls, referrals for food distribution and supporting tenants who have had difficulties paying their rent, eg phone/online benefits advice
 - Concierge presence retained in multi-storey blocks, including cleaning and fire safety checks

- Grass cutting and other environmental maintenance and cleaning generally suspended
- Letting of new homes suspended and all void properties offered to local authorities for homeless people under lease arrangements
- Reduction in our police resource through the Community Improvement Partnership, as these staff have been recalled by Police Scotland (although our remaining resource has continued to be focused on areas with the most acute anti-social behaviour and serious crime issues)

5.6. *Potential operating model: June to September*

- Introduction of a face-to-face arrears and debt counselling team of housing officers (20-25 staff across Group)
- The remainder of housing officers continue to work from home
- Call centre staff continue to work from home, other than night shift, which would return to Lipton House
- Welfare calls, food distribution and benefits support remain high priorities for outbound calling – with a particular focus on ensuring those on the shielding lists are contacted regularly and supported where possible
- A presumption in favour of outdoor environmental work and most indoor cleaning work carried out by our own staff recommencing (eg grass cutting, close cleaning), unless specific circumstances make two metre social distancing impossible or impractical. This would be carried out in most cases in the early morning or late at night, to minimise “passing traffic”, with supplementary specialist deep cleans involving full disinfectant etc on a regular basis
- Resumption of direct letting, with a particular focus on homeless people and those experiencing/at risk of domestic violence, meaning void clear-out and improvement work could also resume
- Increase in available community police resource (although not back to full capacity), allowing greater intervention in some anti-social behaviour situations

5.7. Where our services have been delivered effectively by home working staff, they should continue to be carried out this way. Our “virtual call centre” has worked well, albeit on a much-reduced call volume, and it is proposed that we continue with this model. We will return staff from furlough as required to meet demand. While housing officers can carry out many of their activities by phone or even video call, there are some situations where a face to face visit may be required, particularly in relation to persistent refusal to engage with us on rent arrears. For that reason, we propose a small team of housing officers who would focus on face to face collections and act as a point of referral for the rest of the housing officers. We would temporarily expand some patch sizes to cover those of the re-allocated housing officers.

5.8. These staff will be exposed to a greater degree of risk than home-based housing staff. They will operate on the premise of maintaining two-metre social distancing when talking to customers. They will also be provided with suitable PPE, including the minimum grade of face mask recommended by the Scottish Government and World Health Organisation for care providers dealing in close quarters with patients who may be infected with Covid-19, known as an “FFP2” mask. A comprehensive PPE strategy will be required across all of our activity to ensure no staff are left without appropriate protection.

- 5.9. Having suspended non-essential environmental maintenance and cleaning activity, we now propose to reintroduce these tasks. However, our local environmental team leaders will continue to use judgement on whether social distancing can be maintained, and in some cases the layout of buildings (such as narrow closes/stairwells and a large number of people passing close by during cleaning) might make this impractical. Again, we would provide staff with suitable PPE in line with Scottish Government guidance. Our guidance to staff will have to evolve in some areas, such as travel; continuing to give clarity in areas such as the numbers of people who can travel in vans.
- 5.10. We have been operating a rapidly growing emergency food offering to vulnerable customers through our EatWell service. This was successful in attracting £350,000 of Scottish Government funding in April. We would envisage the continuation of this during the next three months; it is proving to be a lifeline for many customers. However, this has involved a number of environmental operatives being reassigned from their previous duties. If we introduce more environmental maintenance, we will need to ensure the balance of staff between those carrying out different activities is sustainable. A number of staff will need to return from furlough.
- 5.11. We envisage that a resumption of letting activity might be possible, albeit using different approaches. For example, any accompanied views would need to ensure the housing officer “hangs back” two metres at all times, and in some properties this might mean waiting outside the front door which a prospective customer views a property. Similarly, issues of utility connections and signing tenancy agreements which typically involved close personal contact, would need to be done in new ways. Tenancy agreements could be signed in electronic form (simple to do in pdf on an iPhone, for example), or handled with disposable gloves, placed on a table from which the housing officer then backs off, etc. It remains to be seen whether removal services will be available to customers, although this could in theory be done while maintaining social distancing.

Commercial letting and factoring

- 5.12. [redacted]
- 5.13. [redacted]
- 5.14. [redacted]
- 5.15. [redacted]
- 5.16. [redacted]

Repairs, investment and building safety compliance in existing stock

- 5.17. *Current operating model: mid-March to end of May*
- Life and limb repairs only (ie those which protect customer health and safety)
 - All major capital investment work suspended, including smoke and heat detector installation

- Void work done only by City Building in Glasgow for the Council as part of its role in letting to homeless customers; no direct void work done for us
- Fire risk assessments suspended
- Gas servicing not enforced where customer refuses

5.18. *Potential operating model: June to September*

- Repairs expanded to include some non-emergency work, where this can be safely carried out with social distancing
- Void work resumed in line with re-opening of letting
- Capital investment resumed only for legislative compliance work (such as smoke and heat detector installs – unless Scottish Government changes the legislative deadline from February 2021) and external/outdoor activities such as roofing, fencing, paving
- Fire risk assessments to resume, including in high-rise blocks
- Resumption of enforced gas servicing and prioritisation of catch up on those which have exceeded 12 months since the last service

5.19. With the resumption of letting, ensuring we can catch up with the inevitable initial spike in activity will be important. This will mean we need more repairs teams working on getting void properties into lettable condition. Even during lockdown, we have experienced around 100 people giving up their tenancy each week, generally to move in with family or due to other personal circumstances.

5.20. In the capital investment programme, we will continue to pause internal work in customers' homes and communal areas that could be considered discretionary, such as kitchen and bathroom replacements where there is no specific defect or fault. We do not anticipate that customers would want people in their homes unnecessarily, particularly if the work could be rescheduled for a point when social distancing requirements are less strict. External works such as roofing can be carried out with less close-quarters contact, and so we envisage resuming these.

5.21. We have continued with our daily patrols and fire safety checks in multi-storey blocks, but we anticipate resuming our programme of high rise fire risk assessments. These are typically carried out by a single assessor, and form an important part of keeping our customers safe. Similarly, while we have been using our best endeavours to ensure customers have gas servicing carried out within the legal 12-month timeframe, we have not been enforcing this since late March in cases where customers repeatedly refuse entry. This would change to an enforced provision for social housing. Given the current circumstances we intend to adopt the same approach for our PRS/MMR properties to ensure compliance and reduced the risk to tenants whilst the First-tier Tribunal is suspended.

New build development

5.22. *Current operating model: mid-March to end of May*

- All work suspended
- Contractors are responsible for security of all sites

5.23. *Potential operating model: June to September*

- Activity may resume, subject to enforcement of social distancing

5.24. The construction industry has been lobbying the Scottish Government to allow a re-opening of construction sites. The position in England has been less strict than Scotland, where some activity has been permitted to continue. One of the impacts of social distancing on a building site is that tasks may take longer to complete, meaning the timescale for us to receive completed homes may be longer than usual. We have been in regular dialogue with our contractors in recent weeks and all remain committed to holding previously agreed tender prices. However, extensions of time to previous contractual completion dates will be required in all cases.

Back-office support services

5.25. *Current operating model: mid-March to end of May*

- All working from home

5.26. *Potential operating model: June to September*

- Continuation of home working as the norm; staff visits to offices will be limited to carrying out of essential tasks linked to our phase 2 operating model
- From an HR perspective, a continued freeze on non-essential recruitment, but some essential roles could involve interviews in an office context, with a minimum 2-metre distance observed at all times

5.27. Feedback from staff indicates a range of views on returning to an office environment, based on individual preferences for ways of working. It is important that we emphasise that home working remains the presumption, and visits to the office should be the exception, subject to strict rules including social distancing with desk spaces, use of hand sanitiser, one person at a time in lifts, etc.

5.28. Across all of our workplaces and care settings, risk assessment will be carried out and Operational Safety Manuals will be updated to reflect new required practices, encompassing handwashing/sanitiser, PPE, distancing, etc.

5.29. From July, some evictions are expected to resume for issues other than rent arrears (which were banned for six months). This means some staff, for example in our legal team, may be required to come into the office. Similarly, to support the next stage of frontline working arrangements, IT or asset staff might need to do the same. This would be on as limited a basis as possible.

5.30. Given that around three months will have passed since our “phase 1” model was put in place, we anticipate the resumption of our internal audit and assurance activity. The audit plan for the year will be refocused on areas of key risk in the context of our new operating arrangements; for example, areas where risk of fraud might have increased by virtue of home working arrangements or less person-to-person oversight.

Governance

5.31. *Current operating model: mid-March to end of May*

- Reduced agendas – keeping the boards updated on what is happening, and items requiring a decision
- Reduced board numbers dialling in to allow easier management of conference calls/video calls

5.32. *Potential operating model: June to September*

- Continuation of current arrangements

5.33. Board meetings in person generally involve between 10 and 15 people when staff are taken into account, and it will continue to be difficult to enforce appropriate social distancing in this context. For that reason, we envisage a continuation of the current “virtual meeting” arrangements.

Care

5.34. *Current operating model: mid-March to end of May*

- Continuation of service, but activities delivered by telephone where possible

5.35. *Potential operating model: June to September*

- Greater resumption of face to face activity, particularly for vulnerable people we work for

5.36. We have continued to provide the majority of our care services during the lockdown period, with phone calls being substituted for home visits in some cases. Our presumption is that more of our outreach care services would resume, subject to continuing availability of high-grade PPE (FFP2 or better face masks, etc). Face to face visits, where two-metre distancing may not always be possible, would include those in particularly vulnerable situations (such as risk of self harm).

5.37. We have developed draft re-start plans for each of our building-based care settings. These would be refined in the coming weeks. Our approach in all of our registered care services would be shared with the Care Inspectorate in order to understand their view prior to us implementing new working arrangements.

6. Key issues and conclusions

6.1. Between now and the potential point of an assuming easing of restrictions, whether it be June or slightly later, there are a number of preparatory tasks to be completed. These include:

- An examination of all policies and procedures that require face to face contact and an assessment of how these need to be changed to function in the “new normal” to which the Scottish Government has referred

- A new housing allocation process needs to be designed, taking into account the considerations discussed above
- Plans need to be implemented for how offices will be reconfigured to allow minimum 2-metre social distancing and other infection control procedures to be put into effect (noting a very limited number of staff will be using our offices), with operational health and safety procedures manuals updated accordingly
- A new annual leave policy to be developed, and working principles to be defined for those who may have children involved in partial attendance at school
- A more systematic “audit” of home working arrangements to identify where improvised home set-ups are inadequate, and personalised support to address this (eg video consultations by health & safety team, issue of work chairs, monitors etc)
- A new strategy for new build tendering, informed by the condition of the construction market and costs/prices; this will include finalisation of the £15m on-lend from GHA to Lowther and a strategy for how that will be invested
- Gas servicing - planning for the catch up so we can achieve 100% compliance with the 12-month rule as soon as possible
- Voids – prioritising the workflow, with those requiring least work to be done first
- Planning the workforce requirements for the phase 2 operating model - for example, the housing officer arrangements and number of void teams required
- A comprehensive communication strategy will need to be developed for all staff, customers and stakeholders to explain clearly what our phase 2 model is, and why and how we will restart certain services

6.2. We currently have over 500 staff on furlough. This is generating significant income; around £2.4m over three months, helping offset, at least temporarily, the increase in rent arrears. Prior to agreeing any return to work for furloughed staff – and assuming these furlough scheme continues beyond the end of June, we will test the “business case” for each area in the context of the service model set out in this paper. Each area of the business will need to set out their proposals in the following template:

| | Weeks 1-8 (June – July) | Weekly 9-16 (August- September) | Notes/comments |
|---|------------------------------------|--|-----------------------|
| Number of staff currently furloughed | | | |
| Proposed staff to return (list names and job titles) | | | |
| Monthly lost furlough income caused by staff returning | | | |
| Service priorities | | | |
| Outcomes and how these staff will deliver them | | | |

- 6.3. In light of the above proposals, it will be important that the staff who are “reactivated” to work in restarted activities feel confident that they are doing so in line with Scottish Government advice, and are supported properly with personal protective equipment and any other help they need to do their jobs.
- 6.4. For that reason, we will use our role on the National Housing Resilience Group, as well as other contacts with the Scottish Government to make the case that a wider group of staff should be designated as “key workers” moving into the next phase of the country’s pandemic response. This would include, but not be limited to:
- Housing officers
 - Legal staff involved in court processes
 - IT staff key to supporting permitted activity
- 6.5. Staff on this list of phase 2 key workers will also be issued with letters confirming their status to allow them to travel to and from their place of work in the event of being stopped and challenged by the police.
- 6.6. Looking beyond September to the end of the year, and without a widely available vaccine, it is unlikely that we will be experiencing a return to full “normal” business operations. Other activities that we will need to carry out in the coming months therefore include:
- An assessment of how our service model stood up to the current environment, and what lessons can be learned from this;
 - Linked to this, a review of our 2025 strategy, including areas such as our approach to office accommodation, remote working and new build targets (noting we have significantly accelerated parts of this through our current home working arrangements);
 - An evaluation of how effective our stakeholder management has been and what lessons can be learned from our experiences;
 - How we continue to support our most vulnerable customers, including those who may be on the shielding list for some time to come

7. Value for money implications

- 7.1. The approach set out in this paper is designed to ensure we deliver as much value as possible for customers, while keeping them and our staff safe. That is why our focus remains on essential health and safety activity, and supporting customers with help, advice and food.

8. Impact on financial projections

- 8.1. Our business plan financial projections, last updated and approved by Boards in February, are being revised at present to take account of the new context. These will be shared with Boards in the coming months.

9. Legal, regulatory and charitable implications

- 9.1. The approach set out in this paper is based on an anticipation of how the Scottish Government legislative and guidance framework might evolve in the coming months. Our proposals may therefore need to change as the detail of such government advice develops. We continue to notify the Scottish Housing Regulator of changes to our operating model and services through their “notifiable events” web portal.

10. Implementation and deployment

- 10.1. The Executive Team will direct the deployment of the proposals set out in this paper.

11. Partnership implications

- 11.1 Our new partner, Dumfries & Galloway Housing Partnership, is fully integrated into our Coronavirus response plan, and the proposals in this paper apply to all parts of the Group.

12. Equalities impact

- 12.1. We will continue to take special account of those who have underlying health conditions or are shielding. The latter category of staff will not be required to leave their homes and it is recognised their ability to work may be restricted by the shielding provisions in force.

13. Recommendations

- 14.1 The Board is asked to agree the proposals set out in this paper in principle, subject to the timing of their implementation and any adjustments necessary to ensure ongoing compliance with Scottish Government legislation and guidance

Report

To: Wheatley Housing Group Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Financial performance 2019/20 and 2020/21 budgets

Date of Meeting: 12 May 2020

1. Purpose

1.1 The purpose of this paper is to:

- provide an update on the Wheatley Housing Group's financial performance for the year to 31 March 2020;
- seek approval for submission of the RSL Borrower Group's management accounts to 31 March 2020 to our bank lenders as part of our usual quarterly covenant returns; and
- seek approval of the 2020/21 Group budget.

2. Authorising context

- 2.1 On-going monitoring of financial performance against agreed targets is one of the responsibilities of the Group Board under the Group Authorise, Manage & Monitor Matrix.
- 2.2 The 2020/21 budget effectively mirrors the first year of the business plan financial projections for each entity and will allow each Board, as well as the Group Board, to monitor progress during the year against our business plan targets.

3. Risk appetite and assessment

- 3.1 The Board's agreed risk appetite for business planning and budgeting assumptions is "open". This level of risk tolerance is defined as "prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level".
- 3.2 Delivery of financial results within approved budgetary limits is a key element in delivering our strategy and maintaining the confidence of investors.

4. Discussion

Financial performance to 31 March 2020

4.1 The results for the full year to 31 March are summarised below.

| | Year to Date (Period 12) | | |
|-------------------------------------|--------------------------|--------------|--------------|
| £m | Actual | Budget | Variance |
| Turnover | 356.8 | 362.6 | (5.8) |
| Gain on business combination – DGHP | 253.4 | - | 253.4 |
| Total Turnover | 610.2 | 362.6 | 247.6 |
| Operating expenditure | (265.3) | (264.5) | (0.8) |
| Operating surplus | 344.9 | 98.1 | 246.8 |
| <i>Operating margin</i> | <i>56.5%</i> | <i>27.1%</i> | |
| Net gain from RTB sales | - | - | - |
| Net interest payable | (70.8) | (68.6) | (2.2) |
| Surplus | 274.1 | 29.5 | 244.6 |
| Net Capital Expenditure | 127.5 | 143.0 | 15.5 |

5. Key issues and conclusions

5.1 The Group is reporting a statutory surplus for the year to March 2020 of £274.1m, £244.6m higher than budget for the year. The consolidated operating statement includes the results for Dumfries and Galloway Housing Partnership (“DGHP”) since joining the group on 12 December 2019.

5.2 The results include a gain on acquisition of DGHP of £253.4m. This is a one-off credit to reflect the net assets transferring into the Group.

5.3 Key variances against budget include:

- Other income is £1.2m favourable to budget; this is principally due to additional income from owners in YourPlace linked to insurance premiums recharged and billed repairs, and extra Care income. This additional income is offset in both cases by costs for delivery of the services reported in running costs which is £0.8m higher than budget.
- New Build grant recognised is £7.3m adverse to budget. This is due to the 133 units which were due to complete in March but were mothballed following the closure of construction sites in mid-March.
- The ER/VR line is £2.7m adverse to budget. The 2019/20 financial projections contained a staff savings challenge which has been met. The programme this year has accelerated early retiral in elements of the workforce such as environmental and housing officers in order to rebalance the age profile in these areas and deliver increased in-year savings (reflected in the staff costs line being under budget), as well as provision being made for senior staff retirals previously notified to the Board.

- In interest and financing costs, the adverse variance of £2.3m includes [redacted]. Excluding this our interest costs were £4.0m better than budget based on lower debt drawn (see new build spend below) and conservative interest rate assumptions.
- Adjusting for the 3 “exceptional items” to compare underlying trading results with budget, shows:

| | |
|-------------------------------|---------------|
| | £000 |
| Statutory surplus | 274,080 |
| Deduct: | |
| Gain on DGHP acquisition | (253,361) |
| Add back: | |
| [Items redacted] | [redacted] |
| Underlying revenue surplus | <u>34,348</u> |
| Budget | 29,546 |
| Underlying operating variance | 4,802 |

- 5.4 Net capital expenditure is £15.5m lower than budget. Within this new build is underspent by £19.5m which includes £3.8m in DGHP. The £15.7m underspend in our other RSLs continues the trend we had through the year and has been reprofiled over the coming years in the 2020/21 financial projections. The programme is being updated again based on scenarios of when new build might be allowed to restart.
- 5.5 The core investment programme on existing stock is £3.2m lower than budget due to the VAT shelter saving in GHA, with all works delivered as anticipated. The other fixed assets line includes the DGHP repairs system (c£1.3m) and the IT equipment we bought at the end of March to allow home working.

6. 2020/21 Budget

- 6.1 Following the approval of the business plans at Group Board in February, the preparation of the detailed budgets subsidiary budgets has been completed and consolidated to give a Group budget for 2020/21. It is presented below and compared against the financial projections from the business plan to evidence that it aligns exactly with year 1 of the plan.
- 6.2 It is recognised that the outturn figures for the year will now vary significantly from this in a number of areas. However, pending the reprofile of our business plan, this budget is presented as a base reference point.
- 6.3 It is also a requirement of our lenders that the Board approves a budget around the start of a new financial year, and we have to submit this budget to them for information. More information is provided in the appendix.

| Group £m | Full Year | | |
|-------------------------------------|---------------------------|--------------------------------|---------------------------|
| | Actual 2019/20 | Projections 2020/21 | Budget 2020/21 |
| Turnover | 356.8 | 391.4 | 391.4 |
| Gain on business combination – DGHP | 253.4 | - | - |
| Total Turnover | 610.2 | 391.4 | 391.4 |
| Operating expenditure | (265.3) | (296.6) | (296.6) |
| Operating surplus | 344.9 | 94.8 | 94.8 |
| <i>Operating margin</i> | 56.5% | 24.2% | 24.2% |
| Gain on disposal of fixed assets | - | 1.1 | 1.1 |
| Net interest payable | (70.8) | (73.2) | (73.2) |
| Surplus/(Deficit) | 274.1 | 22.7 | 22.7 |
| Net Capital Expenditure | 127.5 | 147.1 | 147.1 |

- 6.3 Budgeted operating surplus of £94.8m (24.2%) is in line with the financial projections and £3.3m higher than the underlying 2019/20 actual outturn after excluding the DGHP gain on business combination. A surplus of £22.7m is also in line with the financial projections and £2.0m higher than the 2019/20 outturn again after excluding the one-off gain on the DGHP partnership.

7. Key financial metrics – interest cover and debt per unit

- 7.1 We are required to submit the Board-approved management accounts of the RSL Borrower Group to its funders after each quarter end. All loan covenants with respect to the RSL Borrower Group were met as at 31 March 2020.
- 7.2 Excluding the variance on grant income recognised on the completion of new build properties, the underlying results for the RSL Borrowing Group are £2.9m favourable to budget.
- 7.3 The favourable performance against budget has improved the covenant position at 31 March 2020 outperforming the key measures in the financial projections as shown in the table below.

| Covenant | Projections | Actual |
|-----------------|--------------------|---------------|
| Interest Cover | 150% | 160% |
| Debt per Unit | £23,412 | £23,021 |

- 7.4 The figures are still subject to year-end adjustments and audit. Final results will be presented with the statutory accounts at the August Board. The full suite of covenants for the Group (including DGHP and Lowther) is set out in the appendix to the Quarterly Treasury Report.

8. Value for Money implications

- 8.1 Delivery of our cost efficiency targets is a key element of continuing to demonstrate value for money. The underlying results for the year ended 31 March 2020 were favourable to budget ensuring that these efficiency targets were met.

9. Impact on financial projections

- 9.1 The results for the year have had a positive impact, generating a surplus of favourable to budget excluding the gain on DGHP business combination and the variance on the accounting recognition of grant. The covenant measures report a stronger financial position compared to the projections.

10. Legal, regulatory and charitable implications

- 10.1 No implications.

11. Equalities impact

- 11.1 Not applicable.

12. Recommendation

- 12.1 The Board is requested to:

- 1) note the financial performance for the Group to 31 March 2020;
- 2) approve the RSL Borrower Group accounts at appendix 2 for submission to the Group's lenders; and
- 3) approve the Group budget for 2020/21.

Appendices:

- 1: Wheatley Group Financial Report to 31 March 2020
- 2: RSL Borrower Group Financial Report to 31 March 2020

Appendix 1: Wheatley Group Financial Report To 31 March 2020 (Period 12)

| | |
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1a) Wheatley Group – Year to Date P12 (31 March 2020)



| YTD (£k) | Year to 31 March 2020 | | |
|-------------------------------------|-----------------------|-----------------|-------------------|
| | Actual £'000 | Budget £'000 | Variance £'000 |
| INCOME | | | |
| Net Rental Income | 259,694 | 259,365 | 329 |
| Grant income | 53,790 | 61,120 | (7,330) |
| Other Income | 43,375 | 42,157 | 1,218 |
| Gain on Business Combination | 253,361 | - | 253,361 |
| Total Income | 610,220 | 362,642 | 247,578 |
| EXPENDITURE | | | |
| Employee Costs | 82,666 | 82,997 | 331 |
| ER/VR | 3,793 | 1,105 | (2,688) |
| Running Costs | 45,336 | 44,565 | (771) |
| Repairs & Maintenance | 42,462 | 43,776 | 1,314 |
| Irrecoverable VAT & bad debts | 10,607 | 11,430 | 823 |
| Depreciation | 80,202 | 80,139 | (63) |
| Demolition Programme | 247 | 496 | 249 |
| Total Expenditure | 265,313 | 264,508 | (805) |
| NET OPERATING SURPLUS | 344,906 | 98,134 | 246,772 |
| | 56.5% | 27.1% | |
| Gain/(loss) on sale of fixed assets | 23 | - | 23 |
| Net interest payable | (70,849) | (68,588) | (2,261) |
| STATUTORY SURPLUS/(DEFICIT) | 274,080 | 29,546 | 244,534 |

| | | | |
|---|------------------|------------------|---------------|
| INVESTMENT | | | |
| Total Capital Investment Income | 37,470 | 43,008 | (5,538) |
| Core Investment Programme | 66,764 | 70,002 | 3,238 |
| New Build Programme | 91,759 | 111,235 | 19,476 |
| Other fixed assets | 6,487 | 4,777 | (1,710) |
| Total Capital Investment Expenditure | 165,010 | 186,014 | 21,004 |
| NET CAPITAL INVESTMENT SPEND | (127,540) | (143,006) | 15,466 |

The Wheatley Housing Group operating surplus for the 12 months ended 31 March 2020 was £343.6m, £245.5m favourable to budget. At the statutory surplus level, a surplus of £272.8m is reported showing a favourable variance of £243.3m to budget. The consolidated operating statement includes the results of DGHP from the date of joining the Group (12 December 2019). A separate section is shown on p13 for DGHP, reporting the full year results against budget.

Total income includes £253.4m for the gain on business combination the DGHP and Wheatley business combination, which is not budgeted for.

Total income (excluding the DGHP gain on business combination) at £356.9m is £5.7m lower than budgeted:

- Net rental income is £0.3m favourable to budget with strong letting performance across the RSLs and the benefit of early completion of social rent properties at Gallowgate (GHA), Dixon Terrace (WLHP), and at DC's North Berwick and Greendykes developments. This has been partly offset by lower levels of rental income in Lowther Homes following the later than budgeted completion of MMR new build units at Bellwatson, Ibroxholm (both GHA) and Ruchill (Cube).
- Grant income recognised on the completion of new build and capital projects is £7.3m lower than budget. The key driver for the variance against budget is the delay in the completions due in March attributable to the instruction by the Scottish Government for all construction sites to close in response to the COVID 19 crisis. Grant income reported includes completions at sites which were delayed in 2018/19 which have completed in the current year and the earlier than budgeted current year completions at WLHP's Dixon Terrace (SR) and GHA's Gallowgate site (budgeted for Q4 2019/20). These have been offset by in year delays at Jarvey Street (WLHP) and at Ibroxholm (GHA).
- Other income is £1.2m favourable to budget linked to higher levels of repairs and factoring income in YourPlace. There is an equal and opposite increase in cost of sales, reported through the running cost line.

Total expenditure is £0.8m unfavourable to budget:

- Employee costs are broadly in line with budget across the group, reporting a £331k favourable variance. Included are costs related to the creation of the new universal credit team, maternity and long term sickness cover. The budget also includes an in-year savings challenge profiled evenly through the year and incorporates team restructures implemented earlier in the year.
- ER/VR costs are reporting an adverse variance of £2.7m for the year. As part of addressing some of the long term structural issues with our ageing workforce discussed previously at the Board we have accelerated change in a number of leadership roles as well as a number of housing officer positions, whilst introducing our graduate programme. The cost at March 2020 reflects the staff signed up to take ER/VR.
- Running costs are £0.8m adverse to budget mainly driven by additional costs to support the delivery of a higher level of services to factored homeowners by YourPlace.
- Repairs expenditure is £1.3m favourable to budget in the year to date with lower levels of spend reported across the Group in both cyclical and reactive repairs. DC is £240k adverse on reactive repairs, however this is offset by a favourable variance on cyclical repairs. Lowther is £189k adverse as a result of the increased number of repairs over the winter period.
- Irrecoverable vat and bad debts are £823kk favourable to budget across the Group, and includes additional provision made for tenants who have moved to Universal Credit during the year.
- Interest expenditure is £2.3m unfavourable to budget for the year, and includes [redacted]. Interest paid by the RSLs is £2.2m favourable due to both the timing and amounts of funding drawdowns.
- Net capital investment expenditure is £15.5m lower than budget, largely due to the variance in the new build programme. The £5.5m investment income variance has arisen as a result of the timing of new build grant claims. Core Programme spend is £3.2m lower than budget with investment work continuing to meet the criteria for the VAT shelter in GHA.
- Other capital expenditure of £6.5m, is £1.7m adverse to budget, driven by expenditure for the first phase of the new Group wide in-house repairs system and costs of additional mobile equipment and laptops for to support Group-wide home working.

Wheatley Group Financial Report To 31 March 2020 (Period 12)

RSL Borrower Group

2a) RSL Borrower Group – Year to 31 March 2020

| YTD (£k) | ACTUAL £'000 | BUDGET £'000 | VARIANCE £'000 | Full Year Budget £'000 |
|---|------------------|------------------|-------------------|------------------------------|
| INCOME | | | | |
| Gross Rental Income | 234,899 | 234,914 | (15) | 234,914 |
| Void Losses | (1,670) | (2,336) | 666 | (2,336) |
| Net Rental Income | 233,230 | 232,578 | 652 | 232,578 |
| Grant income | 53,330 | 60,629 | (7,299) | 60,629 |
| Other Income | 15,429 | 15,507 | (78) | 15,507 |
| Total Income | 301,989 | 308,714 | (6,725) | 308,714 |
| EXPENDITURE | | | | |
| Employee Costs | 64,280 | 64,614 | 334 | 64,614 |
| ER/VR | 3,425 | 1,105 | (2,320) | 1,105 |
| Running Costs | 25,662 | 25,898 | 236 | 25,898 |
| Repairs & Maintenance | 35,155 | 36,277 | 1,122 | 36,277 |
| Irrecoverable VAT & bad debts | 10,620 | 11,013 | 393 | 11,013 |
| Depreciation | 76,956 | 76,956 | - | 76,956 |
| Demolition Programme | 247 | 496 | 249 | 496 |
| Total Expenditure | 216,345 | 216,359 | 14 | 216,359 |
| NET OPERATING SURPLUS | 85,644 | 92,355 | (6,711) | 92,355 |
| | 28.4% | 29.9% | | |
| Gain/(loss) on sale of fixed assets | - | - | - | - |
| Net interest payable | (60,537) | (62,868) | 2,331 | (62,868) |
| STATUTORY SURPLUS/(DEFICIT) | 25,107 | 29,487 | (4,380) | 29,487 |
| INVESTMENT | | | | |
| Total Capital Investment Income | 37,244 | 43,008 | (5,764) | 43,008 |
| Core Investment Programme | 61,374 | 64,353 | 2,979 | 64,353 |
| New Build Programme | 91,287 | 107,003 | 15,716 | 107,003 |
| Other fixed assets | 6,487 | 4,527 | (1,960) | 4,527 |
| Total Capital Investment Expenditure | 159,148 | 175,883 | 16,735 | 175,883 |
| NET CAPITAL INVESTMENT SPEND | (121,904) | (132,875) | 10,971 | (132,875) |

The RSL Borrower Group operating surplus at the end of period 12 was £85.6m, £6.7m unfavourable to budget. At the statutory surplus level, an unfavourable variance of £4.4m is reported, resulting in a surplus of £25.1m for the year to date.

Total income is £6.7m lower than budget:

- Net rental income is £652k favourable to budget across the RSLs. We continue to report a strong void performance with void losses £666k favourable to budget and representing 0.71% of rental income versus the budget of 0.98%. Average rents on new build properties is higher also.
- Grant income recognised on the completion of new build and capital projects is £7.3m lower than budget. The key driver for the variance against budget is the delay in the completions due in March attributable to the instruction by the Scottish Government for all construction sites to close in response to the COVID 19 crisis. Grant income reported includes completions at sites which were delayed in 2018/19 which have completed in the current year and the earlier than budgeted current year completions at WLHP's Dixon Terrace (SR) and GHA's Gallowgate site (budgeted for Q4 2019/20). These have been offset by in year delays at Jarvey Street (WLHP) and at Ibroxholm (GHA).
- Other income is £78k unfavourable to budget primarily due to WLHP's MMR units at Jarvey Street not being completed as expected in 2019/20 and the lower associated lease income charged to Lowther Homes.
- Total expenditure is in line with budget. All operating cost lines are reporting lower than budgeted spend in the year to date with the exception of ER/VR costs, where additional provision has been made as part of addressing some of the long term structural issues with our ageing workforce. As discussed previously at the Board, we have accelerated change in a number of leadership roles as well as a number of housing officer positions, whilst introducing our graduate programme.
- Irrecoverable vat and bad debts are £393k favourable to budget and include an incremental provision of £0.8m on arrears for tenants on Universal Credit, based on the value of arrears at 31 March 2020.
- Repairs and maintenance expenditure is £1.1m lower than budgeted for the year across all of the RSL Borrower Group. In total both cyclical and reactive repairs are favourable to budget. Only Dunedin Canmore is £240k adverse on reactive repairs, however this is offset by a favourable variance on cyclical repairs. The number of reactive repairs during 19/20 has seen an increase of 10% volume from 18/19.
- Net Capital Investment is £11.0m lower than budgeted. Expenditure of £159.1m is reporting a favourable variance of £16.7m arising largely due to the new build programme and driven by delayed progress at Queen's Quay, Sighthill, Kennishead and South Gilmerton. The £5.8m investment income variance has arisen as a result of the timing of new build grant claims.

2b) GHA – Year to date



| | Year To March 2020 | | | Full Year Budget £ks |
|--|--------------------|---------------|-----------------|-------------------------|
| | Actual £ks | Budget £ks | Variance £ks | |
| INCOME | | | | |
| Rental Income | £176,649 | £176,326 | £323 | £176,326 |
| Void Losses | (£1,140) | (£1,225) | £85 | (£1,225) |
| Net Rental Income | £175,509 | £175,101 | £408 | £175,101 |
| Other Income | £7,468 | £7,056 | £412 | £7,056 |
| Grant Income | £26,250 | £26,903 | (£653) | £26,903 |
| Total Income | £209,227 | £209,060 | £167 | £209,060 |
| EXPENDITURE | | | | |
| Employee Costs - Direct | £34,088 | £34,115 | £27 | £34,115 |
| Employee Costs - Group Services | £11,835 | £12,086 | £251 | £12,086 |
| ER / VR | £3,286 | £1,025 | (£2,261) | £1,025 |
| Direct Running Costs | £11,235 | £10,999 | (£236) | £10,999 |
| Running Costs - Group Services | £7,143 | £7,075 | (£68) | £7,075 |
| Revenue Repairs and Maintenance | £26,119 | £26,901 | £782 | £26,901 |
| Irrecoverable VAT and bad debts | £10,236 | £9,978 | (£258) | £9,978 |
| Depreciation | £57,293 | £57,293 | £0 | £57,293 |
| Demolition and Tenants Compensation | £247 | £496 | £249 | £496 |
| TOTAL EXPENDITURE | £161,482 | £159,968 | (£1,514) | £159,968 |
| NET OPERATING SURPLUS / (DEFICIT) | £47,745 | £49,092 | (£1,347) | £49,092 |
| Net operating margin | 22.8% | 23.5% | -0.7% | |
| Interest payable & similar charges | (£45,995) | (£48,209) | £2,214 | (£48,209) |
| STATUTORY SURPLUS / (DEFICIT) | £1,750 | £882 | £868 | £882 |
| INVESTMENT | | | | |
| | Actual £ks | Budget £ks | Variance £ks | Full Year Budget £ks |
| Total Capital Investment Income | £19,189 | £15,183 | £4,006 | £15,200 |
| Total Expenditure on Core Programme | £47,132 | £50,078 | £2,946 | £50,773 |
| New Build & Other Investment Expenditure | £48,716 | £54,248 | £5,532 | £53,554 |
| Other Capital Expenditure | £4,945 | £3,619 | (£1,326) | £3,619 |
| TOTAL CAPITAL EXPENDITURE | £100,793 | £107,945 | £7,152 | £107,945 |
| NET CAPITAL EXPENDITURE | £81,604 | £92,762 | £11,158 | £92,745 |

Key highlights year to date:

- A net operating surplus of £47,745k is £1,347k unfavourable to budget. The Statutory surplus of £1,750k is £868k favourable to budget.
- Net rental income is reporting a £408k favourable variance following a strong letting performance. Void losses in the year to date are 0.65% against a budget of 0.70%. This is also aided by the earlier than budgeted handover of homes at the Gallowgate new build development as well as higher than budgeted rental income on units completed in 2018/19.
- Grant income recognised on the completion of new build properties is £653k unfavourable to budget due to the timing of handovers at Bellrock, Linkwood and Kennished developments. It was expected that 39 properties would be handed over in period 12 but due to the shutdown of construction sites in mid March only 14 units were completed.
- Other Income is £412k favourable to budget and includes unbudgeted income related to Wayleaves of £221k and home contents insurance. This is partly offset by lower than expected income from commercial properties.
- Total employee costs are £278k favourable to budget. Included are costs related to the creation of the new universal credit team, maternity and long term sickness cover costs which haven been offset by the achievement of in year savings through ERVR leavers and vacancies in the structure. Employee costs recharged from Wheatley Solutions are £251k favourable to budget, realised as a result of team restructures during the year.
- ER/VR costs are £2.3m higher than budget. As part of addressing some of the long term structural issues with our ageing workforce discussed previously at the Board we have accelerated change in a number of leadership roles as well as a number of housing officer positions, whilst introducing our graduate programme. The cost at March 2020 reflects the staff signed up to take ER/VR.
- Total running costs are £304k unfavourable to budget with recharges from Wheatley Solutions adverse to budget, driven by higher costs in relation to COVID-19.
- Repairs spend is £782k favourable to budget mainly due to lower spend in reactive repairs.
- Bad debts, £258k unfavourable to budget, includes an incremental provision for arrears linked to tenants who have migrated onto Universal Credit during the year of £640k.
- Interest expenditure is £2.2m favourable to budget, due to both the timing and interest costs of funding drawdowns. In the year, GHA has drawn down less than what was originally budgeted for. Borrowings are linked to the new build and core investment programmes.
- Investment income of £19.2m relates to grant received in the financial year, £4.0m favourable variance to budget. This is as a result of higher than budgeted grant submissions for Baillieston and Sighthill and also various accelerated submission for projects not budgeted in current financial year.
- Core Programme spend is £2.9m lower than budget with investment work continuing to meet the criteria for the VAT shelter.
- New build spend is £5.5m lower to budget. Lower costs at Kennishead, Sighthill and Baillieston continue to drive the variance. All three sites are now underway but were delayed from their planned start dates throughout 2019.
- Other capital expenditure of £4.9m, is £1.3m adverse to budget, driven by £587k spend on IT upgrades (Astra) and consultancy support provided as part of the upgrade. Also included is software expenditure for the first phase of the new group wide in-house repairs system, and costs for laptops and mobile equipment for staff moving to home working in March.

2c) Cube – Year to date



| | Period To 31 March 2020 | | | Full Year Budget £k |
|--------------------------------------|-------------------------|---------------|----------------|---------------------------|
| | Actual £k | Budget £k | Variance £k | |
| INCOME | | | | |
| Rental Income | 18,399 | 18,543 | (144) | 18,543 |
| Void Losses | (176) | (431) | 255 | (431) |
| Net Rental Income | 18,223 | 18,112 | 111 | 18,112 |
| Other Income | 647 | 674 | (27) | 674 |
| Grant Income | 6,764 | 5,266 | 1,498 | 5,266 |
| Total Income | 25,634 | 24,052 | 1,582 | 24,052 |
| EXPENDITURE | | | | |
| Employee Costs - Direct | 3,540 | 3,505 | (35) | 3,505 |
| Employee Costs - Group Services | 877 | 891 | 14 | 891 |
| ER / VR | 105 | 0 | (105) | 0 |
| Direct Running Costs | 1,815 | 1,798 | (17) | 1,798 |
| Running Costs - Group Services | 526 | 522 | (4) | 522 |
| Revenue Repairs and Maintenance | 3,174 | 3,395 | 222 | 3,395 |
| Bad debts | 119 | 506 | 387 | 506 |
| Depreciation | 6,641 | 6,641 | 0 | 6,641 |
| TOTAL EXPENDITURE | 16,796 | 17,257 | 461 | 17,257 |
| OPERATING SURPLUS / (DEFICIT) | 8,838 | 6,795 | 2,043 | 6,795 |
| Interest Payable | (4,632) | (4,764) | 132 | (4,764) |
| STATUTORY SURPLUS / (DEFICIT) | 4,208 | 2,031 | 2,177 | 2,031 |

| | Period To 31 March 2020 | | | Full Year Budget £k |
|--|-------------------------|---------------|----------------|---------------------------|
| | Actual £k | Budget £k | Variance £k | |
| INVESTMENT | | | | |
| Total Capital Investment Income | 3,323 | 9,095 | (5,772) | 9,095 |
| Investment Works | 5,977 | 5,997 | 20 | 5,997 |
| New Build | 8,642 | 13,515 | 4,873 | 13,515 |
| Other Capital Expenditure | 363 | 216 | (147) | 216 |
| TOTAL CAPITAL EXPENDITURE | 14,982 | 19,728 | 4,746 | 19,728 |
| NET CAPITAL EXPENDITURE | 11,659 | 10,633 | (1,026) | 10,633 |

Key highlights year to date:

- Both operating surplus of £8,838k and statutory surplus of £4,208k are favourable to budget for the full year to March 2020, the main driver being the grant income reported of £6,764k which is favourable to budget by £1,498k due to completions at Bonhill PS and Dumbain, these sites were budgeted to complete in the previous financial year.
- There were 46 units in Westcliff planned for completion in March 2020 and due to COVID-19 lockdown from mid-March only 22 units were completed at this site. All other units budgeted for have completed in the year.
- Void losses are running at just under 1% versus the budget rate of 2.3% causing the positive variance of £255k.
- Employee costs are £35k unfavourable to budget due to increased overtime costs relating to the delivery of environmental services to new build properties. Changes to the delivery of the environmental service across the Group have been agreed and are being implemented. ERVR costs of £105k were unbudgeted and relate to 6 posts to allow changes to be made to the frontline structure.
- Direct running costs are £17k unfavourable to budget and includes the additional running costs in relation to the district heating scheme and Think Yes spend.
- Group services charges of £1,403k (£877k employees costs and £526k in running costs) represents Cube's share of Wheatley Solutions staff and employees.
- Revenue repairs and maintenance expenditure is £222k favourable to budget, due to an underspend on cyclical maintenance of £306k. The cyclical underspend is offsetting an overspend on reactive repairs.
- Bad debts are £387k favourable to budget, and includes an incremental provision of £34k for UC movement in the year. A prudent approach was taken when setting the budget due to the anticipated impact of Universal Credit.
- Interest is paid on £95.7m of loans due to Wheatley Funding No 1 Ltd and is £132k favourable to budget. Interest includes loan fee amortisation, and development interest capitalised to date.
- Net capital expenditure of £11,659k is £1,026k higher than the budget of £10,633k.
- Lower capital investment income is reported due to the delay in the Queens Quay site starting and no transactions against the provision for unspecified units completing in 2021.
- Investment works expenditure of £5,977k mainly relates to Internal Common Works, Kitchen and Bathroom replacements, and Mechanical and Electrical Works. Lower new build expenditure is reported due to Queens Quay delay and no sites having been identified for budgeted unspecified units.
- Other capital expenditure of £363k relates to Cube's share of group wide IT investment.

2d) West Lothian Housing Partnership – Year to date

Key highlights year to date:

- Statutory surplus of £5,464k is £1,101k lower than budget. The variance is largely due to lower than expected HAG income recognised in the year. The majority of this variance relates to £1,302k budgeted for the units at Jarvey Street which were budgeted to complete in May but are now expected to be completed in 2020/21.
- Total income of £8,038k is £1,384k lower than budgeted. Letting performance remains strong with gross rental income £142k favourable to budget due to the early completion of units at Dixon Terrace where units were completed earlier in the year when all units were budgeted to complete in period 12. Void losses are £31k favourable to budget. Other income is £189k adverse to budget due to the MMR units at Jarvey Street not being completed in 2019/20 and the lower associated lease income charged to Lowther Homes.
- Revenue repairs and maintenance expenditure is £55k favourable to budget with responsive repairs spend £50k favourable to budget.
- The bad debts are £35k favourable to budget. The budget was set prudently following the roll out of universal credit.
- Group services charges for staff and running costs of £55k represent West Lothian's share of Wheatley Solutions' staff and service costs.
- Gross interest payable of £599k represents interest due on the £18.75m of loans due to Wheatley Funding Ltd 1.
- Core investment expenditure of £279k relates to the bathroom, boiler and smoke alarm replacement programmes. Small levels of medical adaptation, capitalised void costs and capitalised repairs spend has also been incurred.
- New Build expenditure of £11,876k is reported at the end of period 12 with the variance of £529k largely driven by progress at the Almondvale development offset by higher than budgeted expenditure at Kirk Lane, which was not originally included in the WLHP programme, and Jarvey Street. Almondvale is now on site and progressing satisfactorily, spend in the year to 31 March is £1,432k lower than budget following a change in the order of works by the contractor at this site.

| | Year to 31 March 2020 | | | Full Year |
|--|-----------------------|---------------|-----------------|---------------|
| | Actual £ks | Budget £ks | Variance £ks | Budget £ks |
| INCOME | | | | |
| Rental Income | 2,158 | 2,016 | 142 | 2,016 |
| Void Losses | 0 | (31) | 31 | (31) |
| Net Rental Income | 2,158 | 1,985 | 173 | 1,985 |
| Other Income | 2 | 191 | (189) | 191 |
| HAG Recognised in the Year | 5,879 | 7,246 | (1,367) | 7,246 |
| TOTAL INCOME | 8,038 | 9,422 | (1,384) | 9,422 |
| EXPENDITURE | | | | |
| Employee Costs - Direct | 324 | 333 | 9 | 333 |
| Employee Costs - Group Services | 35 | 35 | 0 | 35 |
| Direct Running Costs | 191 | 196 | 5 | 196 |
| Running Costs - Group Services | 20 | 20 | 0 | 20 |
| Revenue Repairs and Maintenance | 266 | 321 | 55 | 321 |
| Bad Debts | 0 | 35 | 35 | 35 |
| Depreciation | 1,140 | 1,140 | 0 | 1,140 |
| TOTAL EXPENDITURE | 1,977 | 2,080 | 103 | 2,080 |
| NET OPERATING SURPLUS / (DEFICIT) | 6,061 | 7,342 | (1,281) | 7,342 |
| <i>Net Operating Margin</i> | 75% | 78% | -3% | 78% |
| Interest receivable | 1 | 0 | 1 | 0 |
| Interest payable | (599) | (777) | 178 | (777) |
| STATUTORY SURPLUS / (DEFICIT) | 5,464 | 6,565 | (1,101) | 6,565 |

| | Year to 31 March 2020 | | | Full Year |
|--|-----------------------|---------------|-----------------|---------------|
| | Actual £ks | Budget £ks | Variance £ks | Budget £ks |
| INVESTMENT | | | | |
| Total Capital Investment Income | 7,992 | 5,895 | 2,097 | 5,883 |
| Total Expenditure on Core Programme | 279 | 280 | 1 | 280 |
| New Build & Other Investment | 11,876 | 12,405 | 529 | 12,405 |
| Other Capital Expenditure | 112 | 22 | (90) | 22 |
| TOTAL CAPITAL EXPENDITURE | 12,267 | 12,707 | 440 | 12,707 |
| NET CAPITAL EXPENDITURE | 4,275 | 6,812 | 2,537 | 6,824 |

2e) Loretto Housing – Year to date

| | Period To 31 March 2020 | | | Full Year Budget £k |
|--------------------------------------|-------------------------|---------------|----------------|---------------------------|
| | Actual £k | Budget £k | Variance £k | |
| INCOME | | | | |
| Rental Income | 7,862 | 7,876 | (13) | 7,876 |
| Void Losses | (116) | (248) | 133 | (248) |
| Net Rental Income | 7,747 | 7,628 | 119 | 7,628 |
| Other Income | 1,527 | 1,588 | (61) | 1,588 |
| Grant Income | 5,232 | 2,578 | 2,654 | 2,578 |
| Total Income | 14,506 | 11,793 | 2,712 | 11,793 |
| EXPENDITURE | | | | |
| Employee Costs - Direct | 2,281 | 2,426 | 145 | 2,426 |
| Employee Costs - Group Services | 266 | 270 | 4 | 270 |
| ER / VR | 34 | 0 | (34) | 0 |
| Direct Running Costs | 1,683 | 1,638 | (45) | 1,638 |
| Running Costs - Group Services | 160 | 158 | (2) | 158 |
| Revenue Repairs and Maintenance | 1,326 | 1,344 | 17 | 1,344 |
| Bad debts | 130 | 206 | 76 | 206 |
| Depreciation | 3,465 | 3,465 | 0 | 3,465 |
| TOTAL EXPENDITURE | 9,345 | 9,507 | 161 | 9,507 |
| OPERATING SURPLUS / (DEFICIT) | 5,160 | 2,287 | 2,873 | 2,287 |
| Interest Payable | (1,770) | (1,738) | (32) | (1,738) |
| STATUTORY SURPLUS / (DEFICIT) | 3,391 | 549 | 2,842 | 549 |

| | Period To 31 March 2020 | | | Full Year Budget £k |
|--|-------------------------|--------------|----------------|---------------------------|
| | Actual £k | Budget £k | Variance £k | |
| INVESTMENT | | | | |
| Total Capital Investment Income | 1,717 | 3,015 | (1,298) | 3,015 |
| Investment Works | 1,602 | 1,907 | 305 | 1,907 |
| New Build | 3,062 | 4,830 | 1,768 | 4,830 |
| Other Capital Expenditure | 139 | 161 | 22 | 161 |
| TOTAL CAPITAL EXPENDITURE | 4,803 | 6,897 | 2,095 | 6,897 |
| NET CAPITAL EXPENDITURE | 3,085 | 3,882 | 797 | 3,882 |

Key highlights year to date:

- Operating surplus of £5,160k and statutory surplus of £3,391k are both favourable to budget, the main driver being the grant income release at £2,654k above budget relating to new build units completed at Muirhall St; these were assumed to complete in the previous financial year.
- Void losses in the year to date are 1.4% against a budget of 3.1%
- The above grant income release is the key driver for total income reported being above budget by £2,712k. There were no property completions impacted by lockdown as all property completions occurred earlier in the year as per budget.
- Employee costs report a favourable variance of £145k, most of which relates to TSS, with staff numbers slightly lower than budgeted due to vacancies. Note that overall the TSS service reports a nil surplus/deficit, excluding Loretto HA's share of TSS costs.
- Direct running costs are £45k unfavourable to budget and this results from higher property costs in the year and council tax costs on void Duke Street properties since the end of the exemption period has been reached.
- Group services charges of £426k represents Loretto's share of Wheatley House staff and employees.
- Revenue repairs and maintenance expenditure is £17k favourable to budget due to low spend in reactive repairs and cyclical maintenance.
- Bad debts are £76k favourable to budget and includes an incremental provision for UC in the year of £17k. A prudent approach was taken when setting the budget due to the anticipated impact of Universal Credit.
- Interest is paid on £37.3m of loans due to Wheatley Funding Ltd 1 and in addition loan fees are included here.
- The net capital expenditure of £3,085k is £797k lower than budget of £3,882k.
- Capital investment income is unfavourable to budget due to very little spend being recorded against the provision for unspecified units included in the budget, at the time of approving the business plan this provision had not been allocated against specific sites.
- Investment works expenditure of £1,602k predominantly relates to bathroom and kitchen replacements.
- New build expenditure of £3,062k mainly relates to Buckley Street which was fully complete in October, and the acquisition of land for Dargavel site. New build capital expenditure is lower than budget due to very little spend being recorded against the provision for unspecified units included in the budget, at the time of approving the business plan this provision had not been allocated against specific sites.

2f) Dunedin Canmore – Year to date

| | Year to 31 March 2020 | | | Full Year |
|--|-----------------------|---------------|-----------------|---------------|
| | Actual £ks | Budget £ks | Variance £ks | Budget £ks |
| INCOME | | | | |
| Rental Income | 28,002 | 28,006 | (4) | 28,006 |
| Void Losses | (203) | (310) | 107 | (310) |
| Net Rental Income | 27,798 | 27,696 | 102 | 27,696 |
| HAG Recognised in the Year | 9,205 | 18,636 | (9,431) | 18,636 |
| Other Income | 2,411 | 2,340 | 70 | 2,340 |
| TOTAL INCOME | 39,414 | 48,672 | (9,259) | 48,672 |
| EXPENDITURE | | | | |
| Employee Costs - Direct | 4,666 | 4,664 | (2) | 4,664 |
| ER/VR | - | - | - | - |
| Employee Costs - Group Services | 1,529 | 1,554 | 24 | 1,554 |
| Direct Running Costs | 3,025 | 3,030 | 5 | 3,030 |
| Running Costs - Group Services | 918 | 910 | (9) | 910 |
| Revenue Repairs and Maintenance | 3,778 | 3,826 | 48 | 3,826 |
| Bad Debts | 124 | 269 | 145 | 269 |
| Depreciation | 7,804 | 7,804 | - | 7,804 |
| TOTAL EXPENDITURE | 21,844 | 22,055 | 212 | 22,057 |
| NET OPERATING SURPLUS / (DEFICIT) | 17,570 | 26,617 | (9,047) | 26,615 |
| <i>Net Operating Margin</i> | 45% | 55% | -10% | 55% |
| Interest receivable | 6 | 6 | - | 6 |
| Interest payable | (7,453) | (7,676) | 223 | (7,676) |
| STATUTORY SURPLUS / (DEFICIT) | 10,123 | 18,947 | (8,824) | 18,945 |

| | Year to 31 March 2020 | | | Full Year |
|--|-----------------------|---------------|-----------------|---------------|
| | Actual £ks | Budget £ks | Variance £ks | Budget £ks |
| INVESTMENT | | | | |
| Total Capital Investment Income | 5,083 | 9,832 | (4,749) | 9,832 |
| Total Expenditure on Core Programme | 5,977 | 5,841 | (136) | 5,841 |
| New Build & Other Investment | 18,991 | 22,005 | 3,015 | 22,005 |
| Other Capital Expenditure | 725 | 377 | (349) | 377 |
| TOTAL CAPITAL EXPENDITURE | 25,693 | 28,222 | 2,530 | 28,223 |
| NET CAPITAL EXPENDITURE | 20,610 | 18,390 | (2,220) | 18,391 |

Key highlights year to date:

- Net operating surplus of £17,570k is £9,047k adverse to budget. Statutory surplus for the year to 31 March is £10,123k, £8,824k adverse to budget.
- Net rental income is reporting a £102k favourable variance following a strong letting performance. Void losses in the year to date are 0.7% against a budget of 1.1%.
- Grant income recognised in the year of £9,205k relates to the completion of units at Ravelrig Road, North Berwick, Greendykes, Aberlady, Lang Loan and Gullane. The adverse variance of £9,431k has arisen following completions which were budgeted in the current year but were accelerated and actually handed over in 2018/19. In addition, it was expected that over 100 properties would be handed over in period 12 but due to the shutdown of sites as a result of the coronavirus epidemic only 18 units were completed in March 2019.
- Other Income is £70k favourable to budget. DC Property Services ("DCPS") has generated a profit of £110k in the YTD. This is £28k favourable to budget.
- Repairs and maintenance costs are £48k favourable to budget. Reactive repair spend is £240k adverse to budget but this is offset by lower levels of cyclical spend which are £287k favourable to budget. The number of reactive repair jobs has increased by 10% year on year and is driven by customer demand.
- Bad debts is £145k lower than budget which was set on a prudent basis to make additional provision for the rollout of Universal Credit. An incremental provision for arrears linked to tenants who have migrated onto Universal Credit during the year of £42k has also been applied.
- Interest expenditure is £223k favourable to budget, due to the timing of funding drawdowns and preferential rates achieved. Borrowings are linked to the new build and core investment programmes.
- Investment expenditure on existing properties is £136k higher than budget driven by higher void costs capitalised. The core investment programme is reporting a favourable variance of £38k but this is offset by higher than budgeted void costs.
- New build spend of £18,991k is £3,015k behind budget. Lower levels of spend is reported across several sites. The largest variance relates to South Gilmerton where the acquisition took longer than anticipated but this was completed in January and several certificates have now been received. We have also started making grant claims as well.

2g) Barony – Year to date



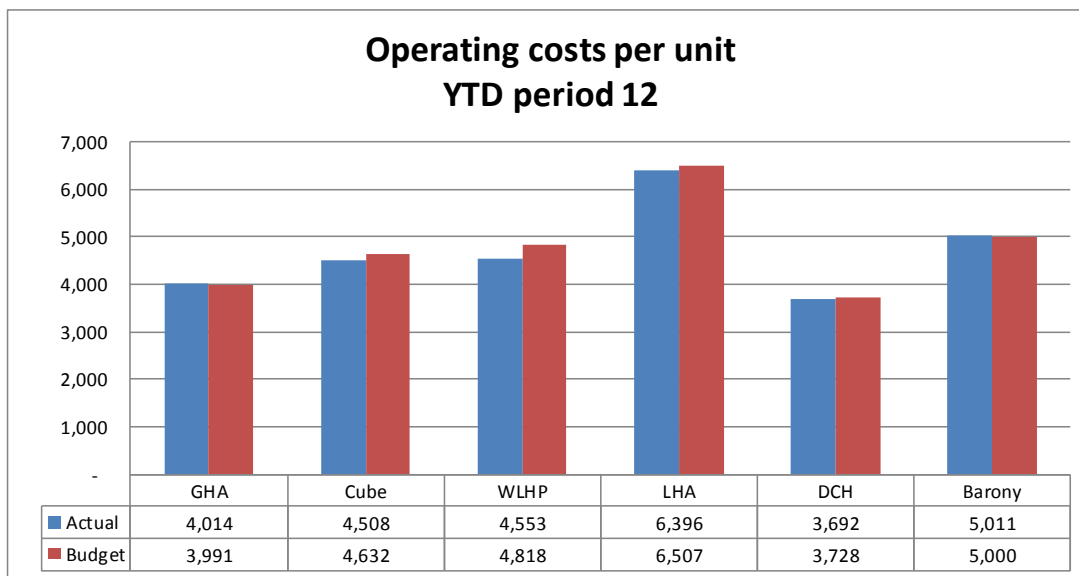
Key highlights – year to date:

- Net operating surplus of £269k is £32k favourable to year to date budget. Statutory surplus of £172k is £19k favourable to budget. Total income is £31k unfavourable to budget, offset by employee and running costs being favourable to budget by £57k.
- Net rental income of £2,031k is £25k unfavourable to budget for the year, due to lower supported rental and service charge income against budget.
- Care income of £4,862k is £68k unfavourable to budget due to fewer hours invoiced against budget at the Falkirk SDS Service (£87k unfavourable) and lower home visiting support hours being provided at our 3 West Lothian services. Other income of £102k includes £34k recognised in relation to the VSDF project to cover staff training costs and £40k for the management fee for the Dunedin Canmore Harbour.
- Direct employee costs at £4,646k are £14k unfavourable to budget. Included within the year to date figures is a one off payment of £26k to staff that worked across the 4 public holidays over the festive period.
- Direct running costs of £654k are £100k favourable to budget. This includes staff travel costs, insurance and property costs and £34k of VSDF project expenditure to offset the income above. The underspend relates to savings in both care services and housing, offset slightly by higher costs in head office.
- Repairs and maintenance expenditure is £492k, £13k unfavourable to budget. Reactive and cyclical repairs work is carried out by colleagues in Dunedin Canmore Property Services. Reactive repairs are unfavourable to budget by £50k, this includes £47k of unplanned works carried out at Logie Road including door replacements, painting and electrical works. This is offset by repairs costs being favourable to budget in both care services and care management.
- Bad debts includes a reduction in the provision for arrears linked to tenants who have migrated onto Universal Credit during the year.
- Core programme expenditure of £407k, is broadly in line with budget for the year. Other capital expenditure relates to the refurbishment of the Kirkcaldy Contact Point, with £23k spent in the year of which £15k of this is in relation to fire mitigation works at the Contact Point and £3k for a kitchen renewal. There is also £28k of Group IT costs included for the full year.

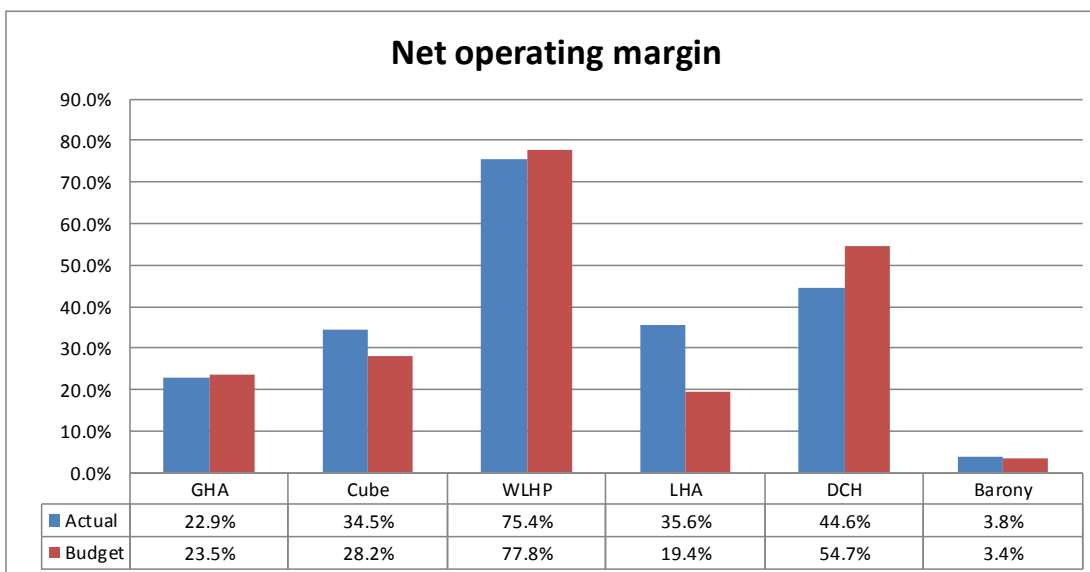
| BARONY OVERALL | Year to 31 March 2020 | | |
|--|-----------------------|---------------|-----------------|
| | Actual £ks | Budget £ks | Variance £ks |
| Rental Income | 2,066 | 2,147 | (81) |
| Void Losses | (35) | (91) | 56 |
| NET RENTAL INCOME | 2,031 | 2,056 | (25) |
| Care Income | 4,862 | 4,930 | (68) |
| Grant Income | - | - | - |
| Other Income | 102 | 40 | 62 |
| TOTAL INCOME | 6,995 | 7,026 | (31) |
| EXPENDITURE | | | |
| Employee Costs - Direct | 4,646 | 4,632 | (14) |
| Employee Costs - Group Services | 193 | 183 | (10) |
| Direct Running Costs | 654 | 754 | 100 |
| Running Costs - Group Services | 116 | 109 | (7) |
| Revenue Repairs and Maintenance | 492 | 479 | (13) |
| Bad Debts | 12 | 19 | 7 |
| Depreciation | 613 | 613 | - |
| TOTAL EXPENDITURE | 6,726 | 6,789 | 63 |
| NET OPERATING SURPLUS / (DEFICIT) | 269 | 237 | 32 |
| NET OPERATING SURPLUS / (DEFICIT) BY DEPARTMENT | | | |
| Housing | 231 | 171 | 60 |
| Care & Care Offices | 40 | 67 | (27) |
| Interest receivable | 3 | - | 3 |
| Interest payable | (100) | (84) | (16) |
| STATUTORY SURPLUS / (DEFICIT) | 172 | 153 | 19 |

| INVESTMENT | Year to 31 March 2020 | | |
|--|-----------------------|---------------|-----------------|
| | Actual £ks | Budget £ks | Variance £ks |
| Total Capital Investment Income | - | - | - |
| Total Expenditure on Core Programme | 407 | 409 | 2 |
| New Build | - | - | - |
| Other Capital Expenditure | 51 | 30 | (21) |
| TOTAL CAPITAL EXPENDITURE | 458 | 439 | (19) |
| NET CAPITAL EXPENDITURE | 458 | 439 | (19) |

3) Summary of RSL operating costs and margin v budget



- Operating costs per unit:
 - At period 12 all RSLs are reporting favourable operating costs per unit for the year to date or in line with budget. This has been driven by lower levels of running costs recharged from Wheatley Solutions and lower than budgeted bad debts across the RSLs.
 - Operating costs per unit vary across the RSLs depending on the stock profiles and types of accommodation offered.



- Net operating margin:
 - Net operating margin is favourable or in line with budget in Cube, Loretto Housing, and Barony.
 - In GHA, the decision to accelerate the ERVR provision has impacted the operating margin, excluding these one off costs, GHA operating margin is favourable to budget.
 - In WLHP and Dunedin Canmore, both are reporting lower than budgeted net operating margin linked to the timing of the recognition of grant on new build completions.

Wheatley Group Financial Report To 31 March 2020 (Period 12)

Dumfries & Galloway Housing Partnership (DGHP)

4. DGHP - Year to date

| | Year to 31 March 2020 | | |
|--|-----------------------|---------------------|--------------------------|
| | YTD Actual £000s | YTD Budget £000s | YTD Variance £000s |
| INCOME | | | |
| Rental Income | £44,252 | £44,118 | £134 |
| Void Losses | (£873) | (£639) | (£234) |
| Net Rental Income | £43,379 | £43,479 | (£100) |
| Grant Income | £1,990 | £1,133 | £857 |
| Other Income | £1,551 | £1,408 | £143 |
| Total Income | £46,920 | £46,020 | £900 |
| EXPENDITURE | | | |
| Employee Costs - Direct | £7,559 | £7,708 | £149 |
| Employee Costs - Group Services | £0 | £0 | £0 |
| ER / VR | £167 | £0 | (£167) |
| Direct Running Costs | £6,095 | £5,280 | (£815) |
| Running Costs - Group Services | £0 | £0 | £0 |
| Revenue Repairs and Maintenance | £20,096 | £20,800 | £704 |
| Irrecoverable VAT and bad debts | £476 | £904 | £428 |
| Depreciation | £8,250 | £8,009 | (£241) |
| Demolition and Tenants Compensation | £0 | £0 | £0 |
| TOTAL EXPENDITURE | £42,643 | £42,701 | £58 |
| NET OPERATING SURPLUS / (DEFICIT) | £4,277 | £3,319 | £958 |
| <i>Net operating margin</i> | <i>9.1%</i> | <i>7.2%</i> | <i>1.9%</i> |
| RTB Income | £0 | £0 | £0 |
| Net Interest payable & similar charges | (£12,403) | (£6,930) | (£5,473) |
| STATUTORY SURPLUS / (DEFICIT) | (£8,126) | (£3,611) | (£4,515) |

| | Year to 31 March 2020 | | |
|---|-----------------------|----------------|-----------------|
| | Actual £ks | Budget £ks | Variance £ks |
| Total Capital Investment Income | £226 | £0 | £226 |
| Total Expenditure on Core Programme | £14,070 | £17,416 | £3,346 |
| New Build & other investment expenditure | £1,048 | £9,949 | £8,901 |
| Other Capital Expenditure | £341 | £1,000 | £659 |
| TOTAL CAPITAL EXPENDITURE | £15,459 | £28,365 | £12,906 |
| NET CAPITAL EXPENDITURE | £15,233 | £28,365 | £13,132 |

The full results for DGHP are presented for the year to March. The results from the partnership date (12 December 2019) are consolidated into the Wheatley Group results to March 2020. The financial performance is reported against DGHP's approved budget for 2019/20 which is shown prior to the any adjustment to transition to Wheatley Group accounting policies.

Key highlights year to date:

- Net operating surplus of £4,277k is £958k favourable to the budget. Statutory deficit for the year to date is £8,126k, £4,515k adverse to budget, driven by [redacted].
- Total income for the year to date at £46,920k is £900k favourable to budget largely driven by a favourable variance in grant income which includes grant amortisation for HAG on completed new build properties and Supporting People and adaptations grant of £857k.
- Net rental income is reporting a £100k unfavourable variance in the year to date. Gross rental income is £134k favourable to budget. Void losses in the year to date are 1.97% against a budget of 1.45% with higher void costs in non lettable stock at 0.9%. The unlettable void variances are caused by the accelerated emptying of the hard to let blocks across the region.
- Other Income of £1,551k is £143k favourable to budget, and includes additional income for the Young Persons Project, with additional costs for delivery of the project reported in direct running costs.
- Total expenditure is £58k favourable to budget with lower levels of bad debt, repairs and maintenance and direct employee costs.
- Direct running costs include higher than budgeted costs on IT and the transition of IT services to the Cloud. Young Persons' Project costs are also included, where the higher costs were funded by additional income. Unbudgeted costs for the partnership due diligence are also reported in this line.
- Repairs and maintenance costs are £704k favourable to budget as a result of spend on reactive and cyclical repairs £948k lower than budget. This is offset by higher levels of void spend (£244k).
- Interest expenditure is £5,473k unfavourable to budget, reflecting [redacted]
- Investment expenditure on existing properties is £3,346k lower than budget. This is a combination of slower than planned spend and significant unit cost savings on windows and rendering work.
- New build spend of £1.048kk is £8,901kk lower than budget with no new schemes as yet completed in 2019/20.

Wheatley Group Financial Report To 31 March 2020 (Period 12)

Care and Commercial

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6. Wheatley Solutions – Year to date

Comments:

The table presents the financial performance of Wheatley Solutions for the 2019/20 financial year. Both employee costs and running costs are recovered in full by way of a recharge to each of the group subsidiaries. This recharge is reflected in the bottom half of the table.

Overall, Wheatley Solutions reports total expenditure of £25,679k. This is £224k lower than budget for the year with lower employee costs the reason for this.

- Employee costs of £15,949k are favourable to budget by £316k. The majority of the reported variances relate to changes to the budgeted structure in place as at 1 April 2019. An in-year savings target of £250k was set as part of this year's budget, which has been delivered.
- Assurance and Employee Relations departments both report higher than budgeted expenditure due to changes to the structure from 1 April.
- Variance across Finance and Business Growth take into account staff being recharged to DGHP repairs project within IT capital.
- Running costs of £9,730k are higher than budget by £92k. The key variances within this are:
 - IT reports spend that is £230k lower than budget. Budget savings of £100k are due to delivery of print savings and closure of legacy contracts. The remainder is due to timing variances of when new services have come into effect. The cloud solution for backup and infrastructure services is now in full operation and costs have been incurred for last quarter.
 - Assurance expenditure of £406k is £99k better than budget for the year due to timing variance around payment of customer analysis and savings on external survey consultancy.
 - Lower than budgeted W.E benefit claims in Employee Relations resulting in running costs in this area being £75k favourable to budget for the year.
 - Business Growth expenditure of £837k is £400k higher than budget. This includes expenditure of £240k on DGHP due diligence and early implementation costs as well as £167k of PPE costs to support the Group's response to the Covid19 pandemic.
 - Property reports expenditure £177k higher than budget. This is linked to external legal advice for contractor negligence claims (Duke Street and Wyndford).

| | Year to Mar 20 | | | Full Year Budget £ks |
|---|----------------|---------------|--------------|-------------------------|
| | Actual £ks | Budget £ks | Variance £ks | |
| EXPENDITURE | | | | |
| <u>Employee costs</u> | | | | |
| Executive Team | 1,442 | 1,464 | 22 | 1,464 |
| Employee Relations and WFP | 1,721 | 1,663 | (58) | 1,663 |
| Marketing and Communications | 656 | 681 | 25 | 681 |
| Finance | 1,920 | 1,960 | 40 | 1,960 |
| Assurance | 1,388 | 1,320 | (67) | 1,320 |
| Company Secretary | 762 | 761 | (1) | 761 |
| Business Growth | 1,153 | 1,291 | 138 | 1,291 |
| Information Technology | 1,383 | 1,429 | 46 | 1,429 |
| Wheatley Hub | 3,737 | 3,793 | 56 | 3,793 |
| Academy | 855 | 889 | 34 | 889 |
| Property | 826 | 892 | 65 | 892 |
| Wheatley 360 | 344 | 360 | 17 | 360 |
| Total employee costs | 15,949 | 16,265 | 316 | 16,265 |
| <u>Running costs</u> | | | | |
| Executive Team | 154 | 238 | 84 | 238 |
| Employee Relations and WFP | 645 | 720 | 75 | 720 |
| Marketing and Communications | 431 | 399 | (32) | 399 |
| Finance | 444 | 403 | (41) | 403 |
| Assurance | 406 | 505 | 99 | 505 |
| Company Secretary | 402 | 400 | (2) | 400 |
| Business Growth | 837 | 437 | (400) | 437 |
| Information Technology | 3,434 | 3,664 | 230 | 3,664 |
| Wheatley Hub | 37 | 43 | 6 | 43 |
| Academy | 587 | 652 | 65 | 652 |
| Property | 2,098 | 1,920 | (177) | 1,920 |
| Wheatley 360 | 32 | 31 | (1) | 31 |
| Total running costs | 9,730 | 9,638 | (92) | 9,638 |
| TOTAL EXPENDITURE | 25,679 | 25,903 | 224 | 25,903 |
| Employee costs recharged by subsidiary: | | | | |
| GHA | 11,835 | 12,086 | 251 | 12,086 |
| Lowther | 222 | 225 | 4 | 225 |
| YP | 881 | 895 | 14 | 895 |
| Loretto HA | 266 | 270 | 4 | 270 |
| Wheatley Care | 120 | 122 | 2 | 122 |
| Cube | 877 | 891 | 14 | 891 |
| WLHP | 35 | 35 | 0 | 35 |
| Dunedin Canmore | 1,529 | 1,554 | 24 | 1,554 |
| Barony | 184 | 186 | 3 | 186 |
| Total | 15,949 | 16,265 | 316 | 16,265 |
| Running costs recharged by subsidiary: | | | | |
| GHA | 7,143 | 7,075 | (68) | 7,075 |
| Lowther | 251 | 248 | (3) | 248 |
| YP | 529 | 524 | (5) | 524 |
| Loretto HA | 160 | 158 | (2) | 158 |
| Wheatley Care | 72 | 71 | (1) | 71 |
| Cube | 527 | 522 | (5) | 522 |
| WLHP | 20 | 20 | 0 | 20 |
| Dunedin Canmore | 918 | 910 | (8) | 910 |
| Barony | 110 | 109 | (1) | 109 |
| Total | 9,730 | 9,638 | (92) | 9,638 |
| Operating Surplus / (Deficit) | 0 | 0 | 0 | 0 |

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9. Wheatley Group – Consolidated Balance Sheet



| Balance Sheet | Current Month | Previous yr end |
|--|--------------------|--------------------|
| | As at | As at |
| | 31 Mar 2020 | 31 March 2019 |
| | £ks | £ks |
| Fixed Assets | | |
| Social Housing Properties | 2,169,792 | 1,794,837 |
| Properties under construction | 176,956 | 92,442 |
| Other tangible fixed assets | 63,547 | 55,004 |
| Investment properties | 204,230 | 200,235 |
| Investments -other | 87 | 87 |
| Fixed Assets | 2,614,612 | 2,142,605 |
| Debtors Due More Than One Year | | |
| Development Agreement | 20,190 | 38,420 |
| Inter Company Loan | 0 | 0 |
| Pension Asset | 15,774 | 15,774 |
| Current Assets | | |
| Trade debtors | 0 | 0 |
| Rent & Service charge arrears | 13,665 | 15,173 |
| less: Provision for rent arrears | (7,755) | (4,559) |
| Prepayments and accrued income | 11,155 | 6,375 |
| Intercompany debtors | (0) | 0 |
| Other debtors | 18,732 | 14,180 |
| | 35,797 | 31,169 |
| Bank & Cash | 112,978 | 33,644 |
| Current Assets | 148,775 | 64,813 |
| Current Liabilities | | |
| Trade Liabilities | (14,786) | (9,222) |
| Accruals | (36,063) | (45,770) |
| Deferred income | (67,750) | (77,766) |
| Rents & service charges in advance | (10,415) | (9,177) |
| Intercompany creditors | (0) | 0 |
| Other creditors | (4,246) | (10,447) |
| | (133,260) | (152,382) |
| Net Current Assets | 35,704 | (49,149) |
| Long Term Liabilities | | |
| Contingent efficiencies grant | (35,531) | (35,531) |
| Bank finance | (1,169,439) | (877,614) |
| Bond finance | (300,000) | (300,000) |
| Development Agreement | (20,190) | (38,420) |
| Provisions | (3,783) | (3,699) |
| Deferred income | (5,361) | 0 |
| Intercompany creditors | 0 | 0 |
| Other creditors | 0 | 0 |
| Pension liability | (11,770) | (8,027) |
| Long Term Liabilities | (1,546,074) | (1,263,291) |
| Net Assets | 1,120,016 | 845,939 |
| Funding Employed Capital & Reserves | | |
| Share Capital | 0 | 0 |
| Retained Income b/fwd | 611,087 | 611,089 |
| Income & Expenditure | 274,080 | 0 |
| Movement in Pensions Provision | 0 | 0 |
| Designated Reserves/gain on business | 0 | 0 |
| Revaluation Reserves | 234,850 | 234,850 |
| Funding Employed | 1,120,017 | 845,939 |

Key highlights:

- Group net assets stand at £1,120m at 31 March 2020.
- The Balance Sheet as at 31 March 2019 reflects the audited statutory accounts for 2018/19 and includes the year end statutory adjustments for property and pension valuations as well as fair value calculation on the Scottish Government loan.
- The Group Balance Sheet incorporates the assets liabilities transferred through the acquisition of Dumfries and Galloway Housing Partnership ("DGHP") in December 2019. The balances reflect the closing position as at 31 March 2020.
- Current assets (excluding cash) are £4.7m higher than the year end position with lower balances for rent arrears, which fluctuate throughout the year depending on the timing of invoices. DGHP debtors at March 2020 are £6.8m.
- Current liabilities are £19.1m lower than the year end position. The variance has been driven by lower levels of deferred income of £14.7m, lower accruals of £9.7m and lower other creditors of £6.3m, offset by the increase in trade creditors of £5.6m. The movement on deferred income relates to the release of £58.1m of deferred income to the Statement of Comprehensive Income on completion of new build properties less any grant received in the current year (£43.4m). DGHP creditors at March 2020 are £10.7m.
- Long term liabilities are £282.8m higher with additional borrowings of £291.8m, with WFL1 of £95.3m and DGHP of £190.2m in the year. This is offset by the reduction in the development agreement of £18.2m. In October the RSL Borrower group drew down £85m on the new facility with EIB and repaid £60m of our other debt with the bank syndicate. A further £40m was drawn down from HSBC with repayments made to the bank syndicate (£0.8m) and EIB (£2.4m).
- Income and expenditure of £274.1m relates to the group profit for the year to date.

10. 2020/21 Wheatley Group budget



| GROUP £'000 | 2019/20 Actuals | 2020/21 | | |
|-------------------------------------|--------------------|----------------|----------------|----------|
| | | Projections | Budget | Variance |
| INCOME | | | | |
| Net Rental Income | 259,694 | 302,231 | 302,231 | - |
| Grant Income | 53,790 | 47,408 | 47,408 | - |
| Other Income | 43,375 | 41,776 | 41,776 | - |
| Gain on Business Combination | 253,361 | - | - | - |
| Total Group Income | 610,220 | 391,414 | 391,414 | - |
| EXPENDITURE | | | | |
| Employee Costs | 66,647 | 71,868 | 71,868 | - |
| Employee Costs - Group Services | 16,019 | 16,578 | 16,578 | - |
| ER/VR | 3,793 | 1,209 | 1,209 | - |
| Running Costs | 35,361 | 29,577 | 29,577 | - |
| Running Costs - Group Services | 9,975 | 10,007 | 10,007 | - |
| Repairs & Maintenance | 34,108 | 54,636 | 54,636 | - |
| Cost of Sales | 8,354 | 7,956 | 7,956 | - |
| Irrecoverable VAT & bad debt | 10,607 | 12,600 | 12,600 | - |
| Depreciation | 80,202 | 91,189 | 91,189 | - |
| Demolition | 247 | 930 | 930 | - |
| Total Group Expenditure | 265,313 | 296,549 | 296,549 | - |
| | | | | |
| NET OPERATING SURPLUS | 344,906 | 94,866 | 94,866 | - |
| <i>Net operating margin</i> | 56.5% | 24.2% | 24.2% | |
| Gain/(loss) on sale of fixed assets | 23 | 1,060 | 1,060 | - |
| Net Interest Payable | (70,850) | (73,194) | (73,194) | - |
| STATUTORY SURPLUS | 274,080 | 22,732 | 22,732 | - |

| | | | | |
|--------------------------------------|----------------|----------------|----------------|----------|
| INVESTMENT | | | | |
| Total Capital Investment Income | 37,470 | 63,626 | 63,626 | - |
| Total Capital Investment Expenditure | 165,010 | 210,714 | 210,714 | - |
| NET CAPITAL INVESTMENT SPEND | 127,540 | 147,088 | 147,088 | - |

Key highlights:

- The table compares the 2020/21 Group budget to the financial projections approved at the Group board in February 2020. The 2019/20 full year actual results are also presented for comparative purposes. The budget shows a net operating surplus of £94.9m, and a statutory surplus after interest costs of £22.7m, which is in line with the business plan projections.
- There are no variation between the financial projections and the proposed 2020/21 budget in the Group.
- The financial projections were prepared prior to the outbreak of the COVID 19 pandemic. A revised forecast for the 2020/21 year will be prepared at the end of the first quarter.
- For 2020/21, Barony is no longer part of the RSL Borrower Group and the care activities transferred to Wheatley Care. Other income and employee costs are lower as a result of this transfer.
- For 20/21, Dumfries and Galloway Housing Partnership ("DGHP") has been included for the full year. Actual results for 19/20 include the post acquisition period from 12 December 2019. The actual results for 19/20 also include the gain on DGHP joining the Group.
- Other notable variances against 2019/20 actuals include:
 - Grant income recognised in the Income Statement is directly linked to the number of properties completed in the year. A total of 683 units are budgeted to completed with grant recognised of £47.4m. In 2019/20 the £53.3m of grant income reported relates to completions of 801 units. There are no completions planned in Dunedin Canmore or Loretto HA and 17 completions planned for DGHP in the year.
 - Running costs include an allocation for IT services which were previously provided within the capital budget. New delivery methods for these services now result in annual service fees recorded as revenue expenditure.
 - The repairs and maintenance budget includes an inflationary increase built into the Group's repairs arrangements. The budget includes provision for current responsive repair spend levels, cyclical work planned for the year, as well as new statutory compliance requirements.
 - Interest payable has been increased for 2020/21 reflecting the ongoing funding in support of the new build programme.
 - The projections assume the disposal of a number of supported housing properties approved previously by the Barony Board. This will help facilitate the move to independent living for a number of tenants.
 - Total capital expenditure is budgeted to be in line with the projections.

RSL Borrower Group
Other information to be submitted to lenders
Q4 (31 March 2020)

11a) RSL Borrower Group – Consolidated Balance Sheet at 31 March 2020

| RSL Borrower Group | Current Month | Previous yr end |
|---------------------------------------|-----------------------------|-------------------------------|
| | As at 31 Mar 2020 £ks | As at 31 March 2019 £ks |
| Fixed Assets | | |
| Social Housing Properties | 1,785,782 | 1,794,837 |
| Properties under construction | 176,956 | 92,442 |
| Other tangible fixed assets | 53,592 | 46,256 |
| Investment properties | 61,079 | 61,079 |
| Investments -other | 8,387 | 8,387 |
| Fixed Assets | 2,085,796 | 2,003,001 |
| Debtors Due More Than One Year | | |
| Development Agreement | 20,190 | 38,420 |
| Inter Company Loan | 22,331 | 22,331 |
| Pension Asset | 15,774 | 15,774 |
| Current Assets | | |
| Trade debtors | 0 | 0 |
| Rent & Service charge arrears | 9,188 | 13,218 |
| less: Provision for rent arrears | (6,154) | (4,559) |
| Prepayments and accrued income | 9,592 | 5,437 |
| Intercompany debtors | 11,587 | 10,195 |
| Other debtors | 19,234 | 19,121 |
| | 43,447 | 43,412 |
| Bank & Cash | 40,111 | 22,532 |
| Current Assets | 83,558 | 65,944 |
| Current Liabilities | | |
| Trade Liabilities | (5,687) | (8,544) |
| Accruals | (36,946) | (41,333) |
| Deferred income | (67,258) | (77,586) |
| Rents & service charges in advance | (9,906) | (9,177) |
| Intercompany creditors | (152) | (281) |
| Other creditors | (5,305) | (8,229) |
| | (125,254) | (145,150) |
| Net Current Assets | (41,696) | (79,206) |
| Long Term Liabilities | | |
| Contingent efficiencies grant | (35,531) | (35,531) |
| Loan - private finance | (796,855) | (702,022) |
| Bond finance | (400,000) | (400,000) |
| Development Agreement | (20,190) | (38,420) |
| Provisions | (1,611) | (1,245) |
| Deferred income | 0 | 0 |
| Intercompany creditors | 0 | 0 |
| Other creditors | 0 | 0 |
| Pension liability | (7,291) | (7,291) |
| Long Term Liabilities | (1,261,478) | (1,184,509) |
| Net Assets | 840,917 | 815,811 |
| Funding Employed | | |
| Capital & Reserves | | |
| Share Capital | 0 | 0 |
| Retained Income b/fwd | 580,959 | 580,961 |
| Income & Expenditure | 25,108 | 0 |
| Revaluation Reserves | 234,850 | 234,850 |
| Funding Employed | 840,917 | 815,811 |

Key highlights:

- The RSL Borrower Group net assets stand at £840.9m at 31 March 2020.
- The Balance Sheet as at 31 March 2019 reflects the audited statutory accounts for 2018/19 and includes the year end statutory adjustments for property and pension valuations as well as fair value calculations for the loan from the Scottish Government and the subordinated convertible loan to Lowther Homes.
- In line with the forthcoming wind up of Barony Housing Association, employees who were members of Lothian Pension Fund have transferred their contracts of employment to GHA. As a result of this, the Pension Asset and associated reserves have also been transferred into the GHA Balance Sheet. There is no impact to the Borrower Group overall as a result of this transfer.
- Current assets (excluding cash) are broadly in line with that of the March 2019 year end position overall. Balances for rent arrears are £5.6m lower than the year end position, which fluctuates throughout the year depending on the timing of the receipt of housing benefit.
- Current liabilities are £19.9m lower than the year end position. Deferred income is £10.3m lower than the year end position following the release of grant to the income statement in the year less any additional grant received in the bank in the year. Trade liabilities and Accruals are also lower than the March 2019 position by £7.2m, mainly driven by WHLP and DC driven primarily by lower levels of new build invoices accrued for and processed at year end.
- Long term liabilities are £79.9m higher with additional borrowings in the year to date offset by the reduction in the development agreement.
- Income and expenditure of £25,108k relates to the RSL Borrower Group surplus for the year to date.

11b) RSL Borrower Group – Cash Flow Statement



| For the period ended 31 March 2020 | 2019/20 £'000 |
|--|------------------|
| Net cash generated from operating activities (see Note1) | 106,442 |
| <u>Cashflow from investing activities</u> | |
| Purchase of tangible fixed assets | (159,443) |
| Grants received | 37,244 |
| | (122,199) |
| <u>Cashflow from financing activities</u> | |
| Interest paid | (60,537) |
| Additional funding received in year to date | 165,043 |
| Capital repayment - Syndicate Borrowing | (71,170) |
| Withdrawal from deposits | - |
| | 33,336 |
| Net change in cash and cash equivalents | 17,579 |
| Cash and cash equivalents at the beginning of the year | 22,532 |
| Cash and cash equivalents at the end of the period | 40,111 |

| Note 1 | 2019/20 £'000 |
|---|------------------|
| <u>Cashflow from operating activities</u> | |
| Operating surplus for the period | 85,644 |
| <u>Adjustments for non cash items:</u> | |
| Depreciation of tangible fixed assets | 76,956 |
| Movements in working capital | (2,828) |
| <u>Adjustments for investing or financing activities:</u> | |
| Government grants utilised in the year | (53,330) |
| Cashflow from operating activities | 106,442 |

Report

To: Wheatley Housing Group Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Treasury update

Date of Meeting: 12 May 2020

1. Purpose

- 1.1 The purpose of the report is to provide a Group treasury operations update up to the quarter end 31 March 2020.

2. Authorising context

- 2.1 The Group Standing Orders state that matters in relation to Group treasury management and funding are reserved to the Group Board.

3. Risk Appetite and assessment

- 3.1 The Board's risk appetite for funding risk is "cautious", which is defined as "preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward".
- 3.2 This report provides an overview of the Group's treasury operations, including compliance with Board approved Treasury Management Policy, borrowing and investment plans and management of financial risks to allow the Board to perform its role effectively.

4. Background

- 4.1 In February 2020 the Board approved the Business Plan Financial Projections and total borrowings for the year for the Group, including the individual subsidiaries' borrowing limits. This was prior to the significant business interruption resulting from the Covid-19 situation.
- 4.2 This report sets out the current Group funding position, current liquidity and the security position across the RSL Borrower Group, WFL1, WFL2 and DGHP.
- 4.3 A revised set of Business Plan financial projections is being prepared which will inform our treasury management approach for the rest of this year.

5. Discussion

- 5.1 Appendix 1 provides an update on treasury performance for the quarter to 31 March 2020 together with detailed analysis of the Group's cash position. Key issues for note/consideration are summarised below:
- 5.2 **Cash:** at 31 March 2020, the Group held total cash balances of £126.6m, including £65.1m at DGHP.
- 5.3 This is a significantly higher cash balance than we are accustomed to holding, given our preferred approach hold minimal cash to reduce interest costs, with cash balances reviewed on a daily basis and Revolving Credit Facilities ("RCFs") utilised when required.
- 5.4 The above average balance arose for different reasons for the RSL Borrower Group/WFL1 and DGHP.
- WFL1: £40m of the HSBC RCF was drawn mid-March as a defensive move, to ensure cash availability in the event the Covid-19 crisis became a banking liquidity crisis.
- DGHP: £20m of Allia funding was received 12 March 2020 which inflated the already healthy cash balance (c.£45m at December 2019). DGHP has traditionally placed cash on term deposits, rather than drawing RCFs to meet working capital requirements
- 5.5 The cash balances currently sit in our respective operational accounts with RBS and BOS (Lowther/YourPlace). We receive [redacted]% interest on the balances. We are in the process of assessing term deposit rates across suitable counterparty banks for both Wheatley and DGHP funds, with sample rates set out below:
- [redacted]
- 5.6 We anticipate finalising the deposits strategy once we have the outputs of the revised business plan financial projections during May.
- 5.7 **Group Funding:** as at 31 March 2020, total drawn debt for the Group was £1.479 billion with 94% subject to fixed rates.
- 5.8 We completed the drawdown of £20m of 15-year funding from Allia for DGHP at an all-in rate of [redacted]% on 12 March 2020. The funds are included in the DGHP cash balance.

This completed the refinancing of DGHP with high level details set out below:

[redacted]

5.9 At 31 March 2020, the Group had total liquidity available of £400.1m between cash (£126.6m), undrawn RCFs (£245.5m) and undrawn facilities (£28.0m). Note, the £72m EIB funding is excluded from this total.

5.10 Two material funding events occurred just after quarter-end:

5.11 We completed the planned loan amendments with all WFL1 lenders on 2 April 2020. On the Syndicate, we extended terms and reduced lending margins on the RCFs with RBS and Bank of Scotland, and increased availability with Nationwide as set out below:

[Redacted]

5.12 We instructed, but had not yet received, the latest tranche of £72.0m from the EIB 2018 facility at quarter-end (funds were received on 24 April 2020). These funds were drawn at a highly competitive all-in rate of [redacted].

5.13 **Interest & funding fees payable:** financing costs for the Group were £16.55m for the quarter, of which £14.47m was attributable to the RSL Group. £1.36m related to DGHP, with the remainder being attributable to commercial funding. This is in cash paid terms, which differs from the interest payable presented in the management accounts as this includes accruals and adjustments.

5.14 **Liquidity & Cash forecasting:** The liquidity Golden Rule requires immediately available funds to cover two years' worth of spend. This prudent approach has resulted in our being in a relatively strong position facing into the current situation.

5.15 While the pre Covid-19 business plan anticipated £101.3m cash requirements for the RSL Borrower Group for 2020/21 (against liquidity of £300m), this will be revised as we work through new business plan financial projections, and understand emerging rent arrears performance in more detail.

5.16 For DGHP, the £65.1m cash balance and £35.0m undrawn RCF provides adequate funding to meet our liquidity golden rule.

5.17 Under stress testing scenarios completed for our annual S&P review meeting (held 7 April 2020), we completed their liquidity analysis assessment. This showed an improved projected liquidity position resulting from the lower expenditure (on new build/investment/staff) which more than offset the anticipated increase in arrears and fall in grant income. S&P assess liquidity using a sources:uses cover ratio (i.e. available cash resources versus anticipated expenditure). We had a healthy 2.3x cover under our base case scenario and an improved 3.6x cover using the Covid-19 scenario assumptions for S&P. The details of this stress test and assumptions were contained in the business update paper provided to the Board in April.

5.18 **Security:** We completed our most recent security charging exercise with three days to spare ahead of Registers of Scotland closing due to Covid-19. This enabled the drawdown of the second tranche of the 2018 EIB funding (£72m).

- 5.19 Final year end property valuations from JLL and Savills (for DGHP) are anticipated in early May. The draft results indicate an increase in value of around 4% (other than DGHP, which was revalued in December when it joined the Group). However, sensitivity analysis will be carried out to inform the optimal allocation of security across our lenders to ensure we have sufficient asset cover to protect from any falls in value during 2020.
- 5.20 **Borrowing requirements:** We are in the process of applying for the Bank of England's CCFF scheme (see separate paper) as a contingency funding source for short-term cash requirements in the event Covid-19 goes on substantially longer than our working assumptions suggest. It will be materially cheaper to issue commercial paper under the CCFF than to draw our existing RCFs.
- 5.21 Currently, there is sufficient cash resources to avoid drawing RCFs or issuing commercial paper and the revised business plan financial projections will inform the borrowing requirements
- 5.22 **Lenders:** Our lenders have been supportive since the Covid-19 crisis hit. All have allowed longer periods for reporting and covenant waivers if required, but we have continued to operate on the timescales as set out in our loan documentation. We have proactively updated lenders and investors and have had no issues in terms of cash availability.

6. Key Issues and Conclusions

- 6.1 In the quarter to 31 March 2020, the Group is fully covenant compliant. Group borrowings remain below those forecast under the pre Covid-19 business plans.

7. Value for Money implications

- 7.1 The appropriate monitoring and reporting on the Group's funding position and the delivery of the new funding supports the long-term financial security of all the organisations within the Group.

8. Impact on financial projections

- 8.1 Interest payable on borrowings and interest receivable on cash investments has an impact on the bottom-line surplus for the Group. The impact of any changes in actual spend profile, resulting in additional borrowings over and above the business plan / budget or lower than forecast additional debt drawdowns, is monitored and reported quarterly. We anticipate that the impact of Covid-19 will be reflected in the next Board cycle/Q1 reporting.

9. Legal, regulatory and charitable implications

- 9.1 There are no other Legal, regulatory and charitable implications to note.

10. Partnership implications

- 10.1 There are no other Partnership issues to note.

11. Implementation and deployment

11.1 There are no additional implementation and deployment issues to note.

12. Equalities Impact

12.1 There is no equalities impact identified as a result of this report.

13. Recommendations

13.1 The Board is requested to note the content of the report.

Appendix

1. Wheatley Group Quarterly Treasury Report

Appendix 1

Group Treasury Report

31 March 2020

1. Treasury Management

| | |
|-------------------------------|---|
| a) Group Liquidity | 2 |
| b) Group Borrowings | 3 |
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| e) DGHP Assets and Security | 6 |

2. Compliance and Risk Management

| | |
|-------------------|---|
| a) WFL1 Covenants | 7 |
| b) WFL2 Covenants | 8 |
| c) DGHP Covenants | 9 |

Wheatley Group Liquidity

Immediately accessible funds



| As at 31 March 2020 £m | Cash | Undrawn RCFs & overdrafts | Undrawn facilities | Total |
|---------------------------|--------------|------------------------------|--------------------|--------------|
| WFL1 | 29.4 | 210.5 | 28.0 | |
| RSLs | 24.1 | | | |
| Lowther/YourPlace | 2.7 | | | |
| Care | 5.3 | | | |
| DGHP | 65.1 | 35.0 | | |
| | 126.6 | 245.5 | 28.0 | 400.1 |

As at 31 March 2020:

- The Group had cash balances of £126.6m (£78.5m at 30 December 2019)
- Committed and undrawn RCFs and overdrafts totalling £245.5m are split between WFL1 (Syndicate – £140.5m, HSBC RCF – £60.00m, RBS Overdraft – £10m) and DGHP (RBS RCF – £35m)
- £72m was requested, but not yet drawn, from the EIB facility at quarter-end. We have £28m of the £185m EIB 2018 facility undrawn, with availability until June 2021.
- DGHP cash was increased by £20m due to the drawdown of the 15-year funding from Allia on 12 March 2020.

We have considerably higher quarter-end cash positions than is our norm. WFL1 and the RSLs cash positions were bolstered by a £40m drawdown of the HSBC RCF in mid-March. The decision to draw these funds was in response to concerns that the planned drawdown of the EIB funding might be delayed due to Covid-19 negatively impacting the completion of the security charging exercise. HSBC funds were drawn to bridge any potential delay. In fact, we were able to successfully complete the EIB charging exercise 3 days prior to Registers being closed (which remain closed), with £72m drawn on 24 April 2020 at [redacted]. The £40m HSBC funding has now been repaid in full (27 April 2020).

Cash balances across the Group are held in our operational accounts with RBS, earning [redacted]%. We are reviewing our deposits strategy for WFL1/RSLs/DGHP to ensure we balance the requirement to 1. preserve capital, 2. have instant (or relatively quick) access to funds and 3. earn an enhanced return on our money. The outputs of the revised Covid-19 business plan will inform the finalised strategy. Sample term rates from qualifying banks are set out below:

[Redacted]

Activity in the quarter:

- Completed the planned loan amendments for WFL1, including changes to the Syndicate RCFs to extend terms & reduce lending margins – amendments signed 02/04/20
- Finalised a £20m 15 year loan for DGHP from Allia – completed 12/03/20
- Drew £40m HSBC RCF from mid-March to ensure sufficient cash available if EIB drawdown could not be completed – repaid 27/04/20
- Completed the EIB security charging exercise and drew down additional £72m at 1.633% - funds received 24/04/20
- WFL1 Intra-group borrowings were £16.2m vs an expected £34.1m (£17.9m variance), with GHA accounting for the majority of the variance, drawing only £2.0m against a forecasted £17.5m in March. A £7m housing benefit payment was received ahead of schedule in late-March, rather than as expected in April. Intercompany settlement balances were also £1.8m higher than forecast with the remainder of the variance arising due to the halt in new build development.
- During the quarter the fixed : variable ratio changed to 94% : 6% (97% : 3% Dec19) as a result of £40m HSBC RCF being drawn on variable terms.

- Interest and funding fees payable by the Group on all loans in Q4 were £16.55m (£14.47m RSL Borrower Group; £1.36m DGHP)
- Non-utilisation fees payable by the Group on all RCFs in Q4 were £0.52m (£0.48m RSL Borrower Group; £0.04m DGHP)
- The weighted average interest rate of the RSL Group funding for the preceding 12 months was 4.95% (September – 4.99%), with the quarterly average for Q4 reduced to 4.84% from 4.86% primarily due to [redacted].
- The weighted average interest rate for DGHP loans for the quarter was 3.25%. All term loans are on a fixed rate basis, so there will be no change in the weighted average rate until and unless the RBS RCF is drawn.
- [redacted]

RSL Borrowing Group - Assets and Security



Asset Security Values excluding DGHP - March 2020

| <u>Secured or encumbered assets</u> | £m |
|-------------------------------------|-----------------|
| Bond | 367.65 |
| EIB | 287.97 |
| HSBC | 135.96 |
| Syndicate | 925.00 |
| Private Placement (£100m) | 140.68 |
| Private Placement (£50m) | 55.98 |
| THFC | 40.48 |
| Allia (DCH Assets ringfenced) | 21.00 |
| Scottish Widows | 136.50 |
| Total | 2,111.22 |
| <u>Unencumbered Assets</u> | |
| Unallocated | 3.71 |
| Unsecured - RSL | 95.55 |
| Unsecured - RSL New Build | 38.53 |
| Unsecured - Lowther | 2.54 |
| Total | 140.33 |

Current security position

- 948 housing assets across 18 developments were secured to EIB on 31 March 2020, with a collective value of £70.2m. This, combined with existing headroom from assets currently secured, allowed a drawdown of £72.0m against the 2018 EIB facility. Following the drawdown, there is £1.5m of security headroom, with a further £28.0m of the facility undrawn.
- Annual asset valuations are being finalised, with JLL suggesting an uplift of c. 4%. The timing of Covid-19 is unlikely to adversely impact the 31 March 2020 asset valuations. Wheatley has limited landbank, a limited exposure to commercial property and does not participate in build-for-sale assets, and we do not anticipate material impairments against asset values (as is expected for some English RP's).
- On receipt of the asset valuations a full sensitivity analysis will be conducted, considering the implications of potential reductions in asset values. Our housing assets valued on MV-ST are more at risk of reductions in market value. Currently c. 35% of the overall housing value is on an MV-ST basis.

Future security position

- Following completion of the EIB charging exercise, 2,833 units remain unsecured (including 688 new build units completed in FY20). The total asset value is estimated at c.£137.79m (EUV-SH) with Lowther Homes having £2.54m (MV-ST) unsecured.
- £28.0m of assets need to be secured to EIB to allow the remainder of the facility to be drawn before June 2021. These will likely be secured by using new build units completed in FY20.
- The outcome of our sensitivity analysis will inform the allocation of assets across our various facilities. There remains sufficient asset cover to meet all covenant requirements at this time.
- The current unsecured assets will provide additional cover in the event of a material reduction in asset values.

DGHP - Assets and Security

Asset Security Values DGHP - December 2019

| <u>Secured or encumbered assets</u> | £m |
|-------------------------------------|--------|
| M&G | 135.60 |
| RBS | 49.67 |
| THFC | 46.15 |
| Allia (ringfenced) | 45.50 |
| Total | 276.92 |
| <u>Unencumbered Assets</u> | |
| Unsecured | 146.56 |
| Total | 146.56 |

Current security position

- The total DGHP asset security value in December 2019 was **£423.48m**
- Following the completion of the security charging exercise in January 2020, the £114m **M&G** placement has £135.6m of assets secured and the £35m **RBS** facility has £49.67m of assets secured
- Legacy facilities with **THFC** (£41.3m), are secured against £46.15m of assets.
- DGHP now has a total of £35m of debt with **Allia**. Direct security is not required, but there is an unencumbered assets test which requires asset cover at 1.3x, so £45.5m of assets is effectively 'set aside' for Allia.

Future security position

- The remaining **unsecured assets** are valued at £146.56m on an EUV-SH basis. These assets will form part of the WHG security pool when DGHP joins the RSL Borrower group.

[redacted]

- For the quarter to 31 March 2020 we have complied with all Treasury policies, set out in the approved Treasury Management Policy.
- The RSL Borrowing Group has six sets of funding covenants related to its different funding facilities being reported this quarter: commercial bank loan facilities, Private Placement (2017 and 2018 issuances), HSBC and EIB loan facilities.
- We have a process in place where financial covenants based on the projected year end position, are monitored on a monthly basis to ensure that any corrective actions can be taken as soon as possible
- Based on our financial results as at 31 March 2020 all funding covenants were met
- As part of managing our counterparty credit risk, i.e. the risk that a change to our counterparty's financial strength may have an adverse effect on WHG, we regularly monitor the credit ratings and also market information for all treasury counterparties (i.e. banks and financial institutions we deal with). We will monitor the ratings of our counterparties and make recommendations for any changes should it be necessary.

WFL2 covenant compliance



[redacted]



To: Wheatley Housing Group Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Bank of England funding scheme

Date: 12 May 2020

1. Purpose

- 1.1 This report seeks the Board's approval to sign up to the Bank of England's Covid Corporate Financing Facility ("CCFF").

2. Authorising context

- 2.1 Authorisation to proceed with the CCFF scheme is required from the Wheatley Board, the Wheatley Funding No. 1 Ltd ("WFL1") Board and each of the Boards of the WFL1 Guarantors (GHA, Cube, Loretto, Dunedin Canmore and WLHP). Barony will be excluded given the impending winding-up of this company and DGHP although not yet a guarantor of WFL1 will be included in the documentation such that they can accede to the scheme in due course.
- 2.2 There is no obligation to borrow via the CCFF scheme once the facility is in place, and there are no commitment fees or other costs payable after the set-up costs have been paid (legal fees, paying agent fees as set out in paragraph 5.7). We view the scheme as a form of insurance policy in case of unanticipated issues with any of our RSL Borrower Group bank facilities.

3. Risk appetite and assessment

- 3.1 We have a strong liquidity position; between cash-at-hand, revolving credit facilities/overdrafts and undrawn facilities, the Group has funds of £460.2m available at 30 April 2020. The table below shows the full Group position (WFL1, WFL2 and DGHP):

[redacted]

- 3.2 We pay commitment fees for the revolving credit facilities and, once drawn, the RCFs are charged at LIBOR + lending margin.
- 3.3 While the financial services sector has performed well and supported lenders to date thanks to their strong balance sheets, there is a remote chance that events could create a liquidity squeeze on banks, and undrawn committed facilities may be cancelled. There were examples of this in the 2008 credit crunch.

- 3.4 The Covid-19 crisis has not (yet) extended into a credit crisis for the banking sector, and while we do not anticipate such an outcome, in the event that banks do become credit-constrained, it would be prudent to have a backup option of a direct line of funding available from the Bank of England. Acceptance onto the scheme would also present an opportunity to manage our treasury strategy efficiently over the next 12 months.
- 3.5 The Bank of England has specifically launched the CCFF scheme as an alternative source of funds for companies like Wheatley Group to 'help preserve the capacity of the banking system to lend to other companies, including small and medium-sized enterprises, which rely on banks'. The CCFF liquidity is provided as an alternative to bank funding.

4. Background

- 4.1 The UK Government, in tandem with the Bank of England, has introduced a range of measures to support UK businesses through potential liquidity constraints resulting from the severe slowdown in the economy due to Covid-19.
- 4.2 For eligible larger UK companies, the Bank has introduced the CCFF programme. In contrast to the SME loan programmes which will be administered by banks, the CCFF provides liquidity via a Commercial Paper ("CP") programme.

5. Discussion

(i) Details of the scheme

- 5.1 A CP programme is a funding mechanism whereby an Issuer (WFL1) issues unsecured short-term (up to 364 days) debt via a Dealer (we are proposing to use NatWest Markets) to the capital markets. The sole buyer under the CCFF will be the Bank of England.
- 5.2 The scheme will remain open for applications until 31 December 2020 and Issuers must be approved by that date. We have had in-principle endorsement of eligibility from the Bank of England in order to allow us to proceed to the next stage, which is a more detailed application to be formally accepted onto the scheme. It has been reported that some English housing associations with a "V2" rating from their regulator have had applications declined. Nevertheless, given our strong rating, our previous history of being accepted onto the Bank of England's 2016 bond-buying scheme, and the recent acceptance of our bond being included on their newly-announced Corporate Bond Purchase Programme (CBPP) we are optimistic about being accepted.
- 5.3 Funds can be drawn until 31 March 2021, with only two days' notice provided to the Bank of England. Paper can be issued on the 30 March 2021 for 364 days. The Bank will provide a 6-month notice period before the withdrawal of the CCFF scheme.

(ii) Benefit in terms of our treasury strategy

- 5.4 While the funding is short term (maximum period of 364 days), it is at very low rates of interest. At the time of writing, the rate would be under [redacted]%. This compares to [redacted]% on most of our bank Revolving Credit Facilities. We have a good stock of cash at the moment following our EIB drawdown and

do not anticipate having to draw any more debt over the 2020/21 financial year. Drawing the EIB funding – [redacted] - was about future-proofing our business plan by locking-in low cost debt to support our new build programme over the long term. It does, however, mean we have a short term issue on how to manage a large stock of cash.

- 5.5 We have reviewed our portfolio of debt to assess whether there are any opportunities to repay debt and replace it with this cheaper source of funding without significantly increasing our refinancing risk. We have used our EIB funding to fully pay down all bank revolving credit facilities. We do not have significant variable rate term debt or fixed rate hedges which are due to mature in the next few years. Therefore, we cannot repay existing debt without incurring significant breakage costs and increasing our short term refinancing risk.
- 5.6 Where there is a clear opportunity, however, is in relation efficiently managing our short-term cash management position. In the RSL Borrowing Group (to which this funding scheme applies), we had £75.8m of cash at 30 April, primarily due to the £72m EIB drawdown. If we are accepted onto the Bank of England CCFF scheme, we could draw around £20m from the CCFF to support short term (2-3 month) working capital requirements and then place surplus cash on deposit. Based on our regular cash flow forecasting, we could draw more from the CCFF at two-day notice if we anticipate this being required.
- 5.7 Illustrating the impact of this over a 12-month period from July 2020 to June 2021, we could potentially use the CCFF as our primary source of short-term funding, avoiding the need to draw from our committed RCFs which is one of the objectives of the BOE scheme. The position will be reviewed on a quarterly basis to take account of our cash requirements, the SONIA¹ rate (on which the CCFF price is based) and the 3 month deposit rate available from suitable bank counterparties. The table below shows this could yield £440k of benefit based on the assumption that we require £50m of CCFF funding this year. This is a conservative assumption based on a six-month delay in completion dates and expenditure across the new build programme. If this cannot be achieved (eg due to slower building times with social distancing on sites), then the saving could be in excess of £500k.

| | | Q2 | Q3 | Q4 | Q1 | Total | |
|----------------------------|-------|----------------|----------------|----------------|---------------|----------------|--|
| | Rate | Jul - Sep | Oct - Dec | Jan - Mar | Apr - Jun | | |
| Surplus cash | | 75,800,000 | 75,800,000 | 75,800,000 | 75,800,000 | | |
| Deposit (with Barclays) | 0.72% | 136,440 | 136,440 | 136,440 | 136,440 | 545,760 | Current 3mth rate from Barclays |
| Cumulative issuance to BOE | | 20,000,000 | 30,000,000 | 40,000,000 | 50,000,000 | | Based on draft revised incremental cash forecast |
| Rate | 0.30% | 15,000 | 22,500 | 30,000 | 37,500 | 105,000 | Based on current SONIA + 20bps |
| Net cash benefit | | 121,440 | 113,940 | 106,440 | 98,940 | 440,760 | |

- 5.8 When the funds held on deposit become available, in this example at the end of June 2021 (although there are quarterly break points if we use a 3-month deposit rate), the £75.8m can be used to repay the Bank of England.
- 5.9 This approach introduces credit risk on the bank(s) where we deposit cash – in this example Barclays, based on current rate quotes. That is why a three-month review approach is proposed, so that funds can be moved in the event that the credit standing of the deposit bank deteriorates. It also limits the risk that the SONIA rate rises such that any financial benefit is eroded.

¹ Sterling OverNight Index Average, a base lending rate administered by the Bank of England

- 5.10 The other consideration is our debt per unit covenant position, since this approach involves drawing extra debt. Using the modelling assumption above, debt per unit would remain under covenant limits, with £83.1m of headroom to the level of £26k which applies for all but the last day of the last quarter (when it increases to £26.5k). This means we would achieve our financial Golden Rule of always maintaining £50m of headroom to the covenant level.

| Debt per Unit (DPU) | 31-Mar-20 | 31-Mar-21 | | | | |
|---|------------|---------------|--|--|--|--|
| DPU (actual) | 23,021 | 24,404 | | | | |
| 'Extra' debt | 72,000,000 | | (EIB +£72m / HSBC -£40m / CCFF + £40m) | | | |
| Units at 31/03/20 | 52,026 | | | | | |
| DPU (covenant) | 26,000 | 26,500 | | | | |
| | | | | | | |
| During the year 2020/21, DPU must remain below £26k, the limit for the last quarter to 31/03/21 is £26.5k | | | | | | |
| | | | | | | |
| Headroom | | 83,104,764.49 | | | | |

(iii) Set up costs and timescales

- 5.11 It should take around three weeks to set up the CCFF scheme from the point of acceptance by the Bank of England. Once in place, there are no fees for issuance. The fees for establishing the CCFF scheme will total c. £40k and includes the following:

- i. Issuer counsel (Pinsent Mason) – [redacted]
- ii. Dealer counsel (NatWest Markets in-house legal team) – [redacted]
- iii. Issuing and Payment Agent (HSBC) – [redacted]

- 5.12 NatWest Markets are not charging any fees to act as Dealer under the CCFF scheme. Commonly, 1 basis point would be charged per issue. The minimum deal size is £1.0m, with £0.1m increments permitted.

6. Value for money implications

- 6.1 There are no restrictions on use of funds and the funds are unsecured, with no loan covenants. For all of the reasons above, the scheme therefore represents a very low cost form of insurance policy, with potential option value for the future should it be extended. Greater access to liquidity also helps support Standard & Poor's view of our credit rating.

7. Impact on financial projections

- 7.1 It is not anticipated at this point that we would require to use the CCFF, but any use of it would be based on delivery of savings versus our current bank facilities.

8. Legal, regulatory and charitable implications

- 8.1 There are no consent requirements from our Syndicate lenders (RBS, BOS, Nationwide) or the EIB. We have received consents from the BlackRock private placement and HSBC in relation to the granting of guarantees from the RSLs.
- 8.2 A range of technical legal documents are required as part of signing up to the scheme. These are explained in appendix 1 and provided in appendices 2-6.

9. Partnership implications

- 9.1 DGHP, which remains outside of the RSL Borrower Group at this time, will not be deemed eligible to access the CCFF initially due to its unrated status. If it accedes to the RSL Borrowing Group in due course it would be able to access these funds. However, between the significant cash reserves (£65.1m) and undrawn RCF (£35.0m), the cessation of construction and reduction of the repairs business to life and limb only, there is a limited requirement for additional liquidity for DGHP at this time.

10. Equalities impact

- 10.1 None noted.

11. Recommendation

- 11.1 The Board is asked:

- 1) to agree that a full application be made by WFL1 to the CCFF scheme; and
- 2) to approve the appended draft legal documentation required for the CCFF scheme and to delegate authority to the Group Director of Finance and/or the Director of Treasury to agree non-material changes and to sign these documents once all required Board and lender consents are in place.

List of appendices:

Appendix 1. Technical detail of CCFF and associated documentation

Appendix 2. Guarantee [redacted]

Appendix 3. Dealer Appointment [redacted]

Appendix 4. Deed of Covenant [redacted]

Appendix 5. Agency Agreement [redacted]

Appendix 6. Global Note [redacted]

Appendix 1: Technical detail of CCFF and associated legal documentation

The Bank of England (“BOE”) is responsible for determining the eligibility of potential Issuers, with each corporate entity required to meet the following criteria:

- i. Sound financial health prior to Covid-19: investment grade or equivalent financial health as at 1 March 2020; and
- ii. Made a ‘material contribution to economic activity in the UK’; and
- iii. Have been economically impacted by Covid-19

WFL1 limited received in principle eligibility approval from HM Treasury on 23 April 2020, subject to the full application process, as a result of our rated status and our contribution to the UK economy.

The BOE has provided indicative pricing, and potential maximum drawings, for the CCFF scheme based on the investment grade of the Issuer (or Parent) on 1 March 2020. The pricing and potential maximum availability is set out in the table below:

| Rating at 1 March 2020 | Pricing | Amount |
|------------------------|---------|-------------|
| A1/P1/F1/R1 | 0.20% | Up to £1bn |
| A2/P2/F2/R2 | 0.40% | Up to £600m |
| A3/P3/F3/R3 | 0.60% | Up to £300m |

Wheatley Housing Group was rated A+ Stable by S&P at the determination date, which is equivalent to a Short-term S&P rating of A1. WFL1 would qualify for the cheapest pricing at 0.20%. The BOE has given an indicative limit of £150m for WFL1 as part of their pre-approval indications. Please note, this limit is subject to change depending on the final application approval process.

The CCFF is priced at a spread over SONIA (the Sterling Overnight Index Average). This is a rate administered by the Bank of England and is based on actual transactions, to reflect the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions. It is due to replace LIBOR as the main basis for variable rate lending in the UK, following LIBOR-rigging scandals.

For example, on 24 April 2020, SONIA was 0.066%, 1 month LIBOR was 0.22925% and 3 month LIBOR was 0.64375%.

The pricing and availability of our various Revolving Credit Facilities (RCFs) for WFL1 are set out below:

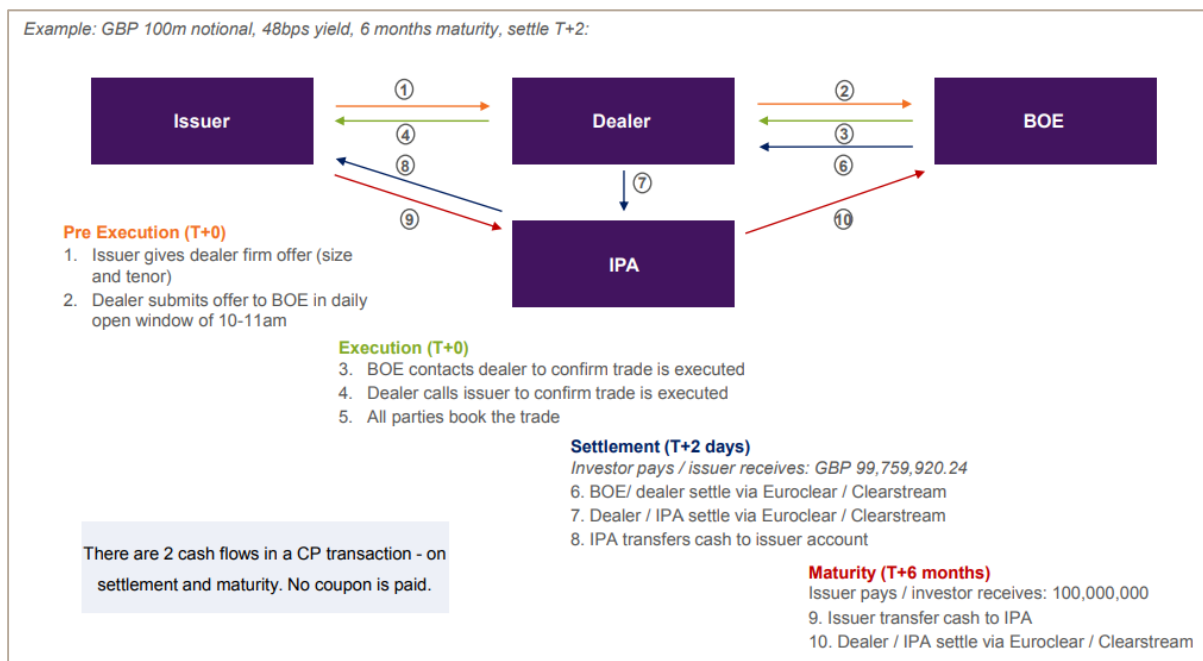
[redacted]

The weighted average across WFL1 RCFs is [redacted]% for the non-utilisation fee and [redacted]% lending margin when drawn.

The RCFs are priced over LIBOR, with the period of the LIBOR rate determined by the duration of the drawdown (most commonly, 3 months), making the all-in

cost of funds drawn under the SONIA-linked CCFF considerably cheaper than LIBOR-linked RCFs.

The execution process for the CCFF is set out in the funds flow diagram below:



Issuer – WFL1

Dealer – NatWest Markets

IPA – Issuing and Paying Agent, HSBC

Note that the interest payable is subtracted from the issuance amount upfront. The CP is priced as a fixed rate bond and is issued at a discount to par – i.e. we do not receive the full amount on the settlement date (T+2), rather the amount is adjusted upfront for the interest payable and we repay the full amount on the maturity date.

The legal documentation required for the CP programme is as follows, with draft documents set out in appendices 2 – 6.

- Guarantee** – the legal agreement between the guarantors of WFL1 (excluding Barony, given the imminent winding-up of this company) and WFL1 (the Issuer) to underwrite the facility. This has been prepared by Pinsent Masons.
- Dealer Appointment** – this agreement sets out the terms and conditions of the relationship between WFL1 and NatWest Markets (NWM), where NWM will act as Dealer and will be the market-facing entity who markets our CP directly to the BOE (in usual times, the dealer would market our commercial paper to multiple investors in the wholesale market). The Dealer would normally charge 1 basis point per issue, but for the purposes of the CCFF programme, no charges will be levied.
- Deed of Covenant** – this is the contract between the Issuer (WFL1) and the note holders (in this case, BOE) of any particular issue when in global form.

- iv. **Agency Agreement** – the agreement between WFL1 and HSBC, where HSBC acts as the Issuing and Paying Agent (IPA). The IPA acts as an intermediary between the BOE and WFL1, making payments from each counterparty to the other and manages the settlement of the Commercial Paper on the clearing systems (Euroclear/Clearstream).
- v. **Global Note** – the note held by the IPA as the common depositary for Euroclear and Clearstream

In addition, there will be an Information Memorandum which will set out the business that WFL1 undertakes and the terms of the CP programme, and a Legal Opinion, which our banking lawyers, Pinsent Masons will prepare, which will opine on the capacity and authority of the issue and the validity of the notes and the agreements.

Report

To: Wheatley Housing Group Board

By: Elaine Melrose, Group Director of Resources

Approved by: Martin Armstrong, Group Chief Executive

Subject: Group Coronavirus Response - Technology Supported Service Delivery

Date of Meeting: 12 May 2020

1. Purpose

- 1.1 The coronavirus pandemic has required the creation and implementation of a new framework for Group business and customer service delivery. This report provides the Board with an update on the scope, preparations and implementation of technology in support of the significantly changed working arrangements implemented since early March to date.

2 Authorising context

- 2.1 Under the Group Authorising Framework (GAF) and Intra-Group Agreement (IGA) the Group Board is responsible for approving Group Strategy and Group Business Plan.

3 Risk Appetite and assessment

- 3.1 Group's risk appetite related to technology is Open. This level of risk tolerance 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 (and value for money etc)". Our approach to supporting significantly changed working arrangements in response to Covid-19 has been carried out in line with our agreed risk tolerance.

4 Background

- 4.1 In response to the escalating coronavirus pandemic situation, Wheatley Group invoked a number of established mechanisms to ensure the continuity and delivery of the services provided by Group to our customers, with the safety and security of our staff and customers a key priority at all times.
- 4.2 Service delivery priorities were established for all areas of the business with detailed deployment plans developed for Housing, Care, Property Management and Customer Service.

- 4.3 These plans were based on the following principles which have underpinned decision making throughout this period:
- Informed by government advice
 - Enhancing confidence/trust of staff, customers, sector, stakeholders
 - Clearly identified & prioritised service lines (end to end of service, infrastructure & resources)
 - Protecting Income
 - Compliance
 - Protecting staff & customers
 - Agility in the operating & service models
 - Changed physical contact profile with customers
 - Risk appetite in current context
- 4.4 Home working arrangements were established, at pace, in advance of a formal government lockdown. All relevant staff were redeployed to home working arrangements through collaborative working between Group IT and business leads across an aggressive timeline of activities and during a rapidly changing context.
- 4.5 The key driver for this was to establish a sustainable model for delivery of core services and provide the maximum protection for our staff and customers.

5 Discussion

- 5.1 Following initial Business Continuity sessions, the technology outcomes required to support this environment were established as follows:
- Enable home working for key staff across all of Group, with specific emphasis on front-line workers and those directly engaging with customers
 - Ensure that staff work securely and are supported in the new arrangements
 - Identify relevant technology changes/improvements across other key services
- 5.2 To achieve these outcomes, staff across Group IT were immediately assigned to 6 core workstreams each of which is discussed below:
1. Working from Home Staff Assessment and Implementation
 2. Virtual Call Centre Service Design
 3. Online Services and Digital Customer Engagement
 4. New services and other key technology improvements
 5. Projects and Programme Delivery Review
 6. Care Technology Improvements

Working from Home Staff Assessment and Implementation

- 5.3 Home working was implemented in a 3-week window for over 1200 staff by assessing current capabilities, exploiting services and access in use, and determining options to rapidly expand this service to the majority of staff in Group.
- 5.4 A working from home solution was developed that incorporated new and complex technology requirements (across CSC, Debt Recovery and IT Support teams), existing technology-enabled staff (comprising corporate equipment already issued to staff across a number of roles) and BYOD/self-enabled staff (working purely on personal devices and home broadband connections).

- 5.5 For the majority of staff, remote access comprised VDI (Virtual Desktop) access to their primary desktop and applications. For over 1200 staff with existing Group mobile device access, full Microsoft O365 service access was enabled through onboarding support and rapid deployment of additional mobile applications to users.
- 5.6 In support of this approach, Group IT provisioned:
- 350 new laptops to frontline staff
 - 200 additional monitors for home use
 - 100 iPhones
 - 1200 users with remote access services
 - 100 staff with AnyConnect VPN (supporting virtual call centre services)
 - 75 home equipment installations (including multi-monitor setup)
- 5.7 In parallel with the technology implementation, Group IT resourced a team within IT Operations to consider the specific needs of staff when working in different circumstances, on a mixture of technologies and with varying levels of digital and technology skills and confidence. A dedicated support 'hotline' was implemented from 8am-6pm across end of March and April to specifically support staff onboarding, troubleshooting remote equipment and connectivity issues.
- 5.8 Fifteen technology support guides were developed across different home working scenarios, devices and simple self-help troubleshooting scenarios and were made available across Group Intranet, local Teams sites and the Academy online learning portal. A separate 'Working from Home' course and curriculum was implemented through discussion with Academy Digital staff and additionally covered remote collaboration tools such as Webex and Skype.
- 5.9 For staff with specific needs within their own home, Group IT have worked with Facilities Management team to provide a range of staff and manager options to enable home delivery of Health and Safety DSE-related equipment.
- 5.10 The response of leaders and staff to the new working approaches and the technology implementation has been hugely positive, across remote access to core services and the newly embraced virtual meeting and collaboration software (Teams).

Virtual Call Centre Services

- 5.11 Our established call centre services operate via key technology platforms formally designed to operate on the Wheatley core network, within physical locations at Lipton House in Glasgow and Grierson House in Dumfries.
- 5.12 Social distancing and other government advice meant that this approach would not be sustainable and as a consequence a number of technical options were immediately explored to enable continued call centre operations, including:
- relocation within Group,
 - splitting call centre activities across multiple locations, and
 - delivery of a 'virtual' call centre service provided from staff homes.

Implementation of a 'virtual' call centre was recommended for implementation. Due to the different technology in place across DGHP call centre and Group call centre, there was no option for a shared or common implementation.

- 5.13 From early March 2020, Group IT engaged with Cisco and PING (a network consultancy technology supplier to Group) to design and implement a remote working solution to enable: native call handling routed to home workers; support current security and call handling integration; ensure that voice management/recording was available; as far as possible, maintain the current platforms and software in use.
- 5.14 Due to the technology implementation and ongoing strategic management of the business service delivery across our call centres, there has been no interruption of customer service delivery and customers continue to engage on a critical channel for Group. Service changes have also been introduced to improve overall performance and customer experience. DGHP have also delivered full call centre services across this time, including support for the launch of DGHP in-house repairs from 1st April.

Online Services and Digital Engagement

- 5.15 Group maintain a number of digital engagement channels across social media platforms, CRM web self-service (WSS) and a full range of content management systems (CMS) for customers. These channels were exploited to manage and maintain customer contact and a series of campaigns to ensure that digitally-connected customers were involved in Covid-19 arrangements for services directly impacted (across reduced repairs delivery, office closures, allocations) and encouraged to access our services through these platforms. Group Communications team have managed and continue to engage with customers across these and our social media channels.
- 5.16 Our WSS design includes service options to enable or disable key service catalogue items and these have been used to amend the options available to customers during the lockdown period and changes to Group service delivery profiles. WSS and CMS/social media continue to be promoted as the preferred channels for contact for our Digital customers, presently numbering 43,398 registered users, including WSS for key online information and account transactions alongside our call centre voice channel.
- 5.17 In addition, data capture and collection across key information for our customers and households shielding, at-risk and self-isolating is providing insight to inform service development/delivery for specific customer groups.
- 5.18 Staff engagement has been supported through our WE Connect Group intranet, including daily coronavirus updates, regular email contacts and campaigns for ongoing information and awareness, Microsoft Teams for task-based outcomes and collaboration, and Group-wide use of communication and collaboration software for video and audio conferencing and telephony-bridge access on traditional handsets.

New services and other key technology improvements

- 5.19 We have rapidly extended use of additional digital channels (including SMS and Email campaigns) to provide almost immediate updates and communications for customers including regular rent and payment support and Covid-19 support information. Over 100k SMS messages have been sent across April as part of our campaign-led customer contact approaches.

- 5.20 Our remote access platform for Virtual Desktop users was enhanced post-launch to separate our user traffic profiles and improve resilience and user-experience. Our internet connections across both data centres were upgraded to 1GBps links (from 100MBps) to improve capacity across our new working arrangements and changing network access usage.
- 5.21 An onsite user support service has been established for staff as is available at Wheatley House and Grierson House, currently available once per week. This is intended to support staff with complex device or service needs, broken or non-functioning equipment and to allow staff to be issued with new equipment as required.

Projects and Programme Delivery

- 5.22 Group IT maintain an ongoing project portfolio aligned to service improvements, Digital strategy and business projects and transformations. A key project in late stages of delivery, ASTRA CRM Upgrade, was due for launch on 27th March 2020 and was disrupted by our CoVID-19 response. A revised date of 19th June 2020 has been proposed to revisit launch of the new service, including Digital enhancements that will directly support current Covid-19 working arrangements.
- 5.23 Delivery of DGHP In-House Repairs was at similar late stages, however due to commercial and business considerations and the staff TUPE transfer to the DGHP DLO service, it was agreed that project delivery and service launch would occur as planned on 1st April 2020. The project has successfully completed post-implementation activities and is delivering across DGHP responsive repairs service.
- 5.24 A review of 2020 workplan and project delivery dates is underway, with replanning dependent on an easing or removal of lockdown arrangements.

National Stakeholder Engagement

- 5.25 We have engaged with business leads and key partners on draft planning and approaches for a number of national initiatives aligned to supporting citizens and customers during pandemic lockdown, including: Scottish Government 'Helping Hands' initiative; SHR for a National Repairs helpline; Local Authority Shielding data sharing. Currently, early design of technical integration, application services and data capture forms is complete in advance of follow on business decisions to commence implementation and service delivery.
- 5.26 Due to a wide range of partners engaging virtually with Group staff, the range of collaboration software in general use has been extended and deployed to managed devices including Webex, Zoom, Skype and Teams.

Care technology improvements and staff device deployments

- 5.27 Wheatley Care was formally established at the beginning of April and is providing vital services to many vulnerable customers. Our IT investment plan for 2020/21 included a significant investment in improving the core platform and better connecting this geographically dispersed workforce. At present, less than 30% of Care staff have access to a dedicated device supporting mobile applications and data access. Given our current context it was necessary to accelerate key elements of this plan.

- 5.28 Following a review of options and costs to enable Care staff in frontline delivery to service users, it has been agreed that over 500 staff are provided with a mobile device, data contract and suite of communication, collaboration and business support software. A small project team has been created to lead the project delivery of devices, services, user onboarding and adoption. The overall investment represents £322,000 of commitment to key Care roles and our Wheatley Care service. Delivery of initial devices to users is expected from end of May 2020.

6 Key issues and conclusions

- 6.1 Group IT, working in collaboration with all business leads across Group, have supported a significant shift of staff working and business delivery approach, and continue to provide support to staff across all new working arrangements.
- 6.2 Our ability to achieve this has been built on the commitment of the technology team to be agile and creative in exploring and identifying sustainable solutions combined with the capability to deploy these solutions at an extraordinary pace. This capacity has, and will continue to be, fundamental to our ability to continue to deliver outstanding services to customers during these unprecedented times.
- 6.3 Essential services continue to be managed and delivered despite the Covid-19 impact, as a result of the technology in place and the approach to implement and maintain home working and call centre services.
- 6.4 Staff engagement has been excellent, despite the rapid change and the Covid-19 anxieties currently experienced. Group IT continue to review operational feedback on the new arrangements and are directly involved in options for maintaining or amending the current approaches in place.

7 Value for money implications

- 7.1 The key value drivers for our customers are 24/7/365 customer service, repairs and investment in their homes. Deployment of technology in support of our revised operating arrangements has helped ensure continued value for customers particularly through enabling staff working from home, maintaining 24/7 service through our contact centre and a 'life and limb' repair service.

8 Impact on financial projections

- 8.1 Project coding of all Covid-19 related spend was established to ensure cost tracking and controls were established and that relevant identified spend was subject to governance. The majority of spend to date has been on additional devices for staff (primarily laptops and handsets) which will be retained and deployed for longer-term benefit, for continued home working or for mobile-enabled staff roles. Overall spend to implement the current technology arrangements is £335,781 with a further £322,000 planned expenditure on Care staff mobile devices and services.
- 8.2 No financial implications have been identified at this stage for 2020/21 budget, however a review of business planning and budget setting for 2020-2025 across Capital and Revenue commitments is underway.

- 8.3 In assessing the investment implications of commitments for future years this will include a business wide review of planned and current business priorities given the follow-on environment post-lockdown, and an assessment of any business strategy changes across future revenue and capital budgets.

9 Legal, regulatory and charitable implications

- 9.1 The current home working arrangements do not directly impact on Legal, regulatory or other governance areas due to the current use of Group technology. Group IT will continue to engage with Assurance, Governance and senior business leads on the opportunity for technology supported business services across future digital delivery, impact and implementation of amended office working through longer term social distancing and wider opportunities and benefits following review of current home and virtual working arrangements.

10 Partnership implications

- 10.1 There is at present no impact on partnership working or partner project technical delivery. However longer-term lockdown arrangements, including access to on-site deliverables, complex business and technical designs of service, 3rd party vendor access for key outcomes may impact on planned initiatives and projects. A review of business and technology pipeline and roadmap is currently underway.

11 Implementation and Deployment

- 11.1 The approach to implementation and deployment is covered in the body of this report.

12 Equalities impact

- 12.1 Across the implementation of home working and ongoing technology access, the individual staff needs were taken into consideration. This included access to specialist equipment supporting home working and interactions with display equipment.

13 Recommendations

- 13.1 The Board are asked to note the contents of this report and acknowledge the progress on technology supported delivery of significantly amended business services across all Group operations.

Report

To: Wheatley Housing Group Board

By: Elaine Melrose, Group Director of Resources

Approved by: Martin Armstrong, Group Chief Executive

Subject: Procurement update and approval of fuel card arrangements

Date: 12 May 2020

1 Purpose

- 1.1 To seek Board approval on the proposed approach to upcoming procurements in light of our response to Covid-19 and to seek specific agreement to the procurement of a fuel card provider.

2 Authorising context

- 2.1 The Scheme of Financial Delegation sets out the approval level required for particular levels of spend. The spend expected on the fuel card contract presented here requires approval by the Wheatley Board.
- 2.2 Wheatley Solutions Board consider this paper at its meeting on 6 May 2020 and agree to
- 1) Recommend to the group Board appointment of Shell (UK) as fuel card provider for a maximum period of four years based on estimated contract value of £3.2 million; and
 - 2) Recommend to the Group Board the delegation of authority to enter into the contract with Shell (UK) on behalf of Wheatley Group to any of the Group Director of Resources or the Director of Lowther & Business Growth.

3 Risk appetite and assessment

- 3.1 The risk associated with procurement is considered as part of each procurement exercise.
- 3.2 An assessment of risks associated with the fuel card re-procurement was undertaken as part of its development. The main risks identified and how they will be mitigated:

| Risk | Mitigation |
|---|--|
| Non-compliance with EU Regulation and Legislation | Utilisation of Crown Commercial Services (CCS) Fuel Cards and Associated Services V Framework (RM6000) ensures a compliant route to market for these services. |
| Value for Money | Through utilising a public sector wide framework we are able to take advantage of combined buying power. |
| Contract implementation | Due to current external factors especially Covid-19 ensuring business continuity is critical to Group. As Shell (UK) is the Group's incumbent provider there is no requirement to on-board a new provider. |

4 Background

4.1 Our procurement strategy for 2020/22 was published in March 2020 following approval by this Board in February 2020. This strategy is required by regulation and includes our procurement plans for the year ahead and indicative spend. Appendix 1 details the activities set out in the strategy.

4.2 While many of the procurements listed in the strategy support core operational activities and remain necessary to the Group, our response to Covid-19 has required considerable energy, agility and innovation in flexing our procurement approach. There has been less emphasis on procuring new build contractors and a far greater emphasis on securing Personal Protective Equipment ("PPE") to help keep our colleagues safe. In the past month we have purchased:

- 28,000 Bottles of hand sanitiser;
- 250 non-contact thermometers;
- Over 100,000 surgical face masks;
- 1000s of pairs of gloves, aprons, glasses, face screens and cleaning products.

4.3 This focus on providing frontline staff with what they need to provide services safely has been widely appreciated including in direct feedback from care colleagues:

"I actually feel very privileged; we have been so well looked after. I especially feel like this when I hear of horror stories on TV about other companies not having this. From the beginning of outbreak we have catered for" Wheatley Care employee.

4.4 Our procurement strategy to date and recent activities have also helped support essential developments that have ensured business continuity and our ability to help vulnerable customers. Examples include having capacity in our IT supply arrangements which allowed the IT team to rapidly source and deploy necessary equipment to enable some 1300 staff to work from home and leveraging supplier contributions to support the huge expansion of Eatwell through the Wheatley Foundation. We have also successfully mobilised DGHP's in-house repairs service including the Group trades material supply contract with Saint-Gobain that the Board approved in February.

- 4.5 This contract includes key features that helped mobilisation during the early phases on the Covid-19 response including a specific trade depot for DGHP and innovative road-side delivery arrangements for materials.
- 4.6 Some of the markets, including vehicle supply and trades, in which we buy goods and services have become much less predictable as potential suppliers adjust to the pandemic and adapt their business to try to ensure long term sustainability. Procuring in this context brings risks including suppliers pricing for uncertainty in their supply chains, lack of response due to key staff being furloughed and the uncertainty in the supply chain for suppliers.

5 Discussion

- 5.1 As set out above, the context for procurement has changed significantly since the group procurement strategy was developed and published. Against this backdrop, we have considered planned procurements against the following options:
- Enter into a short-term interim solution (typically one year) where there is no suitable incumbent, for the provision of service
 - Extending the existing arrangement, typically one year, until market conditions are better suited to going to market and/or our post-Covid-19 operating requirements are better understood
 - Continuing as planned.
- 5.2 The table below details where we would propose entering into a short-term solution and the reason why:

| Procurement | Proposed short term solution | Why |
|---|--|--|
| Human Capital Management – IT Software | Build on our existing payroll arrangement with Access group to include fully online payslips and expense management | Cost effective approach that ensures service continuity |
| DGHP Repair & Maintenance (Back up subcontractor) | Continue DGHP's previous arrangement with specialist local suppliers, with minor adjustments as needed to ensure quality and plug any gaps | Avoids need to on-board new suppliers at time of change and allows DGHP to supplement in-house capabilities with known providers while supporting local employment |

- 5.3 There are also a number of services where, rather than undertaking a procurement exercise at present, our intention would be to negotiate extensions to existing arrangements with our incumbent providers to ensure service continuity while future market conditions and demand become clearer these are:

| Procurement | Providers |
|--|---------------------------------------|
| Decorating Vouchers – Tenants | B&Q |
| IT Investment and Upgrades (Care Software Package) | Various including Residata |
| Mail Services | Critiqom |
| Group Fleet Solution | Northgate/Avral |
| Technology Enabled Care | Alertacall/Safeshore |
| Group Payment Engine Services | Capita |
| Mobile Voice and Data | Vodafone |
| Network Services | Virgin |
| Occupational Health Services | PAM |
| Technical Consultancy Framework Agreement | Various architects, engineers and QSs |
| Grounds Maintenance – DGHP mainly | Idverde |

- 5.4 Each of the organisations above are established providers to the group and there are no service delivery issues necessitating re-procurement.
- 5.5 Our intention, at present, is to continue as planned with the remaining procurement exercises listed in Appendix 1, albeit with in-year re-phasing where necessitated by market or demand considerations. Depending on how the current pandemic response develops, we will likely look to develop a framework through which the group's future PPE needs can be delivered. These and other changes will be reflected in the annual look back that is included as part of our procurement strategy update each year. As now, all procurement activities would be subject to appropriate approval in line with established standing orders.

6 Approval of proposed Fuel card contract

- 6.1 Our Group Standing Orders set levels of approval required before committing expenditure through contracts. These levels are driven by financial delegations and serve us well in ensuring appropriate scrutiny. Last year, Group Board approval was sought and received for the following procurements because of the expenditure involved:

- Commercial Cleaning Services
- Group Print & Storage
- New Build Construction Framework
- Repairs management system
- Group Utilities (Gas, Electric and Water)
- Group Corporate Cleaning
- Mechanical & Electrical Maintenance
- Provision of Insurance

- 6.2 The table below sets out those contracts in the procurement strategy where we expect to seek Group Board approval this financial year.

| CONTRACT TITLE | EXPECTED VALUE | GROUP BOARD FOR APPROVAL |
|--------------------------------|--------------------|-------------------------------|
| Group Trade Materials | £10m over 4 years | Completed Feb 2020 |
| Group Fuel Cards | £3.2m over 4 years | Included in this paper |
| Mail Services | £3.5m over 4 years | Anticipated Dec 2020 |
| Group Fleet Solution | £10m over 4 years | Anticipated Feb 2021 |
| New Build Housing (Dean South) | £22m+ over 3 years | Anticipated Feb 2021 |

- 6.3 As indicated in the table, approval for our fuel card supplier is sought as part of this paper. The group currently spends over £500k per annum through fuel cards and we anticipate that this could increase to around £800k per annum with the inclusion of DGHP and its in-house repairs service. Fuel cards for Group vehicles and machinery are currently supplied through Shell U.K. Oil Products Limited (Shell (UK)), and the contract for this is due to expire on 26 May 2020.
- 6.4 Using fuel cards allows us to leverage our buying power and provides 24/7/365 fuel availability in line with our service model providing smart chip technology that supports fleet efficiency/MPG reporting, mileage monitoring and fuel expense management.
- 6.5 Various procurement frameworks exist that leverage spend across multiple participants, provide a compliant route to a fuel card provider and avoid the time and cost of running our own OJEU procurement process. Of the frameworks considered, the CCS (Crown Commercial Services) Fuel Cards & Associated Services Framework was identified as most favourable. There were various reasons for this including the ability to leverage public sector spend and fixed discount, as opposed to volume driven reduction, in pence per litre off pump price.
- 6.6 Shell (UK) is a provider through the CCS framework which avoids the cost and time associated with moving from our incumbent provider and also provided added benefits including:
- Platinum accredited customer service centre and a dedicated line for resolving day to day issues;
 - Dedicated account manager for planned account reviews and issue escalation;
 - No fees for adding or removing fuel cards and no transaction fees.
 - A dedicated fraud team;
 - A full mapping exercise to identify key stations for use by group staff depending on their work patterns;
 - Simple payment method;
 - Detailed management information to assist in controlling fuel spend and reduce the time spent on dealing with administration;
 - Agreed terms and conditions.

- 6.7 It is proposed that any contract with Shell (UK) is for a maximum of four years to strike an appropriate balance between continuity of arrangements and testing the market. Based on this maximum duration, the estimated contract value is £3.2 million and would require Board approval in line with the Scheme of Financial Delegation.

7 Key issues and conclusions

- 7.1 Priorities in the group procurement strategy have been reviewed in light of the Covid-19 pandemic, and proposal made for which planned procurement exercises should be replaced with short-term approaches, delayed or continued as planned.
- 7.2 Re-procurement of a fuel card provider has continued as planned with Shell (UK) being identified as the most appropriate provider.

8 Value for money implications

- 8.1 The key drivers for the Group's value for money framework are customer service, improving repairs and investment to assets. The procurement activities discussed here including the specific fuel card procurement are integral to efficient and effective service delivery.

9 Impact on financial projections

- 9.1 Effective procurement is a key approach to meet the Group's business plan and identified savings targets.

10 Legal, regulatory and charitable implications

- 10.1 Our group procurement activities are subject to Procurement (Scotland) Regulations 2016. As such a specific procurement strategy is developed for each procurement exercise to, amongst other things, assess applicable legislative requirement will be met. Use of compliant frameworks, such as the CCS Fuel Cards & Associated Services Framework, is an example of how a compliant route to market is achieved. The risk of a challenge for the fuel card re-procurement is considered low.

11 Partnership implications

- 11.1 Wherever possible procurement activities are undertaken at Group level which allows all partners to benefit from economies of scale. In doing this the needs of specific partners are reflected in specifications, as is good practice developed in any particular partner.

12 Implementation and deployment

- 12.1 Subject to Board agreement the individual procurements discussed in this paper will be carried out in line with the stated timetable.

13 Equalities impact

- 13.1 There are no specific equalities implications associated with this paper.

14. Recommendations

14.1 The Board is asked to:

- 1) Note the revised approach to procurement priorities discussed here;
- 2) Agree the appointment of Shell (UK) as fuel card provider for a maximum period of four years based on estimated contract value of £3.2 million; and
- 3) Agree the delegation of authority to enter into the contract with Shell (UK) on behalf of Wheatley Group to any of the Group Director of Resources or the Director of Lowther & Business Growth.

List of Appendices

Appendix 1: Upcoming activities – 2020/22 procurement strategy

Appendix 1

Upcoming activities – 2020/22 procurement strategy

Extract from the published group procurement strategy showing anticipated key procurements in the next two years

| Group Strategy Delivery | Procurement | Approx. Value |
|--|--|--------------------|
| Delivering Exceptional Customer Experience | Decorating Vouchers – Tenants | £200k over 4 years |
| Developing our Shared Capacity | Human Capital Management – IT Software | £1m over 4 years |
| Enabling our Ambitions | IT Investment and Upgrades (Care Software Package) | £1m over 4 years |
| Delivering Exceptional Customer Experience | Pest Control Services | £200k over 4 Years |
| Enabling our Ambitions | Loan Security Valuations | £180k over 2 year |
| Developing our Shared Capacity | Mail Services | £3.5m over 4 years |
| Developing our Shared Capacity | Group Fleet Solution | £10m over 4 years |
| Developing our Shared Capacity | Group Trade Materials | £10m over 4 years |
| Developing our Shared Capacity | Group Fuel Cards | £800k over 3 years |
| Enabling our Ambitions | Technology Enabled Care | £1.5m over 4 years |
| Developing our Shared Capacity | Group Payment Engine Services | £500k over 5 years |
| Developing our Shared Capacity | Taxis | £500k over 4 years |
| Making the Most of our Homes and Assets | Group Wide District Heating Framework | £50m over 5 years |
| Making the Most of our Homes and Assets | New Build Housing (Dean South) | £22m+ over 3 years |
| Making the Most of our Homes and Assets | DGHP Capital Investment Programme (various work streams) | £67m over 5 years |
| Making the Most of our Homes and Assets | DGHP Repair & Maintenance (Back up subcontractor) | £1m over 1 year |
| Developing our Shared Capacity | Mobile Voice and Data | £1.5m over 5 years |
| Developing our Shared Capacity | Network Services | £2m over 4 years |
| Developing our Shared Capacity | Occupational Health Services | £1.3m over 4 years |
| Developing our Shared Capacity | Office Stationery Supplies | £500k over 4 years |
| Making the Most of our Homes and Assets | Technical Consultancy Framework Agreement | £20m over 4 years |
| Making the Most of our Homes and Assets | Grounds Maintenance | £5m over 4 years |

Report

To: Wheatley Housing Group Board

By: Elaine Melrose, Group Director of Resources

Approved by: Martin Armstrong, Group Chief Executive

Subject: Personal Protective Equipment Update

Date: 12 May 2020

1 Purpose

- 1.1 To update the Board on Personal Protective Equipment ("PPE") arrangements across the group as part of our response to the Covid-19 pandemic.

2 Authorising context

- 1.2 The Group CEO has responsibility for business operations across the Group. The Covid-19 situation has had a significant effect on these with adequate provision of PPE becoming a key national and business consideration because of its impact on, staff, customer and public wellbeing and service delivery. Board consideration is therefore sought.

3 Risk appetite and assessment

- 3.1 Ensuring that staff have access to PPE is part of how we are mitigating service delivery risk and ensuring staff wellbeing as part of our disaster recovery and business continuity arrangements. Our agreed risk appetite for disaster recovery and business continuity is **minimal** which is defined as *preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward*.

4 Background

- 4.1 Availability of suitable PPE is one of the key issues in our, and the health and social care system and society in general's, response to Covid-19. Shortages of PPE has featured in daily media reporting on the pandemic and ensuring adequate supply is a key political pressure at present.
- 4.2 Having adequate PPE is essential for effective operations in many of our essential continuing services including:
- Care and support
 - Neighbourhood environmental
 - 'Life and limb' repairs

- 4.3 Our staff PPE requirements are set-out in OSMs (operational safety manuals) for each service which are updated regularly to reflect latest government advice and guidance from Health Protection Scotland. Risk assessment by staff members also play a key role in determining PPE requirements for any given situation. The attachment at Appendix 1 provides general guidance on the use of PPE in a non-suspected covid-19 care environment.
- 4.4 The table below summarises the general approach for the use of PPE where Covid-19 is suspected

Where there IS a suspected case of COVID-19

If a 2 metre distance can't be maintained –

All staff should wear a mask, apron, gloves. Eye protection can also be added if deemed / assessed as necessary.

If a 2 metre distance can be maintained –

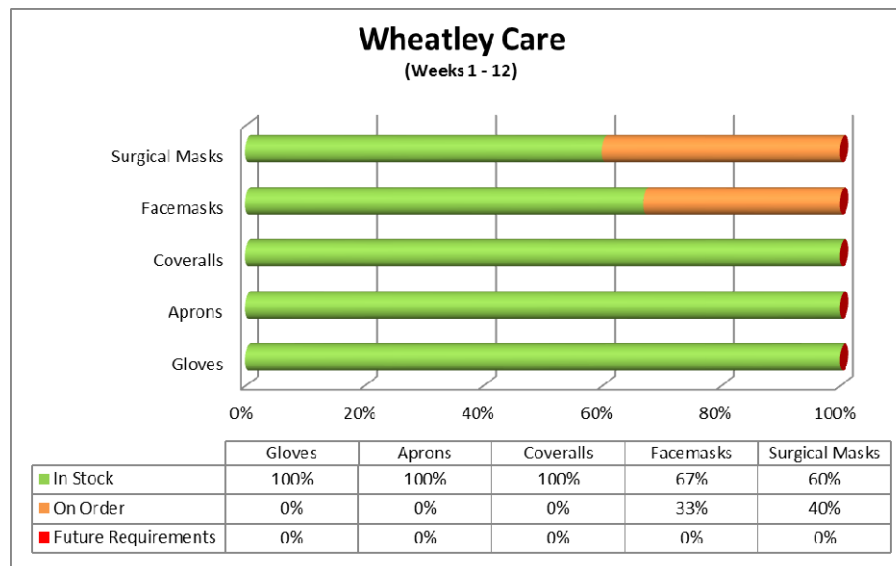
Staff should wear a mask, adding an apron and gloves if they feel it is required or it has been detailed within the risk assessment

- 4.5 Wheatley Care staff are at the forefront of providing vital services for people we work for and are often in services where close contact is an absolute necessity in fulfilling their role. Staff are following government advice and local risk assessments around use of PPE and wearing full PPE including masks for all contact with individuals. Staff are acutely aware of infection control procedures and ensure that PPE is changed routinely as detailed in risk assessments, with the frequency depending on the nature of the work. Additionally, tunics have been purchased for staff to wear while at work and are mandatory for every staff member working in a face to face role. Wearing tunics does not fit with our usual culture but are considered crucial at this time to support staff further by ensuring the clothes they wear while in work are not their own. It also supports good infection control.
- 4.6 In our environmental service, gloves, hand sanitiser and disposable masks are used most often, while other products such as coveralls, sneeze shields and anti-bacterial wipes are also used but not to the same degree. The requirement is similar for our emergency life and limb repairs service, provided by DGHP and Dunedin Canmore, although more extensive use is made of anti-bacterial wipes and sanitising spray (for cleansing areas prior to working and for cleaning after works). Other key requirements include:
- Hand wipes and sanitiser
 - Shoe cover protection
 - Gloves Nitrile or vinyl
 - Disposable masks
 - Disposable coveralls
 - Goggles where required

5 Discussion

- 5.1 In-depth tracking of supply and demand for PPE across the group has been introduced as part of our response to Covid-19. This provides a near-real time position based on detailed and necessary stock tracking from frontline service managers and procurement.

5.2 The latest reported position for Wheatley Care is shown below.



5.3 This summarises expected requirements over the next 12 weeks, and assesses the extent to which our stock and orders is expected to meet projected needs. As can be seen, Wheatley Care is projecting that its stock of facemasks is expected to meet 67% of demand over the next 12 weeks (i.e. 8 weeks' supply) and that orders have been placed that would meet requirements in the remaining 4 weeks. Identical information is available for each part of the business where PPE is needed and the supply position across these other areas is broadly similar with sufficient supplies being reported to meet demand for the weeks ahead. Appendix 2 provides our aggregate, group wide position. This shows what is in stock, what is on order and any deficit potential after 12 weeks based on current demand if the orders were not delivered. This again highlights that in general our stocks of PPE are healthy.

5.4 It should be noted that while our available supply position at present is robust, this is a dynamic situation which could change if supplies are used more rapidly than expected or orders are not fulfilled. The Group Executive team monitors our supply and demand position each week.

5.5 It is also inevitable that increased demand for PPE will continue across our various service areas into the future including as we transition from the immediate Covid-19 response to 'our phase 2 working arrangements, and beyond. To address this we will continually refine our approach to PPE supply in light of government advice and demand from frontline teams as operations in service areas increase. Our approach will likely include looking to establish more formal supply arrangement, such as developing a supplier framework, based on our estimated longer-term requirements.

5.6 Our comparatively strong position on PPE supply is the result of early and sustained procurement action and close cooperation between all parts of the group. This has included identifying potential suppliers, being willing to buy in supplies where available (often in small batches from multiple suppliers) and having the ability to pay on order.

5.7 So far, the following have been purchased on behalf of the group:

- Masks - 69,000
- Gloves - 400,000
- Aprons - 166,000
- Laundry Sacks - 40,000
- Overshoes - 8,000
- Anti Bac Wipes - 1,000 packs
- Coveralls - 4,500

5.8 At present, our procurement team is reporting that they are able to source all required items, with coveralls being the most challenging item to buy at present. Less positively the team has seen price inflation on some items such as FFP2 masks which were £1.65 each and are now around £5.88 per mask, although this is expected to decrease as supply increases.

5.9 The ability to distribute PPE to where it is needed on time is as important as sourcing it in the first place. As part of responding to Covid-19 and supporting business resilience, distribution hubs have been established at South St Glasgow; Grierson House, Dumfries; Dunedin Canmore's Workshop at Bilston and the Wheatley Care facilities at Fullerton and Dunedin Canmore Harbour. Distribution from these hubs to service locations is carried out by our NETS team to ensure timely, and secure delivery. The NETS team is also supporting balancing of supply across our various group locations and recently moved surplus masks from DGHP to Wheatley Care.

5.10 Availability of PPE is extremely important for staff and many have commented that the provision of PPE and stock levels has given huge comfort to them and that they feel supported as a result. Examples of the comments received include:

I actually feel very privileged, we have been so well looked after. I especially feel like this when I hear of horror stories on TV about other companies not having this. From the beginning of outbreak we have catered for. I recognise that there have been issues with supply and demand across the country, and wrongly or rightly I strongly feel much of this is down to the management and coordination. Well done.

Team leader, Fife

Your efforts in managing to procure and distribute PPE during this time when many other health and social care settings have struggled has been amazing. Having the access to good quality PPE has made a huge difference to the mental wellbeing and resilience of staff during these challenging times and allowed them continue to carry out their duties with greater confidence that protected as best they can be.

[redacted]

5.11 While our focus has, and will continue to be on the practicalities of ensuring our staff have the PPE they need to carry out their vital work safely, we are also engaging and looking to influence nationally. Activities include discussing PPE supply, along with other pressing matters, with Scottish Government Ministers through the housing resilience group, engagement with civil servants on our direct experience in securing PPE and working closely with public sector wide procurement bodies including Scotland Excel.

5.12 Additionally, each of our registered care service has registered with NSS (NHS Shared Services) supply system for PPE locally. This route is only available for services that are registered with the Care Inspectorate and is intended as a supply of last resort, where PPE cannot be sourced through other means. To date care managers have been able to access limited supplies, namely:

- 3,000 surgical masks
- 3,000 aprons,
- 30,000 gloves
- 1000 disposable goggles

6 Key issues and conclusions

6.1 Adequate provision of PPE is a critical aspect of ensuring service continuity, and the wellbeing of staff and the people we work for. So, far through early action, concerted effort and collaborative working involving almost every part of the group, we have successfully sourced and distributed PPE to meet our business needs. Currently our stock levels and orders provide confidence that this positive position should remain for the coming weeks. Going forward this will remain a key focus in our response to Covid-19.

7 Value for money implications

7.1 The key drivers in the Group Value for Money framework are customer service, improving repairs and investment to assets. Having adequate PPE provision helps ensure we continue delivering key care, housing, environmental and repairs services.

8 Impact on financial projections

8.1 The level of expenditure on PPE currently was not anticipated in budget provision. Spend to date with suppliers is shown below.

| Supplier Name | Relationship Route | Materials Supplied | Spend (£) |
|---------------|-------------------------------|----------------------------------|-----------|
| PWS | Scotland Excel | All PPE Items / Janitorial items | 312,000 |
| Unico | Scotland Excel | All PPE items / Janitorial items | 43,000 |
| Saint Gobain | Cirrus Framework | Masks/ Anti Bac wipes | 3,000 |
| Clares | NHS Foundation Trust | Gloves / Masks | 13,000 |
| Banner | PfH Framework | Gloves / Masks | 9,000 |
| GBUK | Health Trust Europe Framework | Masks | 108,000 |
| Lion Safety | Scotland Excel | All PPE items | 78,000 |
| PHC Parts | PfH Framework | Gloves | 23,000 |
| ID Management | DGHP Contract | Masks | 12,000 |
| Total | | | £592,000 |

- 8.2 Our business plan financial projections, last updated and approved by Boards in February, are being revised at present to take account of the new context which includes additional spend on PPE. These will be shared with Boards in the coming months.
- 8.3 Around 70% of the spend above relates to care, and roughly 85% of care income comes from registered services. Local authorities have made a general commitment to meet excess costs, such as for additional PPE, for register care services resulting from Covid 19. The details of this are yet to be develop and it is likely that each local authority will take its own approach before making payments. Nevertheless, this provides an opportunity to recover some spend associated with providing additional PPE for care services.

9 Legal, regulatory and charitable implications

- 9.1 Our procurement of PPE has looked to use established frameworks and contracts ensuring compliance with applicable legislation. Where compliant procurement routes to market cannot meet our needs we will, in line with our procurement guidance, put waivers in place for alternative provision reflecting the critical business need.

10 Partnership implications

- 10.1 Our approach to securing, distributing and managing PPE supplies has been achieved through close, cooperative working among all group partners.

11 Implementation and deployment

- 11.1 These aspects are discussed in the body of the paper.

12 Equalities impact

- 12.1 There are no specific equalities implications associated with this paper.

13. Recommendations

- 13.1 The Board is asked to note this update.

List of Appendices

Appendix 1: Example of guidance on use of PPE

Appendix 2: Current aggregate PPE position

Example of guidance on use of PPE

Unsuspected COVID-19





Hand hygiene

Wash your hands with non-antimicrobial liquid soap and water if:

- visibly soiled or dirty;
- caring for an individual with a suspected or known gastro-intestinal infection e.g. norovirus or a spore forming organism i.e. *C.difficile*
- Immediately after removal of PPE.

In all other circumstances alcohol based hand rub can be used as an alternative to hand washing with liquid soap and water.

Eye Protection / Visor

*self assessment of risk for eye protection session or single use

Fluid Resistant Surgical Mask

*self assessment of risk for mask session or single use

Gloves must be:

- worn when exposure to blood and/or other body fluids is anticipated/likely e.g. toileting or taking blood;
- changed immediately after each patient and/or following completion of a procedure or task;
- changed if a perforation or puncture is suspected;
- appropriate for use, fit for purpose and well-fitting.

Aprons must be:

- worn to protect uniform or clothes when contamination is anticipated/likely e.g. when undertaking direct care e.g. assisted wash or aseptic/clean task
- changed between individuals and/or following completion of a procedure or task.

Remember to perform hand hygiene following removal/disposal of PPE.

Please refer to the full UK COVID-19 guidance for Infection Prevention and Control on the HPS COVID-19 web page

April 2020 poster 1 Community Standard v1 April 20

Appendix 2

Current Aggregate PPE position

| Respiratory Protection |
|---|
| Surgical Mask (BS EN 14683) |
| Surgical Mask Fluid Resistant (BS EN 14683) |
| Disposable Mask FFP1 (BS EN 149) |
| Disposable Mask FFP2 (BS EN 149) |
| Disposable Mask FFP3 (BS EN 149) |

Eye Protection

| |
|-------------------------------------|
| Safety Glasses (BS EN 166) |
| Safety Goggles (BS EN 166) |
| Visor for Surgical Mask (BS EN 166) |
| Full Face Visor (BS EN 166) |

Body Protection

| |
|--|
| Disposable Paper Coveralls(Various sizes) |
| Disposable Apron |
| Disposable Coveralls Type 5 L (EN ISO 13982-1) |
| Disposable Coveralls Type 5 XL (EN ISO 13982-1) |
| Disposable Coveralls Type 5 XXL (EN ISO 13982-1) |

| In Stock | On Order | Position in 12 weeks if orders <u>NOT</u> fulfilled |
|----------|----------|--|
| 150 | 0 | -400 |
| 3,400 | 5,000 | -2600 |
| 0 | 0 | 0 |
| 11,262 | 25,500 | -13120 |
| 50 | 100 | 0 |

| | | |
|-----|-----|-----|
| 908 | 200 | -22 |
| 52 | 0 | 0 |
| 0 | 0 | 0 |
| 450 | 200 | 0 |

| | | |
|---------|--------|---|
| 3828 | 600 | 0 |
| 126,000 | 40,000 | 0 |
| 565 | 500 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |

Hand Protection

| |
|---|
| Disposable Powder Free Nitrile Gloves - XL (EN 374-2) |
| Disposable Powder Free Nitrile Gloves - L (EN 374-2) |
| Disposable Powder Free Nitrile Gloves - M (EN 374-2) |
| Disposable Powder Free Nitrile Gloves - S (EN 374-2) |
| Disposable Powder Free Vinyl Gloves - XL (EN 374-2) |
| Disposable Powder Free Vinyl Gloves - L (EN 374-2) |
| Disposable Powder Free Vinyl Gloves - M (EN 374-2) |
| Disposable Powder Free Vinyl Gloves - S (EN 374-2) |

| | | |
|---------|---------|------|
| 13,400 | 50,000 | 0 |
| 113,711 | 51,200 | -600 |
| 44,800 | 40,000 | 0 |
| 26,000 | 100,200 | -10 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |

Other

| |
|---------------------------------|
| Anti-bacterial Wipes (packet) |
| Hand Sanitizer (Bottle)(60ml) |
| Hand Sanitizer (Bottle)(100ml) |
| Hand Sanitizer Bottle (236 ml) |
| Hand Sanitizer (Bottle)(500ml) |
| Hand Sanitizer (Re-fill litres) |
| Over Shoe Protectors |

| | | |
|-------|------|------|
| 1095 | 80 | -600 |
| 26063 | 0 | -20 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 1847 | 0 | -11 |
| 2700 | 5000 | -88 |

Report

To: Wheatley Housing Group Board

By: Olga Clayton, Group Director of Housing and Care

Approved by: Martin Armstrong, Group Chief Executive

Subject: Alertacall Expansion

Date of Meeting: 12 May 2020

1. Purpose

- 1.1 To update the Board on the progress to date with the roll out of 200 Alertacall units to general needs customers across group.

2. Authorising Context

- 2.1 The activities addressed in this report are principally of an operational nature, and are therefore delegated to the Group CEO under the Group Standing Orders. The Board are asked to note and comment on the progress to date.

3. Risk Appetite and assessment

- 3.1 The agreed risk appetite to Growth is “open” which is defined as “willing to choose the option most likely to result in successful delivery while also providing value for money.

4. Background

- 4.1 In April 2018 Wheatley Group designed a new and bespoke Livingwell service in direct response to the removal of Local Authority funding for sheltered and very sheltered services in Glasgow.
- 4.2 There are currently 29 Livingwell complexes across group; 24 GHA, 3 CUBE and 2 Loretto Housing. Across Wheatley Group footprint there is also Retirement Housing in Dunedin Canmore and Sheltered Accommodation in Dumfries and Galloway Housing Partnership. Work is currently underway to explore and scope the potential for the Livingwell model to be replicated in these areas with Livingwell specifically called out as an area for growth in our strategic plan.

- 4.3 The current Livingwell model is designed to support customers to live independently and safe and well. The model consists of 10 component parts, as detailed below as detailed below;
- Safety and security – Alertacall
 - Technology and Smart TV
 - Volunteers and Peer Support
 - Local Community Engagement Team
 - Livingwell Advisor Team
 - Low level adaptations
 - Daily social events calendars
 - Integrated Housing and Care teams on site planned times
 - Health and wellbeing focused activities
 - Support to signposting and managing changes in circumstances
- 4.4 The Livingwell team, who are employed by Wheatley Care, are responsible for delivering the service to tenants. The service is an integrated housing and care model and delivers an enhanced housing management service to 949 tenants with Livingwell staff working very closely with housing teams.
- 4.5. The Alertacall (OK Today) system is an integral part of the Livingwell model. The service enables tenants, through a specialist phone, to “check- in daily” using a button on their phone to confirm everything is okay at home. If a tenant has not “checked in” by their agreed time, there is a detailed escalation process which includes Alertacall staff responding initially with further escalation to Livingwell staff or appropriate agencies and/or emergency services where required. The number of escalations and the reasons vary however on average there are 4 escalations per week for 949 customers.
- 4.6. Additionally, tenants can use their phone to directly contact our Customer Service Centre or to ask Alertacall to report repairs.
- 4.7. We are able to send out mass voice mail messages to customers via their Alertacall phones. This service can be used to alert customers to emergencies such as interruptions to their utility supplies, reminders about fire alarm tests in their buildings or to keep them up to date with Wheatley news or activities.
- 4.8. Customers or family members can also use the phones to set up appointment reminders.
- 4.9. An independent evaluation carried out into the service in 2019 found that;
- “Most tenants felt that Livingwell made a clear, positive difference to their social connections” and “Most tenants felt that the Livingwell service had helped them to retain their independence while remaining safe in their home”.*
- 4.10. As the pandemic was announced and Wheatley Group deployed business continuity plans, we took the opportunity to review what current partners could offer to support our response.

- 4.11. Contact was made with Alertacall to explore anything they could offer specifically to our vulnerable customers at this time. An agreement was reached with Housing Proactive that they would fund and deploy the Alertacall System to our vulnerable customers as required by us. The Executive Team subsequently approved the proposal of rolling out 200 Alertacall systems to Group main stream tenants.

5. Discussion

- 5.1. The key motivation for introducing Alertacall services to mainstream housing at this time is to help reduce social isolation and improve opportunities to ensure our most vulnerable customers and their homes are safe and well through these unprecedented times with a view to understanding better how this system will assist in achieving a broader set of outcomes for our customers.
- 5.2. Customers who currently use Alertacall have repeatedly commented on the impact of the system and the contact with Alertacall staff throughout the day. Reminders for hospital appointments, interactions with Alertacall staff, receiving birthday cards and ensuring properties are appropriately prepared prior to hospital discharge are a few of the areas commented positively on by customers.
- 5.3. As Government restrictions continue, potentially for a much longer period, introducing Alertacall will allow us to connect more easily with some of our older and more vulnerable customers and to ensure that individuals are supported to maintain their health, connectedness and home in challenging times.
- 5.4. Utilising the system will allow us to ensure that there is more frequent and systematic contact with those most isolated throughout this period by initially targeting older customers who are shielding as a result of their age or underlying health conditions.
- 5.5. Interactions via the Alertacall system will allow us to more easily understand if a customer may be requiring additional support such as food deliveries. It will also allow us to push out messages offering support to the most at risk individuals.
- 5.6. While we are working tirelessly to reach out in person to all of our customers the introduction of the system will enable us to target resources more effectively by quickly responding where we have concerns about someone's welfare. All responses will adhere to Government guidelines.
- 5.7. The first 20 units were delivered on Wednesday 15 April 2020 with the delivery plans designed to meet social distancing and infection control requirements., Units were placed outside customers' homes in sealed bags with no contact made.
- 5.8. Customers were supported through the installation process by Livingwell Advisors and Alertacall staff and no major issues were identified and by the 17th of April all customers had their system and individual arrangements established.

- 5.9. Between the 17th and 20th of April 85%, 17/20 customers were using the system as expected. The 3 remaining customers were contacted by Alertacall and Livingwell staff and reminded about the system use. The Livingwell team will continue to support tenants until they are fully comfortable with the system.

Customer feedback

- 5.10. Prior to rolling out the second phase we contacted customers in phase 1 to gather their feedback and see what improvements could be made with the distribution and set up process.
- 5.11. Customers noted without exception that the delivery and installation process went well with customers advising that they felt reassured knowing the system was there, they felt safe and secure. Recent quotes from customers include the following;

"I find having the system is reassuring for me and my family. My daughter works and knowing I have this system is a great comfort. System is fantastic and a great thing to have in place."

"I found the whole process, from delivery to install, very efficient and the equipment straightforward to install. I might also take advantage of the other Alertacall services, appointment and social events reminding service."

"The service is great I cannot believe how much my housing provider cares."

Implementation – phase 2 and 3

- 5.12. In identifying potential customers Housing Officers targeted customers over the age of 65 who may have less connectedness within their families and communities or individuals who may have a reduction in their informal or formal care arrangements as a result of the pandemic.
- 5.13. One hundred and eight customers were identified for inclusion in phase 2 of the roll out, with all customers connected and using the system by the 30th of April.
- 5.14. The install process for phase 2 is being supported again by Livingwell staff and a number of housing staff. In this instance a small number of individuals required practical support from Livingwell Team Leaders to install the equipment and set up the system. Full guidelines in respect of Personal Protective Equipment and social distancing were adhered to throughout.
- 5.15. Completion of phase 2 has resulted in 128 general needs tenants connected to the Alertacall service.
- 5.16. Phase 3 of the roll out, circa 70 units will be extended beyond Glasgow and will also be offered to customers across Group geographical footprint. This includes roll out in Dumfries and Galloway Housing Partnership where we can test the benefits of this system in very rural areas for some of our vulnerable customers.

- 5.17. Dumfries and Galloway Housing Partnership have a significant number of older people who live in remote areas. They are currently looking at options for improving not only increased engagement with older people, but options for improving digital connection and access for this client group.
- 5.18. The introduction of Alertacall will go some way in meeting these challenges and enable Dumfries and Galloway Partnership to not only ensure their tenants are safe and well but to start to assist them to profile customer needs and demands in order to prioritise staff resources and funding appropriately.
- 5.19. Phase 3 roll out is being programmed to commence no later than 26 May 2020 to allow Housing Officers the appropriate time engage with customers who may need further information and support to help them decide if they want to sign up to the Alertacall service. We will target our conversations with people who we understand to be shielding. This time will also be used to develop subsidiary specific protocols for escalation processes in the use of Alertacall.
- 5.20. The install for phase three will be supported by the Livingwell team and Housing Officers from the relevant subsidiaries.

Interim evaluation of outcomes and model refinement

- 5.21. Throughout phase's 1 – 3, implementation data and customer feedback will be collated and formally reported on to monitor the impact of the service and the outcomes it supports, to inform the longer term vision for the use of innovative housing management systems across Wheatley Group.
- 5.22. An Evaluation Framework will be devised that allows us to measure the impact against a set of intended outcomes of the system deployment which will include but not be restricted to monitoring impact in respect of the following outcomes;
- Reducing social isolation
 - Customers feeling more safe in their homes
 - Supporting individuals who are shielding to access the appropriate support
 - Monitoring and responding to change in circumstances for our customers
 - Improved communication with vulnerable customers specifically in respect of Health and Safety
- 5.23. Formal evaluation will be concluded within 3 months of full deployment and, in addition to demonstrating outcomes will explore the longer term financial viability and future operating model which would successfully support this product and customer offering with early thinking focusing on a reshaped service model for;
- High Rise Living
 - Customers aged 65 or over and;
 - Tenants who are shielding for a longer period of time.

- 5.24. While the introduction of the Alertacall system for our more vulnerable customers, out with Livingwell, has been as a result of our response to the pandemic emergency; very early discussions were already underway to explore how we may partner with Housing Proactive to provide enhanced services to our customers using the products they develop.
- 5.25. Housing Proactive have a number of products that support housing management some of which are being already explored for use in our Livingwell developments and our multi storey properties going forward. This includes a touch screen android tablet which provides all of the existing benefits of the Alertacall system but offers the following enhancements:
- Enhanced messaging capabilities, including voice, text and image based messaging
 - Provides a smart device to all customers ensuring the initial step on digital inclusion journey for all customers
 - Option to integrate with Wheatley's customer portal to allow for increased digital engagement & further step on digital journey
 - Potential to open up development for video conferencing and further digital inclusion.
- 5.26. Additionally, the touchscreens can be linked to environmental sensors which monitor, through simple technology, the temperature and humidity of properties. This in turn, can detect sooner potential maintenance issues and reduce repairs and maintenance costs.
- 5.27. As part of the High Rise Living Framework we had already started to explore the following three avenues for deploying Alertacall in an MSF context:
- Deploying Alertacall in 415 Nitshill, which already has a largely elderly customer demographic
 - Rolling out Alertacall as part of the next phase of 415 community hub sites. Short lists were being drawn up for Sandyhills, Crathie Court or Blairedardie
 - As part of the Grenfell Inquiry recommendations we had considered Alertacall as an alternate means of contacting customers in MSF when the stay put policy changes during the course of a severe fire.
- 5.28. While we are at the very early stages of scoping what this offering could look like, understanding the impact of its use in main stream housing throughout the current emergency and the subsequent evaluation will assist us to better scope the customer offering and determine the most appropriate model that results in the most positive and cost effective outcomes for our customers.
- 5.29. The evaluation will take into consideration discussions already underway, the range of products on offer and the longer term financial viability of the Alertacall system including any infrastructure changes required to support strategic deployment across the Group.

- 5.30. It is worth noting that current costs for the test areas are being met for 6 months by Housing Proactive. To retain thereafter the cost for each tenancy for the basic Alertacall system is £4.50 per week and is Housing Benefit eligible. It is anticipated that future costs would be met by standard rental income or service charge where appropriate, however as detailed earlier., longer term financial viability of the product offering will form a critical part of the evaluation.

6. Legal, regulatory and charitable implications

- 6.1 None.

7. Partnership implications

- 7.1 While no formal partnership is in place with Housing Proactive who deliver the Alertacall service we will continue to work closely with them as we explore opportunities to further support our tenants across group.

8. Implementation and deployment

- 8.1 Short term - 3 months' implementation plan approved by ET. Further consideration throughout this 3 month about a wider roll out across Group in line with strategic aims as detailed earlier in the report.

9. Equalities Impact

- 9.1. There are no equalities implications arising from this report.

10. Recommendations

- 10.1. The Board is asked to note the progress made with phase one and two of the of the roll out and plans and associated timescales for phase three.

Report

To: Wheatley Housing Group Board

By: Olga Clayton, Group Director of Housing and Care

Approved by: Martin Armstrong, Group Chief Executive

Subject: Early Release of Prisoners

Date: 12 May 2020

1. Purpose

- 1.1 To provide the Board with an update on the Scottish Government's early release of prisoners programme.

2. Authorising Context

- 2.1 Under the Group Authorise, Manage Monitor Matrix the Group Board has overall responsibility for ensuring that we comply with legislation and regulation and overseeing the management of compliance. This includes our approach to complying with relevant legislation and regulation that apply on a Group wide basis or to multiple organisations within the Group.

3. Risk Appetite and Assessment

- 3.1 The Group risk appetite for responding to changing customer profile is "hungry"; this level of risk tolerance is defined as:
- an appetite to take decisions that are likely to bring external scrutiny but where potential benefits outweigh the risks; and
 - innovation is pursued with a desire to 'break the mould' and challenge current working practices.
- 3.2 Given the current Covid-19 pandemic and the sensitivities around the early release of prisoners, the potential risks identified are:
- Reputational risks and credibility;
 - Operational and policy risks; and
 - Compliance with legal and regulatory requirements.
- 3.3 There is potential for increased scrutiny if the proposed transition of prisoners' early release into the community is not managed appropriately. Detailed discussions have been held with Health and Social Care Partnerships (HSCPs), Criminal Justice Services, the Scottish Prison Service (SPS) and third sector support organisations to ensure we mitigate the potential for any negative impact and plan for the smooth, safe and supported transition of prisoners back into our communities.

4. Background

- 4.1 The current Covid-19 pandemic has had a significant impact on prisons across Scotland. In response to the challenges they face the SPS has had to take action such as ending family visits and reducing the time out of cells for prisoners. In common with most other organisations, it has also been reported that a significant number of prison staff cannot work due to ill health or a requirement to self-isolate, or shield as a result of children and family member vulnerabilities. These factors make prisons an especially challenging environment at present for prisoners, prison officers, NHS staff and others who work in prisons.
- 4.2 Another significant issue that has had to be taken into account is the overpopulation of the prison estate where it is common for 'single cells' to be shared. For example, Barlinnie in Glasgow has 900 single cells for male prisoner use but they are overcrowded to such an extent over 1400 prisoners are currently housed there. This overcrowding issue has been highlighted prior to Covid-19 however, due to social distancing requirements post Covid 19, this issue has taken on even greater significance.
- 4.3 Those who live and work in prison are a particularly vulnerable population in terms of risk to Covid 19. Although there has been a reduction in the prison population in recent weeks, staff working in prisons are still having to deal with a high number of prisoners who are routinely accommodated in double cells. Social distancing or self-isolation is impossible in these circumstances and the risks around virus transmission are inevitably higher.
- 4.4 In response to the challenges highlighted above Government Ministers have now decided that a limited form of prison release is necessary and proportionate to alleviate the unprecedented circumstances prisons are experiencing. It is expected that this action will help give the SPS improved capacity as they move towards increased single-cell occupancy and ensuring that they can maintain a safe custodial environment for staff and prisoners.
- 4.5 The legal authority to allow for the early release of certain prisoners is contained in The Coronavirus (Scotland) Act 2020 (The Act). The Act is an Act of the Scottish Parliament to enable it to make provisions during the 2020 coronavirus pandemic. The Act complements and regulates the use of emergency powers given to Scottish Ministers under the UK Parliament's Coronavirus Act 2020.
- 4.6 Regulations were laid before the Scottish Parliament on 30th April so that a limited number of short-term sentenced individuals can be released on or after this date.
- 4.7 The scheme will be limited to those sentenced to 18 months or less and who, on 30 April, have 90 days (three months) or less left of their time in custody. It excludes:
- any prisoner convicted of sexual or terrorism offences or imprisoned for life;
 - those imprisoned for domestic abuse; and
 - those with non-harassment orders or those convicted of certain Covid-19-related offences.
- 4.8 A Prison Governor may also veto someone from the scheme where they consider that the prisoner presents an immediate risk of harm to a specific individual.

- 4.9 Applying these powers will help to reduce the prison population to manageable proportions and therefore reduce the risk of cross contamination to the NHS, SPS, and Local Authority ("LA") staff. The consequent transmission to families and the community will also be reduced.
- 4.10 This report provides an update on the preparations that are on-going to prepare for the early release of prisoners.

5. Discussion

- 5.1 The Scottish Government recognises that effective partnership working across a full range of organisations (including RSLs) is crucial to facilitating as seamless an approach to liberation as possible. It is also hugely important in ensuring we can appropriately support individuals with physical, emotional and financial well-being to successfully transition into the community.
- 5.2 It is expected that circa 453 prisoners will be released as part of the early release programme across Scotland. The early release of prisoners will be staggered over three distinct phases. All releases are expected to take place within a 28 day timeframe starting on 30th April 2020:
- Prisoners with 1-30 days until early release date would be released within days 1-14 of the 28 day period;
 - Prisoners with 31-60 days remaining would be released within days 15-21 of the 28 day period; and
 - Prisoners with 61-90 days remaining would be released within days 22-28 of the 28 day period.
- 5.3 During the above 28 day timeframe there will also be an additional natural flow of prisoners due for release during this time who have served a full sentence. (There are typically 120-130 prison releases per week in Scotland.)
- 5.4 The Scottish Government has provided a breakdown of the 453 prisoners that are planned to be subject to early release. It should be noted however that the figure of 453 is not definitive and it is expected that this will either increase or decrease slightly as the process is worked through in more detail. For example the number could reduce by up to 10% following veto by Prison Governors. The table below shows the breakdown of expected early releases in LA areas where we have strategic agreements in place:

| Local Authority | Total number over 3 phases | As %of all expected earlier releases (453) |
|---------------------|----------------------------|--|
| Edinburgh | 26 | 5.8% |
| Dumfries & Galloway | 5 | 1.1% |
| Glasgow | 73 | 16.1% |
| West Dunbartonshire | 13 | 2.8% |
| West Lothian | 9 | 2% |
| Total | 126 | 27.8% |

- 5.5 Our previous experience and information tells us that up to 40% of this prison cohort could be homeless on release which is circa 51 people across the LAs where we have Strategic Agreements. It is estimated that up to 30 prisoners being released to Glasgow communities will be homeless.

- 5.6 A full breakdown of the number of prisoners expected to be released to each LA area across Scotland in the 3 distinct phases is noted in Appendix 1 to this report. As stated above these figures are subject to change as the process is worked through by the Scottish Government and other key statutory partner agencies.

Planning for release

- 5.7 Prior to Covid-19 new Information Sharing Protocols were introduced between prisons and LAs. All 32 LAs have now signed up to the protocol. This will allow the details of the expected prisoners to be shared prior to release and ensure full support packages can be put in place.
- 5.8 LAs will then use existing Homelessness Protocols to share information to RSLs. This will be done through existing Section 5 referrals and nomination processes. In addition to this Glasgow is also introducing an “exchange of letters” scheme to allow the sharing of information during Covid-19. This will expand the information shared to include those entering prison with a tenancy and those leaving prison going back to a tenancy. The letter has been discussed with ourselves, the Glasgow West of Scotland Forum and the Scottish Federation of Housing Associations – we expect to get this ratified in the next 2 weeks and it is likely that other LAs will enter into similar arrangements.
- 5.9 In addition to the above the Victim Notification Scheme is being modified to ensure that victims registered with the scheme are notified of the release of a relevant individual. This is a statutory scheme that allow victims to request that they are notified when the perpetrator of the crime is due to be released.

Key considerations in planning for release

- 5.10 Discussions have taken place to consider the practical supports prisoners will need post release to mitigate any risk to stakeholders, including RSLs, and also what support mechanisms are required to ensure they have the best chance of integrating successfully within communities. An important element of this is obviously the provision of suitable accommodation. Various pathways to access different accommodation types have been discussed in detail. Considerations have included:
- Where the prisoner will stay following liberation - can they return home, or will they require temporary accommodation;
 - Supports required for that accommodation - including access to benefits, tenancy support and essential items such as soap and toothpaste;
 - Access to GP, mental health, alcohol and drug treatment, community pharmacy and social care services;
 - How to keep in telephone contact with prisoners post release - some will have their own phone, others will require to purchase a phone;
 - Transport options to allow the prisoner to get to their home/temporary accommodation;
 - How to communicate the services that are available to prisoners prior to their release. Options include using prison radio, posters, leaflets, release packs and use of Scottish Prison ‘email a prisoner’ service;
 - How prisoners access keys for temporary accommodation. There will be different processes across LAs with some still utilising a traditional book-in method. One option being considered by Glasgow is the use of key safes. When the prisoner arrives at the property they will be telephoned with the code for the key safe to gain access to the property; and

- How to enforce any processes/restrictions for prisoners who are self-isolating upon release.
- 5.11 We know that people in prison are an extremely vulnerable population, experiencing multiple and complex health and social care needs. Partnership is therefore key in getting people settled into permanent and temporary accommodation and to reduce reoffending. It is recognised that everyone has a role in ensuring that people released under these new powers are able to access accommodation, any necessary supports and remain safe on release. Individual assessments will be undertaken for all prisoners due to be released; this will determine the most suitable type of accommodation and will also inform a bespoke support package that will be delivered by either Turning Point Scotland or Wheatley care.

Wheatley Group's role

- 5.12 The potential impact for the Group is most significant in the Glasgow area due to the number of prisoners being released and also that we are the largest single housing provider in this LA area. It should be noted however that not every prisoner in this early release programme will be homeless on release; many will have existing homes within our stock, other RSLs, the private rented sector, owner occupied homes and others will go to partners or other family members. Regular calls are taking place between LA's homeless casework team based in HMP Barlinnie, to ensure that as soon as potential liberation addresses are identified we can confirm whether or not they are within our stock
- 5.13 In order to prepare for the imminent release of prisoners in Glasgow, we have participated in weekly calls with the HSCP, Criminal Justice and key stakeholders to consider the implications of early release. Other LAs such as Edinburgh, West Dunbartonshire, Dumfries and Galloway and West Lothian expect numbers to be low and therefore have indicated that they will be able to manage the released numbers within existing Temporary Accommodation arrangements (breakdown of numbers noted below). The relevant information will be shared by, and with, these LAs as part of our normal homelessness protocols.
- **Edinburgh** – estimated to have 10 homeless cases. These cases will be managed within current temporary furnished accommodation pool;
 - **Dumfries and Galloway** – estimated to have 2 homeless cases. These cases will be managed within current temporary furnished accommodation pool;
 - **West Lothian** – estimated to have 4 cases. These cases will be managed in Council accommodation; and
 - **West Dunbartonshire** – estimated to have 5 cases. These cases will be managed in Council accommodation; and
 - **Glasgow** – Estimated to have 30 homeless cases. These cases will be managed within current temporary furnished accommodation pool, commissioned supported accommodation and hotel B&B accommodation.
- 5.14 While the above LAs have indicated they will be able to manage within their existing temporary accommodation pool we are acutely aware of the strain on homelessness services due to Covid-19. We have therefore increased our contribution to the temporary accommodation provision in these areas. In Dumfries and Galloway we have offered 26 properties with 23 being accepted by the LA.

- 5.15 Dunedin Canmore has offered 9 properties to City of Edinburgh Council with 4 being accepted and the other 5 in the process of being assessed by the LA. We have also had initial discussions with both West Lothian and West Dunbartonshire Councils with potentially one property in each of these areas being offered as temporary accommodation.
- 5.16 In addition to the offer of physical accommodation in all of the LA areas noted above we are also providing wider support to the programme through our Wheatley Care service. For example, we deliver a large Homelessness and Tenancy Support Service in Falkirk and Grangemouth (purchased by Falkirk Council) and, as part of this, we have applied for funding to provide those early release prisoners who access the homeless service, and who we will be supporting, with mobile phones.
- 5.17 We are expecting around 40% of the prisoners released in Glasgow to be homeless upon release. Therefore increased provision of temporary accommodation across the city is playing a key part in the preparations for the early release programme. Since letting was suspended due to Covid-19 we have offered GCC circa 150 additional properties for use as emergency temporary accommodation to support the LA in increasing their capacity during the crisis.
- 5.18 GCC has also increased the temporary accommodation portfolio through the acquisition of a further 26 properties from other RSLs operating in the City and they have increased B&B accommodation to circa 400 units in hotels across the City.
- 5.19 It is recognised that LAs will be basing some of their assumptions and planning on out of date information. For example the data held about the address the prisoner was living in at the time they entered prison may no longer be accurate or relevant. We know that, for example, GCC are hoping to make contact with prisoners prior to release to confirm circumstances and this will help, on the day of release, to get the customer into most appropriate form of accommodation.
- 5.20 For all LA areas if released prisoners do not have access to their own settled accommodation then it is likely to be temporary furnished accommodation they are offered; however supported accommodation placements will be required for some more complex and vulnerable cases. Evidence tells us that 15% of prisoners go into prison homeless but up to 50% can be homeless on release. This is as a result of family breakdown in prisons or the prisoner sofa surfing immediately prior to imprisonment and, on release, they can't go back to that property.
- 5.21 For customers who return to any tenancy within the Group they can draw down on our fantastic range of wraparound supports to ensure we promote desistance from re-offending. The supports we can currently offer include EatWell; Welfare Benefits Advice; Community Improvement Partnership supports and Tenancy Support via telephone contact.

6. Key issues and conclusions

- 6.1 As a Group we have a proud history of providing temporary and permanent accommodation to customers who have been in prison and supporting their desistance from future offending.

- 6.2 We have already been working with LA partners to support them in increasing the availability of temporary accommodation. We will continue to review our contribution throughout the duration of the Covid-19 pandemic.
- 6.3 We will continue to work with partners to find solutions to ensure a safe transition for prisoners from custody to community. Where appropriate we will draw down on the wraparound supports that Group provides.
- 7. Value for money implications**
- 7.1 There are no Value for Money implications arising from this report.
- 8. Impact on financial projections**
- 8.1 There has been no impact on financial projections identified as part of this report.
- 9. Legal, regulatory and charitable implications**
- 9.1 The Housing (Scotland) Act 2001 established that RSLs would be obliged to house homeless people unless they had good reason not to do so. The reasons for refusal are relatively limited. Section 5 referrals are the main way in which RSLs engage with homelessness policy and practice.
- 9.2 Prisoners who are homeless on release are dealt with through the established Section 5 process as outlined in the Housing (Scotland) Act 2001. Early release prisoners will also be dealt with in this way.
- 10. Partnership implications**
- 10.1 We will continue to work with all statutory and voluntary sector partners to ensure the successful delivery of the early release programme.
- 11. Implementation and deployment**
- 11.1 Wheatley 360's Housing Advice, Homelessness and Customer Support Team have strategic and operational responsibility for overseeing our Group approach to homelessness. Subject to Board feedback, they will lead the transition to and implementation of the early release of prisoners who will be moving into or returning to tenancies within the Group.
- 12. Equalities impact**
- 12.1 Our contribution to the early release of prisoners will have a positive impact for prisoners and will assist greatly in their transition into our communities in a safe and coordinated way.
- 13. Recommendations**
- 13.1 The Board is asked to note the information provided within this report on the Scottish Government's early release of prisoners programme.

Appendix 1

| Local Authority | Phase 1 | | Phase 2 | Phase 3 |
|-----------------------|------------------------------------|---------------------------------|----------------------------------|----------------------------------|
| | Week 1 (30 th April) | Week 2 (7 th May) | Week 3 (14 th May) | Week 4 (21 st May) |
| Aberdeen City | 4 | 10 | 7 | 5 |
| Aberdeenshire | 0 | 6 | 3 | 1 |
| Angus | 3 | 5 | 2 | 3 |
| Argyll and Bute | 0 | 3 | 3 | 0 |
| City of Edinburgh | 3 | 12 | 6 | 5 |
| Clackmannanshire | 0 | 2 | 2 | 5 |
| Dumfries and Galloway | 0 | 0 | 2 | 3 |
| Dundee City | 1 | 11 | 6 | 7 |
| East Ayrshire | 2 | 3 | 9 | 3 |
| East Dunbartonshire | 0 | 0 | 1 | 0 |
| East Lothian | 2 | 0 | 1 | 0 |
| East Renfrewshire | 0 | 4 | 1 | 1 |
| Falkirk | 0 | 5 | 11 | 6 |
| Fife | 3 | 21 | 12 | 4 |
| Glasgow City | 7 | 21 | 31 | 14 |
| Highland | 0 | 4 | 3 | 4 |
| Inverclyde | 2 | 5 | 8 | 3 |
| Midlothian | 0 | 0 | 3 | 1 |
| Na H-Eileanan Siar | 0 | 1 | 0 | 0 |
| North Ayrshire | 2 | 8 | 3 | 3 |
| North Lanarkshire | 4 | 11 | 5 | 8 |
| Orkney | 0 | 1 | 0 | 0 |
| Outwith Scotland | 0 | 8 | 3 | 4 |
| Perth and Kinross | 1 | 4 | 7 | 1 |
| Renfrewshire | 0 | 2 | 4 | 5 |
| Scottish Borders | 1 | 2 | 0 | 0 |
| Shetland Islands | 0 | 2 | 0 | 1 |
| South Ayrshire | 2 | 8 | 4 | 4 |
| South Lanarkshire | 4 | 11 | 6 | 7 |
| Stirling | 1 | 0 | 5 | 3 |
| Unknown | 1 | 2 | 1 | 0 |
| West Dunbartonshire | 0 | 6 | 4 | 3 |
| West Lothian | 1 | 2 | 3 | 3 |
| TOTAL | 44 | 180 | 156 | 107 |

Report

To: Wheatley Housing Group Board

By: Tom Barclay, Group Director of Property and Development

Approved by: Martin Armstrong, Group Chief Executive

Subject: Group new build performance report

Date of Meeting: 12 May 2020

1. Purpose

1.1 The purpose of this report is to:

- provide Board with an overview of the Group's new build programme performance to year end in 2019/20;
- advise the Board that Group wide the total number of new supply homes (including new build affordable homes and owner buybacks) equates to 824 homes being added to our asset base; and
- update the Board on the current status of the Group's development programme with all live sites currently in lockdown and on our discussions with contractors during lockdown on their current status.

2. Authorising context

2.1 Under the Group Standing Orders and Authorising Framework, Wheatley Housing Group Board approval is required for key matters relating to the Group's financial and strategic framework. The Group Board retains strategic oversight of progress with the asset growth programme across the Group.

3. Risk appetite and assessment

- 3.1 The Group's risk appetite in respect of development is "open", which is defined as willing to choose the option *"most likely to result in successful delivery while also providing an acceptable level of reward"*.
- 3.2 The information provided in this report supports our management of risk in respect of the development programme by providing a robust performance management framework for the Board.

4. Background

4.1 In line with national guidance the construction sector in Scotland closed down from 23 March 2020. The contractors and developers who deliver our Group wide development programme progressed the closure and securing of all 24 of the Group's new build sites over 23/24/25 March 2020.

- 4.2 At the lockdown we were in the midst of a major effort to conclude our scheduled Quarter 4 handovers. By the second week in March 2020 it was clear that we would not make our annual target. We were receiving feedback from our contractors flagging a combination of issues relating to Covid-19, including the impact on their site resources as an increasing number of their own senior personnel, site operatives and operatives from their sub-contractors had begun to self-isolate, in line with national guidance.
- 4.3 Our contractors also reported on a similar position emerging within Local Authority Building Control teams as they pressed the respective Building Control departments to confirm/keep appointments to sign off on habitation certificates for completed, or soon to complete homes, in Edinburgh, Glasgow and West Dunbartonshire. This had become problematic for a number of our sites, prior to lockdown.
- 4.4 The year end performance report also draws out known risks or significant updates, both in the general context of the Covid-19 pandemic and on specific projects.
- 4.5 The performance report is accompanied by a period 12 Dashboard. This includes: (i) a summary of completions by each RSL; and (ii) those approved projects that are not yet on site.

5. Discussion

Group New Build Dashboard

- 5.1 The Group New Build Performance Dashboard to 31 March 2020 is attached at Appendix 1. Commentary on the dashboard indicators, including highlights and exceptions, is provided in Table 1 below.

Table 1

| Dashboards Indicators | Dashboards : Highlights & Exceptions |
|--------------------------------------|---|
| On site | <ul style="list-style-type: none"> ▪ We have 1,187 units on site, but in construction works lockdown across 24 sites. ▪ This includes 49 units on three DGHP sites that had commenced on site as planned in March 2020. ▪ Our largest project on site is GHA's Sighthill project (198 units). ▪ Our smallest project is DGHP Monreith (5 units). |
| Due on site | <ul style="list-style-type: none"> ▪ We have a further 100 units across 3 projects (DC Longniddry, GHA Dovehill Ph 1 and Loretto Dargavel) due on site. ▪ This will bring our total development programme to 1,287 units. |
| 2019/20 Budget v Actual spend | At Period 12 (31 March 2020) our spend across the Group was £85.7m , set against our budget of £101.6m . As previously reported, at the core of this movement of spend v budget is the later than planned site start of a number of projects, including: GHA Sighthill, Baillieston and Kennishead, Cube Queen's Quay, DCH South Gilmerton and WLHP Almondvale and in March 2020 the cessation of works as a result of the Covid-19 pandemic. |

| | |
|--------------------------------------|--|
| | <i>Please note this summary will differ from the Finance report which includes accounting adjustments for capitalised development staff, finance and demolition costs as well as costs incurred for projects not yet on site. The new build dashboard focuses on live developments only.</i> |
| Completions to 31 March 2020 | <ul style="list-style-type: none"> ▪ To 31 March 2020 we completed 801 new build units (including three shared equity units), against our 2019/20 target of 914 units (87%). <p>Completed projects in the year include: two Cube developments in Bonhill, West Dunbartonshire, DCH's Ravelrig Road, North Berwick Phase 2 and Phase 3, Aberlady and Gullane projects, GHA Bell Street, Gallowgate, Glenacre and Hinshelwood projects, Loretto's Muirhall Street, Coatbridge and Buckley Street projects and WLHP's Kirk Lane project.</p> |
| Engagement Status | We have 13 ' High Engagement ' projects on site but in lockdown or due on site. These projects mainly relate to scale of the project (over 70 units) or where the project involves complex ground conditions. [redacted] |
| Contractor Financial Exposure | <ul style="list-style-type: none"> ▪ We have contractual relationships for projects, amounting to £203m. The dashboard summarises the position. ▪ We have contracts in place for a further £9.4m across the three DGHP projects. ▪ The level of financial exposure varies from quarter to quarter as projects enter into contract, commence on site, move to practical completion, and move outwith the defects period. |

- 5.2 As indicated above, our Group wide development programme went into lockdown from 23 March 2020. All of our contractor and developer partners took immediate steps over week beginning 23 March to secure and make safe their construction operations at all of our sites. This was in keeping with practice across the country as all construction activity ceased, following guidance from the Scottish Government in response to the Covid-19 pandemic. At the time, a number of our contractors likened the practice they would be following to preparing for an extended Christmas close down.
- 5.3 With 801 completions in 2019/20, the balance of our planned completions in 2019/20 will now carry forward into 2020/21. A number of projects had remaining units for handover complete, or almost complete, at the commencement of the lockdown.
- 5.4 In the context of Covid-19 at this time we are not yet clear when non-essential (including residential housing) construction sites will re-open. We have been considering scenarios with the Finance and Business Planning team on the Group development programme linked to our sites restarting, projected dates for handovers and assessing impact on the Group Business Plan.
- 5.5 We have kept in touch with our contractors that are under contract during the lockdown period, speaking to Managing Directors and senior Directors. This included inviting the completion of a short survey that was returned by eight of our contractors. It sought headline information from the contractors on a range of issues

in response to the Covid-19 lockdown. Headline findings from the survey are summarised below:

[summary redacted].

5.6 [redacted]

5.7 [redacted]

5.8 More broadly, however, we will be carrying out a review of our future strategy in respect of mid-market rent and other tenures where rental structures are higher than social rents. With the economic impact of Coronavirus, including Glasgow City Council citing a potential 60,000-100,000 job losses in the city, there may be less demand in future for these types of products in certain locations, particularly larger schemes in regeneration areas. We will bring back a paper to the Board addressing this area.

5.9 One of our framework contractors, Central Building Contractors (Glasgow) Ltd, CBC, who are on Lot 1 (30 units and under) of the framework, have sadly entered into administration on 29 April 2020. CBC has not delivered any projects for the Group since joining the framework. We are not in contract with CBC for any future projects nor have we any current negotiations with them.

5.10 Over the last two weeks there has been an increasing debate on the economy restarting, including a particular focus on the construction industry. The Royal Institution of Chartered Surveyors, Royal Incorporation of Architects Scotland and the Chartered Institute of Building have come together to call for a gradual re-opening of 'non-essential' building sites. The bodies represent more than 13,000 trainees and professionals in Scotland and have made the joint request in a recent letter to the Minister for Local Government, Housing and Planning.

5.11 A number of our contractors are putting together mobilisation plans and anticipating the new operating protocols that are likely to guide the opening up of 'non-essential' construction sites.

5.12 The Scottish Government has been consulting with the construction industry and other stakeholders, including ourselves, on the balancing of the health crisis with in due course a measured recovery plan that could see construction sites recommence. Scottish Ministers have, at time of writing this report, noted the likelihood of the closure of construction sites continuing beyond their next review date of 7 May 2020.

5.13 A Construction Leadership Forum, chaired by the Minister for Local Government, Housing and Planning, has been meeting over the last few weeks with two key work streams: (i) recommending the programme to restart the construction industry; and (ii) preparation of safe operating procedures for construction sites. The Forum includes representation from various construction industry and professional bodies.

5.14 We have received, via Homes for Scotland, a draft of a six phased recovery plan, prepared by Homes for Scotland and members of the Construction Scotland Leadership Forum. The plan ranges from initial planning and pre start site preparation, stepping through to limited site activity and graduating to increased site activity. The plan is sensitive to PPE supply, to support pressures on the NHS and social care sectors, with some construction activities only to be undertaken when PPE supplies to NHS and Social Care has been assured. The draft recovery plan is currently being considered by Scottish Ministers. A copy is of the draft recovery

plan attached at Appendix 2. The plan is confidential at this stage and not for wider circulation.

- 5.15 We are also represented on a parallel Scottish Government led group, the Building Standards Resilience Group. This Group brings together various industry, Scottish Government and Local Authority Building Standards stakeholders to consider issues affecting delivery of the verification service resulting from the pandemic and to support guidance for the re-start of construction. This group is meeting by tele conference weekly and feeds into the Construction Leadership Forum.

5.16 Project updates

Engie Regeneration Limited

- 5.16.1 Whilst currently in lockdown, Engie is delivering three GHA developments in Glasgow: Auchinlea Road (106 units, 26 units of which being developed for Provanhall HA), Bellrock Street (53 units) and Kennishead (48 units). As previously reported, there is slippage in the contractor's programme at Bellrock Street. The contractual end date for Bellrock Street was January 2020. The contractor had indicated a revised programme to May 2020 to conclude this project. This will be reassessed with the contractor post lockdown.

[redacted]

5.16.2 [redacted]

Queen's Quay, Clydebank

- 5.16.3 Following the approval of the Wheatley Housing Group Board on 31 January 2020, the Cube Queen's Quay project started on site as planned on 6 March 2020 and is of course now in lock down. The legal arrangements, as previously presented to the Board, that supported our site acquisition from West Dunbartonshire Council and the accompanying Development Agreements (with both WDC and Clydebank Housing Association), Novation Agreement (with WDC and CRL) and the Heat Agreement (with WDC), have all been agreed with the other parties and signed.

Dargavel, Bishopton

- 5.16.4 At its October 2019 meeting the Group Development Committee approved the Loretto Housing new build project at Dargavel, Bishopton (58 units of social housing), at a cost of £8.4M with Robertson Partnership Homes. The Grant funding for this project has now been confirmed, with £1M from Scottish Government and £3.606M from Allia Social Investments.
- 5.16.5 The Allia funding was recommended by the Scottish Government and is on the same standard Grant terms as Scottish Government grant, with the exception that the grant funding is all received up front. Grant funding therefore totals £4,606M which is in excess of the £4.581M proposed at the time of the Group Development Committee approval in October 2019. We continue to work through the building contract terms with Robertson Partnership Homes to ensure an early start on site is possible once lockdown restrictions ease.

Buckley Street update

- 5.16.6 The Board may recall our request for additional Grant funding from Glasgow City Council to support the cost overrun of £268,000 at our Loretto Buckley Street project completed in 2019/20. This project sat outside the on-Bond programme. GCC in late March 2020 approved increased Grant funding of £176,000 for this project. This reduced the cost overrun to £92k, 2% of total development costs.

DGHP Programme

- 5.16.7 Following the approval of the Wheatley Group Board on 19 February 2020 to the first group of four projects in the DGHP Programme, site starts were achieved as planned at the projects in Sanquhar and Lincluden, with our framework contractor Ashleigh. The project at Monreith was in the process of site set up by City Building at lockdown. The tender for the fourth project, Nursery Avenue, Stranraer, is currently being assessed.

5.17 Contractor Financial Exposure

- 5.17.1 The level of financial exposure varies from quarter to quarter as new build projects enter into contract, commence on site, move to practical completion and move outwith the year defects period. We will continue to engage with our contractors over the lockdown period. When it is deemed safe for 'non-essential' construction sites to resume operations, we will seek continued assurance regarding our contractors financial standing.
- 5.17.2 Included within the dashboard at Appendix 1 is a summary of the live development programme, east and west. For 2020/21 this will also include all DGHP live projects.

6. Key issues and conclusions

- 6.1 The majority of our Group Development Team has been on furlough since 6 April 2020. The four Development Managers, including our new Development Manager for DGHP who joined us on 24 March 2020, and three staff from our Property Legal team are homeworking.
- 6.2 We completed 801 units of new supply housing and secured a further 23 homes through owner occupier buy backs in 2019/20. This includes the three shared equity units at Gallowgate Transformational Regeneration Area. This brings our total new supply of affordable housing in 2019/20 to 824 units. Our completions target for the Group-wide programme in 2019/20 was **914** units.
- 6.3 At the point of lockdown there were a number of projects with remaining units at an advanced stage of completion including: Cube Westcliff (24 units), WLHP Dixon Terrace (8 units), DCH Greendykes Phase 4 (16 units), DCH Lang Loan (7 units), DCH Morrison Crescent (19 units) and DCH Beaverbank (41 units). Subject to mobilisation timescales, when sites can safely restart we anticipate these six sites progressing reasonably quickly to handover. Further details on this will be available in due course.

- 6.4 As the Board will be aware we have a variety of procurement routes in addition to directly negotiated contracts in place across our Group development programme. All of the contract models used are managed on behalf of our developing subsidiaries by one of Group's framework Employer's Agents, and it is the Employer's Agents who have the powers under the contract to consider any requests for additional time or money under those construction and development contracts. In light of the current Covid-19 pandemic (and the risk of further delays in future due to a re-emergence) we have considered the possible treatment of the Covid-19 suspension across Group's differing contract models.
- 6.5 [redacted]
- 6.6 During lockdown we continue to work with the Scottish Government, Local Authorities and our design teams to keep momentum moving forward across a number of other projects that are in the development phase within the Group five-year programme. This includes seeking to advance design matters, statutory consents, confirm Grant funding and to crystalise commercial terms.
- 6.7 In late March 2020, as the lockdown period was commencing, we secured confirmed Grant offers from Glasgow City Council for a number of development projects in our Group wide programme. In the majority of projects we have been successful in securing Grant funding significantly over benchmark levels. Table 2 below summarises the projects.

| RSL | Project | Units/Tenure | Grant awards/£ per unit |
|---------|-----------------------------|----------------------|-------------------------|
| Loretto | Hallrule, Cardonald | 32 social rent | £3,253,358/ £101k/unit |
| GHA | Calton Village Phase 1 | 123 mid- market rent | £14,443,883/ £117k/unit |
| GHA | Hurlford Avenue, Garscadden | 70 mid-market rent | £5,822,700/ £83k/unit |
| GHA | Damshot Cres, Old Pollok | 26 social rent | £3,559,000/ £136k/unit |
| GHA | Carnwadric | 22 social rent | £2,983,200/ £135k/unit |

- 6.8 The Council in supporting Grant funding at this level has acknowledged a range of factors that are impacting on construction costs and Grant levels in the city, including: the prevailing construction costs of other Grant funded projects in the wider affordable housing programme in Glasgow, design requirements from the City's Design team that impact of costs e.g. Calton Village, and the small scale of two of the schemes above that impacts cost efficiency. Reports on each project are planned to be presented to the Group Development Committee.
- 6.9 We have continued to have a significant development team and property legal staff time focus on the Jarvey Street project. This is both in regard to the recently concluded second Adjudication and to continue to consider next steps on any future legal action.

7. Value for money implications

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

- 7.2 Delivering value for money to our funders and stakeholders, including the Scottish Government and local authorities, continues to maintain our position as a key delivery partner.

8. Impact on financial projections

- 8.1 The 2019/20 business plan projected rental income from new build units of £5.2m. Based on the completions for the year actual rental income generated by new build units is £4.8m, £0.4m less than expected due largely to in-year delays. Contractual penalty damages income of £334k reduces this variance to just £66k, substantially aligned with the 2019/20 Business Plan assumption.
- 8.2 Our year end position for 2019/20 shows new build grant received of £37.2m in the year, £5.8m lower than our assumption, driven by the later than planned site starts of a number of projects, including GHA's Sighthill and Kennishead, Cube's Queen's Quay and Dunedin Canmore's South Gilmerton sites.
- 8.3 The year end unit completions for 2019/20 and impact on future projections is summarised in table 2 below.

| Unit completions | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|-------------------------|----------------|----------------|----------------|----------------|----------------|
| Feb 2019 Business Plan | 914 | 684 | 604 | 664 | 662 |
| Actual/Revised Forecast | 801 | 475 | 630 | 884 | 682 |

Development Fund

- 8.4 The approved 2019/20 business plan included an allocation of £4.6m to help support the new build programme. With reference to this allocation, a balance of £3.9m remained at year end.
- 8.5 The 2020/21 approved Business Plan reset this allocation; £2.1m being available over the next 4 years.
- 8.6 An update on the utilisation of the development fund account will be presented in future new build updates as and when approval is given for use of the fund.

9. Legal, regulatory and charitable implications

- 9.1 The Scottish Housing Regulator seeks regular updates on our new build programme and funding position.
- 9.2 The in-house legal team undertakes title due diligence relative to all site acquisitions required to facilitate the development programmes along with preparation of documentation and due diligence associated with asset securitisation.
- 9.3 The legal team also assist with preparation of legal documents including Building Contracts and Development Agreements to safeguard our development operations.

10. Partnership implications

- 10.1 The development programme requires on-going partnership working with the Scottish Government and the Local Authorities in our operational areas including

those with Transfer of Management Development Funding (TMDF) powers, namely Glasgow and Edinburgh. We continue to be in contact with our key local authority partners both in relation to programme planning requirements and in the preparation of individual projects, in anticipation of coming out of lockdown.

- 10.2 We also remain engaged with a broad range of private developers, housebuilders, and land agents to seek to put ourselves into a position to exploit any opportunities that may emerge from the current lockdown.

11. Implementation and deployment

- 11.1 The delivery and performance management of the new build programme is led by the Wheatley Solutions Property & Development Team, under the Group Director of Property and Development.

12. Equalities impact

- 12.1 Within the programmes, all new build units are designed to Housing with Varying Needs (Part 1), as integrated into the 'Glasgow' and 'Edinburgh' mandatory standards promoted by the respective local authorities. The inclusion of wheelchair units on a number of sites is a standard funding requirement.

13. Recommendations

- 13.1 The Group Board is asked to note
- the contents of this year end performance report confirming a total of 824 homes to our asset base and attached Group New Build Performance Dashboard to 31 March 2020; and
 - the contractor engagement summary during the on-going lockdown and financial exposure summary as contained in this report.

List of Appendices

Appendix 1 - New Build Performance Dashboard

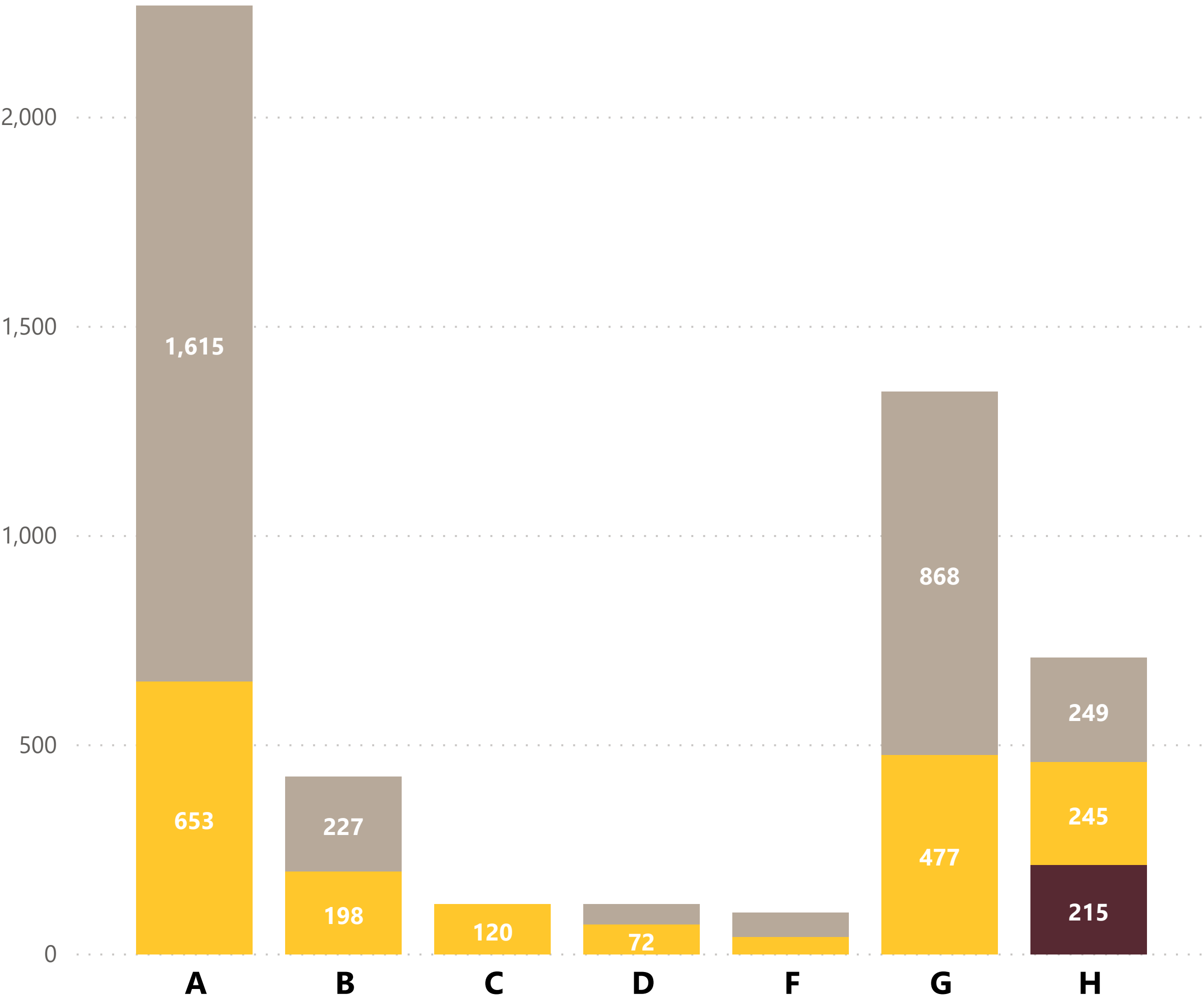
Appendix 2 – Homes for Scotland/Construction Scotland – draft Recovery Plan

Development Update

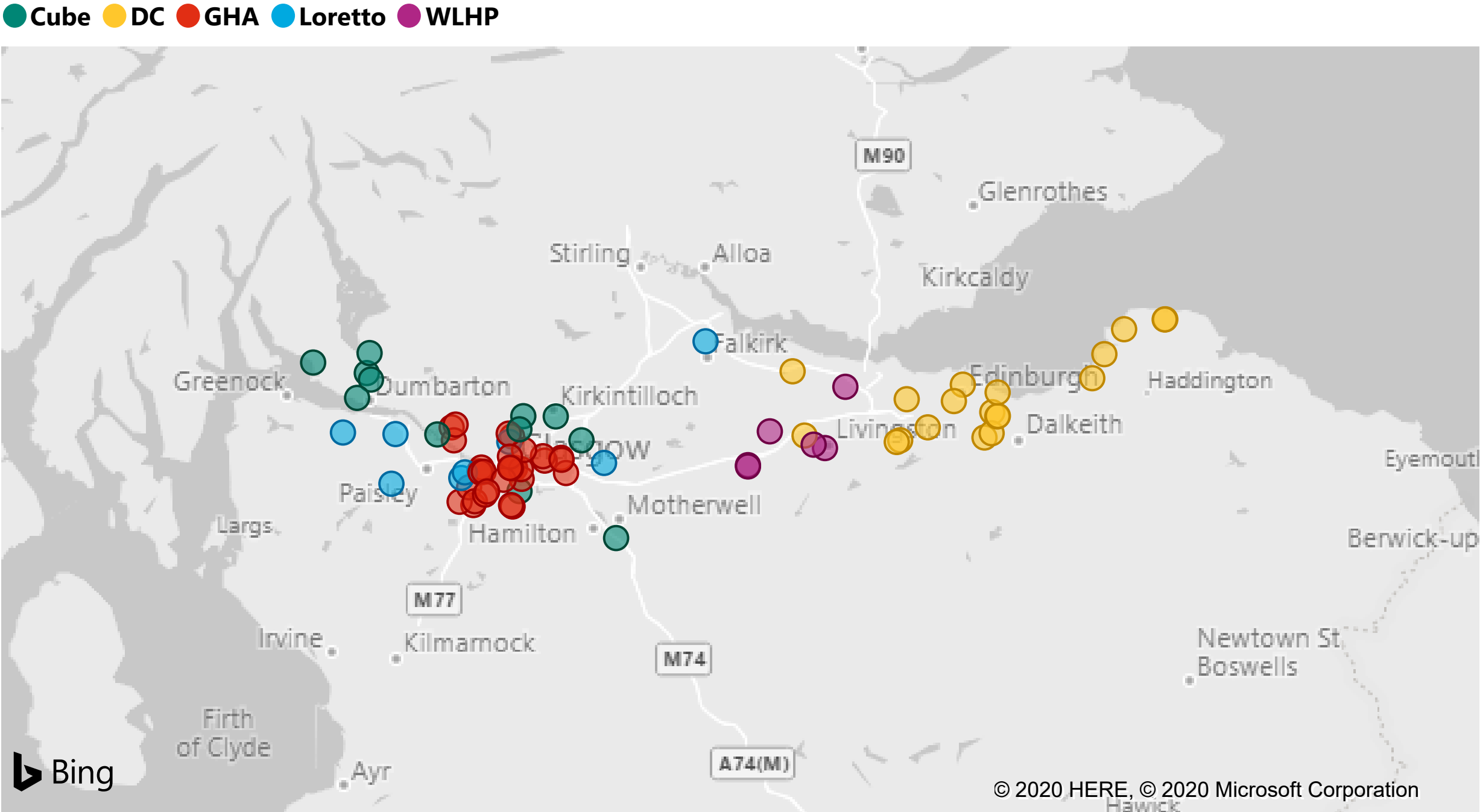
- Programme Overview
- Completions
- Partial Completions
- Projects due on Site
- Contractor Exposure

Number of units per project stage

● Reprov SR ● MMR ● New Supply SR



| Status | Cube | DC | GHA | Loretto | WLHP | Total |
|--------------------------------|------|----|-----|---------|------|-------|
| A. Potential | 2 | 15 | 11 | 5 | 5 | 38 |
| B. Initial Work | 5 | | 5 | | | 10 |
| C. Initial Design | | | 1 | | | 1 |
| D. Contractor Appointed | | | 3 | | | 3 |
| F. Due on Site | | 1 | | 1 | | 2 |
| F. Due on Site / Detail Design | | | 1 | | | 1 |
| G. On Site | 2 | 7 | 9 | | 3 | 21 |
| H. Complete (Defects Period) | 3 | 5 | 5 | 2 | 1 | 16 |
| Total | 12 | 28 | 35 | 8 | 9 | 92 |



Actual to end of Period

| RSL | MMR | Reprov | SE | SR | Total |
|---------|-----|--------|----|-----|-------|
| Cube | 78 | 210 | 4 | 109 | 109 |
| DC | | | | 84 | 162 |
| GHA | | | | 59 | 392 |
| Loretto | | | | 56 | 56 |
| WLHP | 197 | 210 | 4 | 83 | 83 |
| Total | | | | 391 | 802 |

Anticipated in 19/20

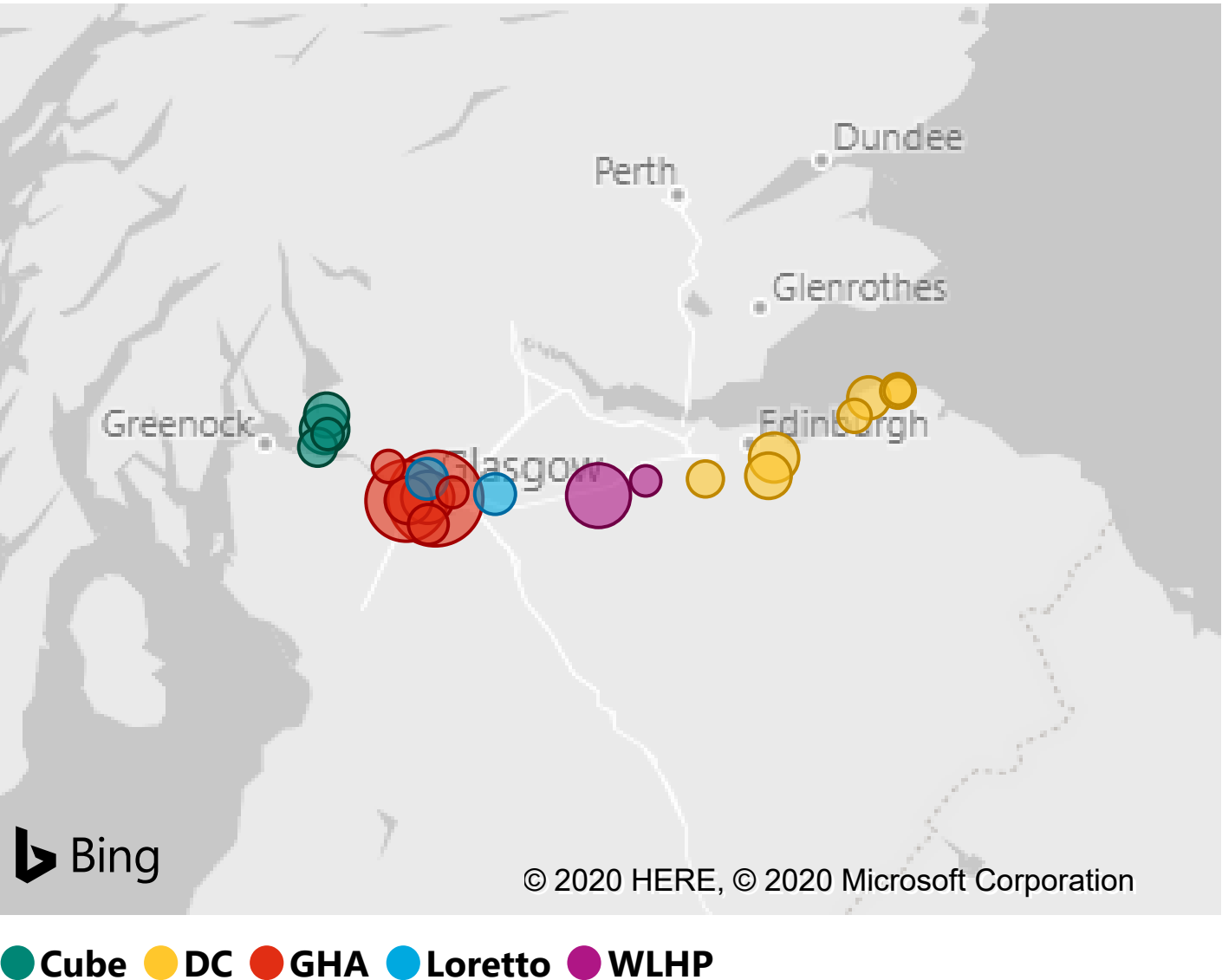
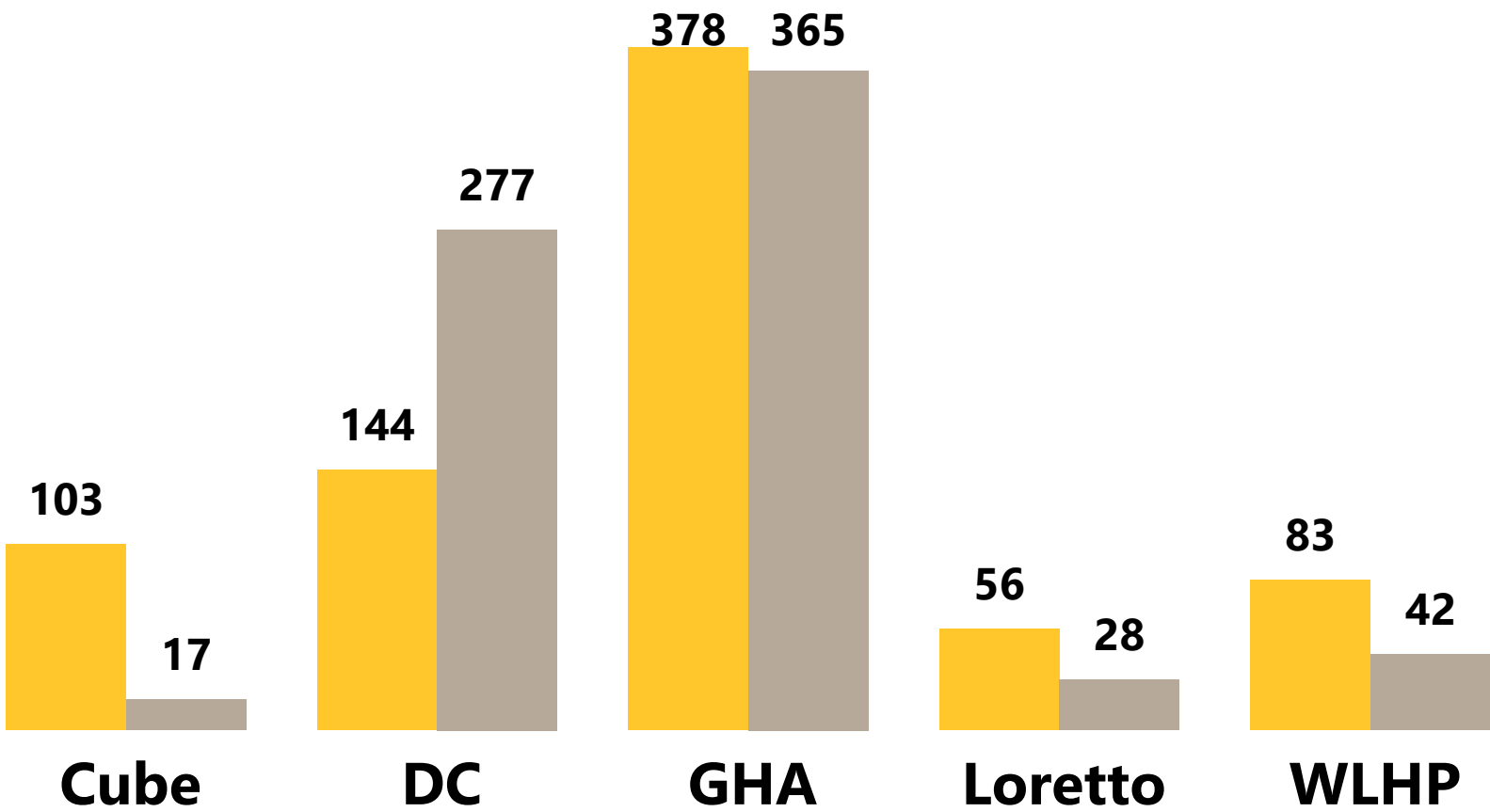
| RSL | Projected to Year End | Business Plan Target | Variance |
|---------|-----------------------|----------------------|----------|
| GHA | 392 | 413 | -21 |
| DC | 162 | 283 | -121 |
| Cube | 109 | 63 | 46 |
| WLHP | 83 | 127 | -44 |
| Loretto | 56 | 28 | 28 |
| Total | 802 | 914 | -112 |

Projected to Year End

| RSL | MMR | Reprov | SE | SR | Total |
|---------|-----|--------|----|-----|-------|
| GHA | 119 | 210 | 4 | 59 | 392 |
| DC | 78 | | | 84 | 162 |
| Cube | | | | 109 | 109 |
| WLHP | 0 | | | 83 | 83 |
| Loretto | | | | 56 | 56 |
| Total | 197 | 210 | 4 | 391 | 802 |

Performance against Target to end of Period

● ACTUAL ● TARGET

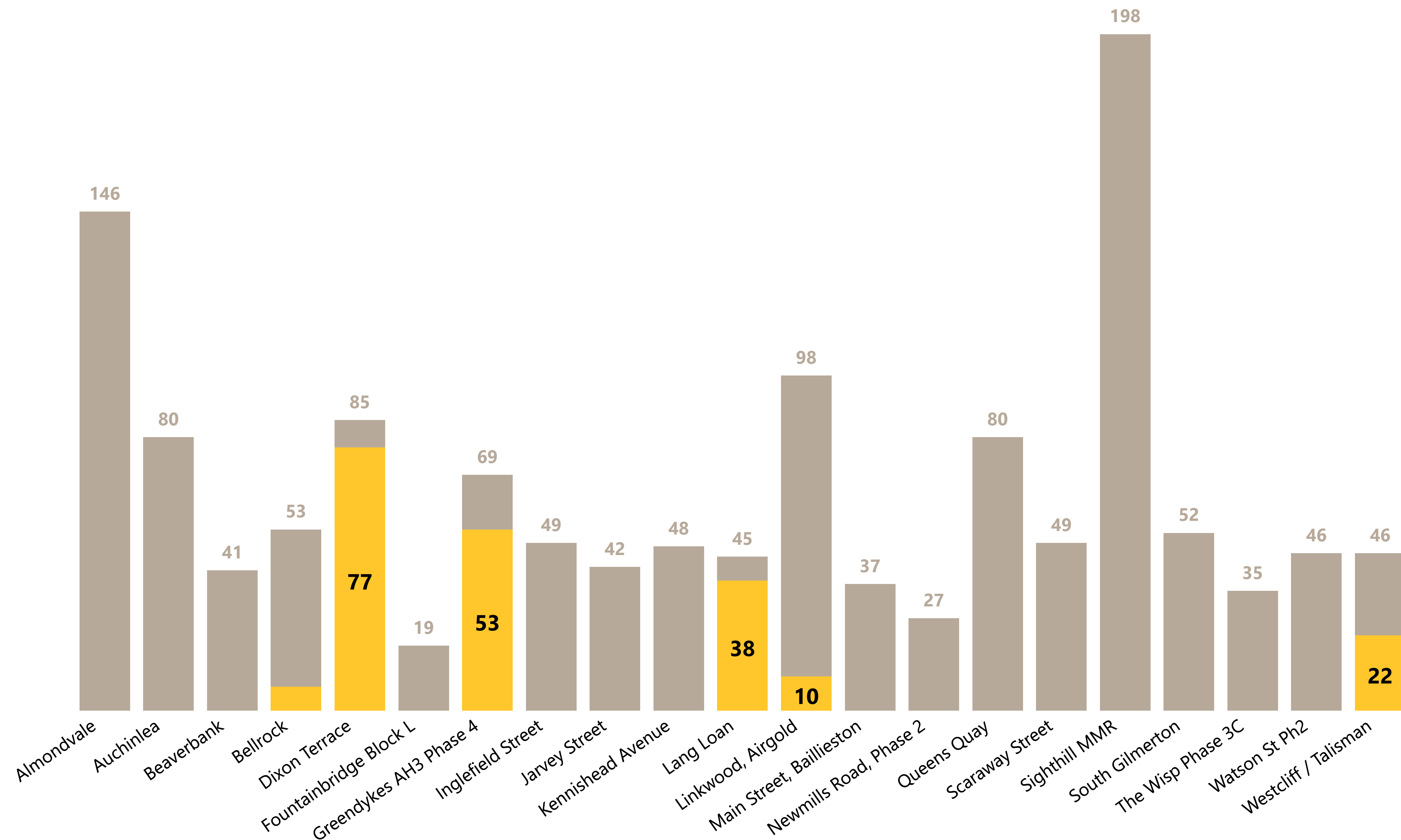


Annual Target

| RSL | MMR | Reprov | SR | Total |
|---------|-----|--------|-----|-------|
| Cube | 131 | 143 | 63 | 63 |
| DC | | | 152 | 283 |
| GHA | | | 213 | 413 |
| Loretto | | | 28 | 28 |
| WLHP | 42 | | 85 | 127 |
| Total | 230 | 143 | 541 | 914 |

Partial Completions

P12



Total Units on Site

1,345

Units Completed

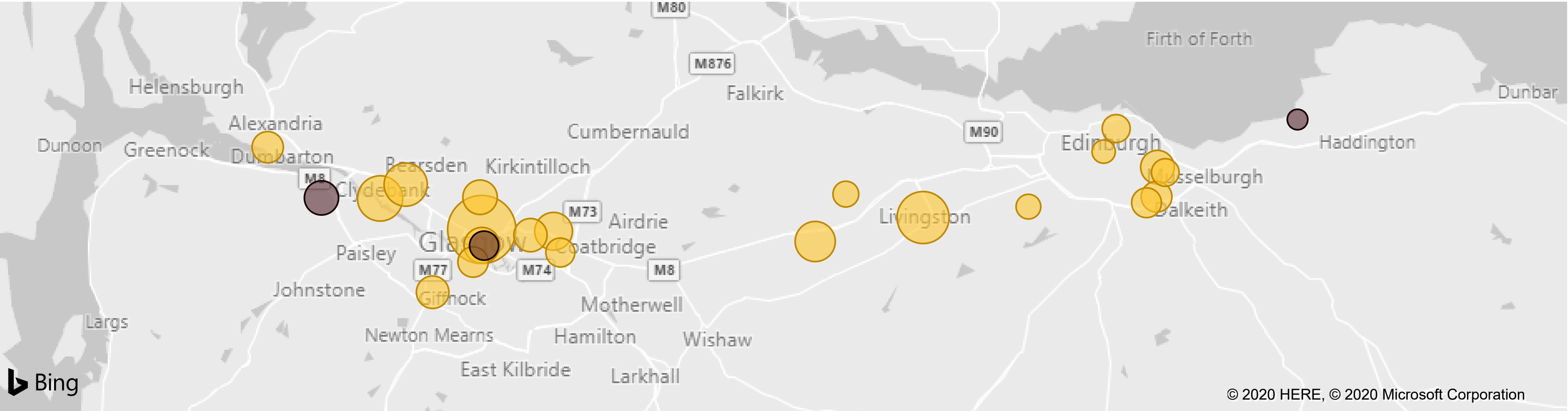
207

Approved Projects, not yet on site

| Subsidiary | Project | Board Approval | Planned Site Start | Months to get on Site | Grant | Planning | BW1 | RCC | Scottish Water | Stopping Up |
|------------|------------------|----------------|--------------------|-----------------------|-------|----------|-----|-----|----------------|-------------|
| DC | Longniddry | December 2019 | April 2020 | 4 | | | | | | |
| GHA | Dovehill Phase 1 | February 2020 | April 2020 | 2 | | | | | | |
| Loretto | Dargavel Village | October 2019 | April 2020 | 6 | | | | | | |

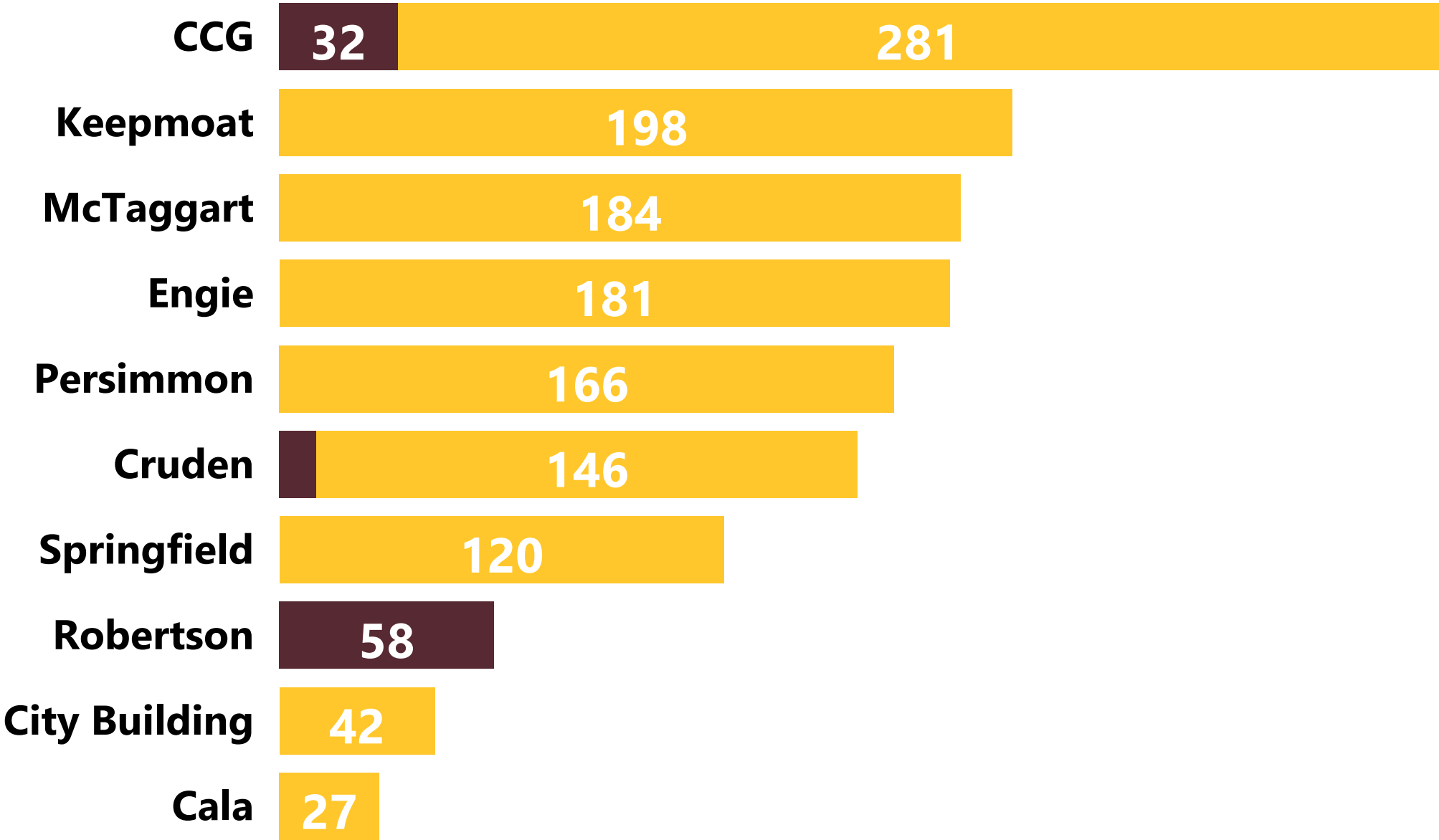
● DC ● GHA ● Loretto





| Contractor | Equifax Rating |
|---------------|----------------|
| Cala | A |
| CCG | A |
| City Building | I |
| Cruden | A |
| Engie | B- |
| Keepmoat | B |
| McTaggart | C+ |
| Persimmon | A+ |
| Robertson | E+ |
| Springfield | A |

Due On or On Site ● Due on Site ● On Site



| Status Short Name | Due on Site | | On Site | | Total | |
|----------------------|-------------|-------------|----------|-------------|----------|-------------|
| | Projects | Total Costs | Projects | Total Costs | Projects | Total Costs |
| CCG | 1 | £5.805 | 6 | £45.052 | 7 | £50.857 |
| McTaggart | | | 3 | £27.482 | 3 | £27.482 |
| Keepmoat | | | 1 | £26.025 | 1 | £26.025 |
| Engie | | | 3 | £25.923 | 3 | £25.923 |
| Persimmon | | | 3 | £21.093 | 3 | £21.093 |
| Cruden | 1 | £1.395 | 1 | £17.643 | 2 | £19.038 |
| Springfield | | | 2 | £16.597 | 2 | £16.597 |
| Robertson | 1 | £8.453 | | | 1 | £8.453 |
| City Building | | | 1 | £4.137 | 1 | £4.137 |
| Cala | | | 1 | £3.575 | 1 | £3.575 |
| Total | 3 | £15.653 | 21 | £187.527 | 24 | £203.180 |



Report

To: Wheatley Housing Group Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Governance update

Date of Meeting: 12 May 2020

1. Purpose

- 1.1 To update and, where applicable, seek Board approval on the following governance related matters:
- 1) changes to our Articles of Association
 - 2) changes to partner organisation constitutions
 - 3) updates to our Group Standing Orders
 - 4) use of the Chair Urgent Actions provision
 - 5) appointment of Maureen Dowden as a Subsidiary Chair Director

2. Authorising context

- 2.1 The Group Board is responsible for recommending any changes to the Company's constitution, the Articles of Association ("the Articles"), to the members for approval. A Special General Meeting of the members is required to pass a resolution to adopt changes to our Articles of Association.
- 2.2 The Group Standing Orders and any changes thereto are reserved to the Group Board. Under the Group Standing Orders the Chair has authority to approve Urgent Actions for time sensitive matters reserved to a Board (Group or Subsidiary) or Committee which cannot wait until the next scheduled meeting.
- 2.3 Under the constitution appointments of directors are reserved to the Board.

3. Risk Appetite and assessment

- 3.1 Our risk appetite in relation to governance is cautious, which is defined as *"Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward"*.
- 3.2 Our Group strategic risk register recognises the risk associated with our governance structure, that is, the risk of a service or financial failure if our governance *"is not clearly defined, is overly complex and lacks appropriate skills at Board and Committee levels to govern the Group effectively"*.

- 3.3 We identified a risk that our current succession planning arrangements could lead to us not having the sufficient depth of skills and knowledge as the current interruption caused by the pandemic will significantly impact the recruitment and succession planning arrangements we had for the planned 2020 Board member and office bearer retirements.
- 3.4 The proposed changes to our Articles of Association will permit changes in tenure length which will allow us to mitigate this risk.

4. Background

- 4.1 At its meeting on 8 April 2020 the Board agreed that we revise the Articles of Association to remove the existing restriction on tenure length for company directors and the Chair. It was also agreed that this would be applied as necessary by partners.
- 4.2 The Board agreed that we would grant time-limited, 12 month extensions for Board members and office bearers who are due to retire at the 2020 Annual General Meeting.
- 4.3 We were already planning to review all Registered Social Landlord constitutions this year to consider the updates to the Scottish Federation of Housing Association Model Rules. We have now combined the tenure changes with a wider review of constitutions.

5. Discussion

Constitutional changes – Wheatley Housing Group Limited

- 5.1 We have reviewed our Articles of Association and a track changes version is attached at Appendix 1a with a summary of the key changes and implications at Appendix 1b.
- 5.2 There are two key changes. Firstly, the previous Articles assumed that a Board is in place from AGM to AGM with vacancies only arising during the year if a person leaves the Board ('casual vacancies'). We consider that our skills-based approach to recruitment is more responsive to business need. It is proposed that we transition to all recruitment, including in the partner constitutions, being by appointment via a process set by the Board rather than election at AGMs.
- 5.3 Secondly, the changes also reflect the agreement by the Board to, under these exceptional circumstances, grant a one off, time limited 12-month extension to Board members who will reach their tenure limit in 2020. The constitutional changes are to allow this one exception, with our overall policy position remaining that 9-year tenure limits apply in all other cases. As previously advised we are engaging the SHR regarding the restrictions relating to Chair tenure, with the Articles now applying an element of discretion not previously in place.
- 5.4 The remainder of the changes are consequential amendments or updates to aid our administration.

Constitutional changes – partner organisations

- 5.5 As well as the tenure limit changes it is proposed we undertake some more fundamental updates to the RSL partner Board constitutions. The key proposed changes are set out below:

Membership

- 5.6 Cube, DCH, DGHP and WLHP have open membership models. We propose to amend these to limit membership to tenants, on the basis that decisions with an impact on key services to tenants should be made by tenants and Board members only.
- 5.7 This would include all Board members automatically being removed from membership upon retiring from the Board save where they are also a tenant of the organisation. For Loretto Housing (10), DCH (29) and WLHP (7) the independent members are primarily ex Board members. For Cube there are 13 in total, of whom 11 are owners. DGHP has 30 independent members (excluding existing Board members) and 632 tenant members.

Board recruitment and appointment

- 5.8 At present RSL constitutions, excluding DGHP, where we have open membership all appoint members by election. This means that appointments are subject to approval by Annual General Meetings, with members able to nominate fellow members without restriction.
- 5.9 Although appointments do remain subject to Parent approval, the existing process is not wholly consistent with our approach of recruiting for our Boards on the basis of an agreed skills matrix. In addition, it also restricts the pool of candidates to those who are members. In recognition of this, DGHP recently changed its constitution to grant the Board authority to agree appointments rather than the membership.
- 5.10 It is proposed that we replicate this approach across the Group, with the constitutions amended to make the process for recruiting Board members and their appointment reserved to the Board (with the relevant Parent approval for appointments remaining). It is further proposed that we change to appointing rather than electing Board members at AGMs to remove duplication in the process.
- 5.11 The SHR require that “*The RSL encourages as diverse a membership as is compatible with its constitution and actively engages its membership in the process for filling vacancies on the governing body*”. Based on the proposed membership changes we will be better placed to meet this requirement through engagement of our tenant groups (who in any case will have to approve the changes at Special General Meetings). The engagement of membership will also be fed into our new Group approach to engagement.

Updates to our Group Standing Orders

- 5.12 We previously agreed that the DGHP Development Committee remain in place, subject to a review by the end of the calendar year. We therefore require to reflect this in our Group Standing Orders. The Terms of Reference for the DGHP Development Committee are attached at Appendix 2.

- 5.13 The following paragraph is proposed for addition as the new Standing Order 28

“The DGHP Board has the authority for a Development Committee. Any amendment to its Terms of Reference is subject to approval by the Parent via the Group RAAG Committee.”

We have a similar provision for the GHA Area Committees.

- 5.14 We also require to confirm delegation levels for the DGHP Board and the Group CEO, to be added to the Group Scheme of Financial Delegation. It is proposed that they are set at the following levels:

| Delegate | Capital Expenditure | Revenue Expenditure |
|------------|---------------------|---------------------|
| DGHP Board | £5,000,000 | £1,500,000 |
| Group CEO | £3,500,000 | £750,000 |

- 5.15 By way of comparison for the Board, GHA is set at £6m and £2m with DCH at £4m and £1m. In line with the Scheme, the Group CEO will agree onward delegations for DGHP staff.

Use of the Chair Urgent Actions provision

- 5.16 Under the Group Standing Orders the Chair has authority to approve items of a time sensitive nature where it is neither feasible or practical to convene an additional meeting or agree a written resolution. The Chair has used the provision to agree updates to our loan agreements (also agreed by the Chairs of the borrower Group members and WFL1). This was on the basis of being provided with a full briefing note and legal advice, a copy of which is available to members on request.

Appointment of director

- 5.17 The DGHP Board has now appointed Maureen Dowden to succeed Bill Robertson following his retirement as Chair. The Wheatley Group Board's approval is now sought for Maureen's appointment to this Board as a "Subsidiary Chair Director", effective immediately. She would join the Board formally when we resume the full Board at meetings.

6. Key issues and conclusions

- 6.1 The proposals within the report allow us to progress with the constitutional changes previously agreed by the Board. The focus of the constitutional changes is on ensuring that our governance arrangements are robust, whilst adopting the Model Rules where appropriate.

7. Value for money implications

- 7.1 There are no value for money implications associated with this report.

8. Impact on financial projections

- 8.1 The remuneration of Board members is within our existing financial projections.

9. Legal, regulatory and charitable implications

- 9.1 We have sought external legal advice in preparing the changes to constitutional. We are engaging and will continue to engage the SHR on our proposals and how they meet the requirements of the Regulatory Framework. There is a requirement to notify the SHR of any changes to our constitution under the Notifiable Events statutory guidance.

10. Partnership implications

- 10.1 There are no partnership implications associated with this report.

11. Implementation and deployment

- 11.1 A Special General Meeting will be arranged to approve the Article changes. We will engage our legal advisors to ensure we do so in a compliant way, with the use of proxies for example to prevent the need to convene physical gatherings beyond what is strictly necessary. We will also present revised constitutions to individual Boards at their May meetings for agreement.
- 11.2 The calling of Special General Meetings to approve the constitutional changes for RSLs with open memberships will require to comply with legislation relating to gatherings. We will seek external legal advice on how to progress, on the basis that we will require to agree the revised constitutions before existing tenure limits are passed. A further update will be provided to the Board at its next meeting.

12. Equalities impact

- 12.1 There is no equalities impact associated with this report.

13. Recommendations

- 13.1 The Board is asked to:
- 1) Approve the proposed Article changes;
 - 2) Delegate authority to the Chair to call a Special General Meeting to pass a resolution to adopt the revised Articles;
 - 3) Agree the proposed changes to the membership model and recruitment and appointment approach for RSL partner Boards;
 - 4) Agree the proposed amendment to the Group Standing Orders to incorporate the DGHP Development Committee;
 - 5) Agree the proposed delegations to the Board and Group Chief Executive for DGHP; and
 - 6) Approve the appointment of Maureen Dowden as a Subsidiary Chair Director effective immediately and her entry into the Register of Members

Appendix 1A – Track changed Wheatley Articles

Appendix 1B – Summary of changed to Articles

Appendix 2 – DGHP Development Committee Terms of Reference

Company Number: SC426094

The Companies Act 2006

Company Limited by Guarantee and not having a Share Capital

Articles of Association

of

Wheatley Housing Group Limited (the "Company")

INTRODUCTION

Constitution of the Company

- 1 The model Articles as prescribed in Schedule 2 to The Companies (Model Articles) Regulations 2008 are excluded in respect of the Company.

Objects

- 2 The objects of the Company are:
 - 2.1 to provide for the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage through the provision, construction, improvement and management of land and accommodation and the provision of care; and
 - 2.2 any other purpose or object permitted under Section 24 of the Housing (Scotland) Act 2010 which is charitable both for the purposes of Section 7 of the Charities and Trustee Investment (Scotland) Act 2005 and also in relation to the application of the Taxes Acts.

- 3 The Company's permitted activities and powers will include anything which is necessary or expedient to help the Company achieve the objects set out in article 2.
- 4.1 The income and property of the Company shall be applied solely towards the promotion of its objects as set out in article 2 and except as further provided for in this article 4, no portion thereof shall be paid or transferred, directly or indirectly by way of dividend, bonus or otherwise howsoever by way of profit, to Members.
- 4.2 Nothing in this article 4 shall prevent the Company from managing a property in accordance with its objects, notwithstanding the fact that the tenant, lessee, owner occupier or licensee of such property may be a Member or Board Member, subject to the proviso that any Board Member who is a tenant, lessee, owner occupier or licensee of any such property shall not be entitled to speak in any debate or cast his/her vote in respect of any matter relating solely to the property of which he/she is lessee, owner occupier, tenant or licensee and shall absent himself/herself from such proceedings, but such Board Member shall be entitled to speak and vote in respect of matters which relate not only to such property but also to other properties owned or managed by the Company.

Powers

- 5.1 Without prejudice to the generality of the provisions of article 2, and without restricting any powers the Company has, the Company shall have power to provide land, amenities and services, or provide, construct, repair or improve buildings, for the benefit of the Company's residents and others, with the purpose of promoting economic, social and environmental regeneration in the areas of deprivation in which the Company operates.
- 5.2 Subject to any statutory requirements applicable to the Company and without limiting its general powers, the Company shall have power to:
- 5.2.1 dispose, in such manner as the Board sees fit, of land and of other assets or interests of the Company, present or future, including by way of heritable security, floating charge, security assignment, mortgage or charge;
 - 5.2.2 subject to article 6.1, borrow money or issue loan stock for the purposes of the Company on such terms as the Company thinks fit;
 - 5.2.3 insure the property of the Company against any foreseeable risk and take out other insurance policies to protect the Company as the Board considers prudent;
 - 5.2.4 insure the Board Members against the costs of a successful defence to a criminal prosecution brought against them as Board Members or against personal liability incurred in respect of any act or omission which is or is alleged to be a breach of trust or breach of duty;
 - 5.2.5 form or participate in forming, purchase or otherwise acquire, or to encourage or promote in any way, support or aid the establishment and development of any Subsidiary or any joint venture established by the Company, or by a Subsidiary, with another entity or entities;

- 5.2.6 subscribe to, purchase, or acquire in any other way, any incorporeal property (including but without prejudice to the generality of the foregoing any stock, share, security, debenture or debenture stock in each case whether preferred, deferred or secured or unsecured) of any Subsidiary; and
- 5.2.7 acquire land or any interest in land.

Borrowing powers

- 6.1 The Company can borrow money for as long as the Company's total borrowing at any time is not more than £1,500,000,000 or such larger sum as the Company, ~~with the prior written consent of The Scottish Housing Regulator,~~ determines from time to time in general meeting. The Company can enter into any Guarantee in respect of or to secure by heritable security, mortgage, charge, floating charge, lien or other security which the Company is permitted by law to grant, upon the whole or any part of the Company's property or assets, the obligations and liabilities of any Subsidiary; or of any joint venture established by the Company (or by a Subsidiary) with any entity or entities. The foregoing power is valid notwithstanding, and is in no way limited by, any limits on the borrowing or lending powers of the Company (including the foregoing limits) contained in these Articles or otherwise.
- 6.2 In respect of any proposed borrowing for the purposes of article 6.1, the amount remaining undischarged of any index-linked loan previously borrowed by the Company or any deep discounted security shall be deemed to be the amount needed to repay such borrowing in full if the pre-existing borrowing became repayable in full at the time of the proposed borrowing.
- 6.3 For the purposes of article 6.1 in respect of any proposed borrowing intended to be index-linked or on any deep discounted security the amount of borrowings shall be deemed to be the proceeds of such proposed borrowings that would be receivable by the Company at the time of the proposed borrowing.
- 6.4 The Company will not pay more than the rate of interest which the Board considers to be the then market rate of interest on any money borrowed, having regard to the terms of the loan on any money borrowed.
- 6.5 The Company shall have the power, subject to such consents as may be required by law, to enter into and perform a Rate Cap Transaction, or series of Rate Cap Transactions, or to enter into a Collar Transaction or series of Collar Transactions or an Interest Rate Swap Transaction or series of Interest Rate Swap Transactions (each a "**Transaction**") where in relation to any such Transaction the following conditions are satisfied namely that:
- 6.5.1 the relevant instruments relate solely to amounts denominated in Sterling ~~(or if the Euro has been adopted as United Kingdom currency, its equivalent in Euros);~~
- 6.5.2 the relevant Transaction provides (in the case of an Interest Rate Swap Transaction) for the Company to undertake to pay a specified fixed rate on an applicable notional sum, but not otherwise;

- 6.5.3 the relevant Transaction in the case of a Collar Transaction provides for the simultaneous buying of an instrument relating to a rate cap and the selling of an instrument providing for a floor at a lower strike price to such rate cap;
- 6.5.4 the counterparty to the transaction shall fulfil such criteria in relation to its status, credit rating and other matters as the Board shall consider appropriate from time to time; and
- 6.5.5 the Board or a duly authorised sub-committee considers the entry by the Company into such Transaction(s) to be in the best interests of the Company.

Provided that at the time of entry into any such Transaction(s) the sum of the Calculation Amount of any Transaction previously entered into and remaining in effect and the Calculation Amount of the proposed Transaction(s) shall not exceed the aggregate amount of the Company's Variable Rate Borrowings then drawn down plus the amount of any existing contractually committed loan facilities not yet drawn down in respect of amounts which the Company intends at the Effective Date when drawn will become Variable Rate Borrowings, having regard at the Effective Date to the Company's obligations to repay Variable Rate Borrowings and the amount of Variable Rate Borrowings which will be outstanding at any time on or prior to the proposed Termination Date.

- 6.6 Before exercising its power under article 6.5 the Company shall obtain and consider proper advice on the question whether the Transaction is satisfactory having regard to:
 - 6.6.1 the possible fluctuations in the rate of interest payable by the Company on its Variable Rate Borrowings during the term of the relevant Transaction;
 - 6.6.2 the Company's ability to meet its payment obligations under such Borrowings during the term of the relevant Transaction(s) if such Transaction(s) was or were not entered into;
 - 6.6.3 the payment obligation under the relevant Transaction(s);
 - 6.6.4 the terms and conditions of the relevant Transaction(s); and
 - 6.6.5 the Company's actual and projected annual income and expenditure position.
- 6.7 The Board shall also have regard, before exercising the Company's power under article 6.5, to the Regulatory Framework and Regulatory Guidance issued by The Scottish Housing Regulator from time to time.
- 6.8 For the purposes of article 6.6 "proper advice" shall mean the advice of a person who is reasonably believed by the Board to be qualified by his/her ability and practical experience of financial matters and the relevant Transaction, such advice may be given by a person notwithstanding that he/she gives it in the course of his/her employment as an officer.
- 6.9 A person entering into a relevant Transaction with the Company who has received a written certificate signed by the Secretary confirming the Company's compliance with articles 6.5 and 6.6 shall not be concerned to enquire further whether or not the Company has complied with the provisions of articles 6.5 and 6.6 and such Transaction shall be valid

at the date it is entered into and throughout its term in favour of such person (or any assignee or successor in title) whether or not the provisions of articles 6.5 and 6.6 have been complied with.

6.10 For the purposes of this article 6:

6.10.1 **"Calculation Amount", "Effective Date", "Term" and "Termination Date"** have the respective meanings given in the 2000 International Swaps and Derivatives Association (ISDA) Definitions as amended from time to time;

6.10.2 **"Variable Rate Borrowings"** mean any borrowing by the Company pursuant to article 6.1 in respect of which the rate of interest has not been fixed for a term in excess of 12 months and the term "fixed" shall exclude any borrowing where the rate of interest is indexed in accordance with a retail price index or other published index; ~~and~~

6.10.3 **"Rate Cap Transaction", "Collar Transaction" and "Interest Rate Swap Transaction"** mean respectively any transaction so designated within the meaning of the category "Swap Transaction" as defined in the 2000 ISDA Definitions as amended from time to time; ~~and~~

~~6.10.4 **"Euro"** means the unit of single currency of the European Union.~~

6.11 The Company will not accept money on deposit from any party. For the avoidance of doubt this article 6.11 will not prevent the Company accepting a deposit in any transaction other than a banking transaction.

6.12 The Company can lend money to any person or organisation including, without limitation, any Subsidiary; any joint venture established by the Company or by any Subsidiary, with another entity or entities on terms which the Board deems appropriate at the time of entering into the transaction. Where the Company is using a loan facility to on lend it must comply with the Regulatory Framework and Regulatory Guidance issued by The Scottish Housing Regulator from time to time.

6.13 The Company may borrow money from such lawful sources as is permitted by its treasury management policy subject always to the requirement that the Company will comply with the Regulatory Framework and Regulatory Guidance issued by The Scottish Housing Regulator from time to time.

6.14 Subject to the foregoing provisions, the Board can determine and change conditions under which the Company can borrow or lend money.

6.15 The Company shall not lend money to Members.

MEMBERSHIP

7 The Members of the Company shall be those persons whose names are entered in the Register of Members.

Applying for membership

- 8.1 Only the Board Members who have been ~~elected or~~ appointed in terms of these Articles are Members. Any Co-opted Board Members and the Other Board Member shall not be Members.
- 8.2 Subject to article 37.4, the Board shall be deemed to have admitted a person as a Member from the date on which he/she was ~~elected under article 39.7 or appointed under article 39.9~~ appointed as a Board member under these Articles and his/her name and other necessary particulars will be included in the Register of Members within seven working days.
- 8.3 The Company, together with all other organisations in the Group, will document, formally and in terms that are transparent and understandable, their constitutional and financial relationships through the Group Agreement or similar document. The role of the Company and its relationship with other organisations in the Group must be undertaken in a manner consistent with the Charities and Trustee Investment (Scotland) Act 2005.
- ~~98.4~~ A person can apply for membership of the Company from the age of 18.
- ~~9~~ ~~A Member representing an unincorporated body shall for all purposes be treated as an individual member but shall have entered against his/her name in the Register of Members the name of the unincorporated body which he/she represents.~~
- 10 If a Member changes his/her address, he/she must let the Company know by writing to the Secretary at the Company's registered office within three months.

ENDING MEMBERSHIP

- ~~11.1~~ Membership of the Company will end and the Board will record the ending of a person's membership in the Register of Members if:
- ~~11.1.1~~ that person resigns his/her membership giving seven days' notice in writing to the Secretary at the Company's registered office;
- ~~11.1.2~~ the Board:
- ~~11.1.2.1~~ reasonably believes that a Member has failed to tell the Company of a change of address as required by article 10; or
- ~~11.1.2.2~~ removes a Subsidiary Chair Board Member pursuant to article 39.9;
- ~~11.1.3~~ that person retires pursuant to article 39.2;
- ~~11.1.4~~ that person ceases to be a Board Member pursuant to article 44; or
- ~~11.1.5~~ that person is the Chairperson and ceases to be the Chairperson pursuant to article 59.

- 11.2 If a person's membership is ended in accordance with article 11.1.2 or article 11.1.4 (insofar as it involves a decision of the Board), that person will immediately cease to be a Member from the date that the Board resolves to end that person's membership.

REPRESENTING AN ORGANISATION

- 12.1 ~~An organisation which is a Member is free to nominate any person it considers suitable as its representative to the Company. That person will represent all of the organisation's rights and powers at general meetings.~~
- 12.2 ~~To confirm the identity of a representative, the organisation must send the Company a copy of the authorisation or appointment of an individual as a representative. This should be signed by a Director, Secretary or Authorised Signatory of the organisation which signature must be witnessed, or in the case of a local authority, by the Chief Executive, or properly authorised officer of the local authority.~~
- 12.3 ~~An organisation can change the identity of the person entitled to represent that organisation at any time by confirming the identity of the new representative in terms of article 12.2 and withdrawing the authority of the original representative.~~
- 12.4 ~~If a person is a representative in terms of article 12.2, of an organisation which is a Member, that person cannot be a Member as an individual. If that person is already a Member as an individual when he/she starts to represent an organisation which is a Member, the Company will suspend his/her membership as an individual, until such time as he/she is no longer a representative of an organisation which is a Member.~~

LIABILITY OF MEMBERS

- 13 The liability of the Members is limited.
- 14.1 The liability of each Member is limited to one pound, being the amount that each Member undertakes to contribute to the assets of the Company in the event of its being wound up while he/she is a Member or within one year after he/she ceases to be a Member, for:
- 14.1 payment of the Company's debts and liabilities contracted before he/she ceases to be a Member;
 - 14.2 payment of the costs, charges and expenses of winding up; and
 - 14.3 adjustment of the rights of the contributories among themselves.

Transferring membership

- 15 A Member shall not be entitled to any property of the Company in their capacity as Member and their membership is not transferable.
- 16 If a Member dies or ends their membership or has their membership ended, or a person is a representative of an organisation which no longer exists, the Board will cancel their membership.

GENERAL MEETINGS

Annual General Meeting

- 17 The Company will hold a general meeting known as the annual general meeting within six months of the end of each financial year of the Company. The functions of the annual general meeting are to:
- 17.1 present the Chairperson's report on the Company's activities for the previous year;
 - 17.2 present the accounts, balance sheet and auditor's report; [and](#)
 - ~~17.3 elect Board Members; and~~
 - 17.34 consider any other general business included in the notice calling the meeting.

Special General Meeting

- 18 All general meetings other than annual general meetings shall be called special general meetings.
- 19.1 The Board may call special general meetings and, on the requisition of the Members pursuant to section 303 of the Act, the Secretary shall, within 10 days of having received the requisition, give all Members notice calling the meeting. The meeting must take place within 28 days after receipt by the Secretary of the requisition. The Secretary should decide on a time, date and place for the meeting in consultation with the Board or the Chairperson but if such consultation is not practicable, the Secretary can at his/her own discretion decide the time, date and place for the meeting.
- 19.2 Whoever asks for the meeting must give the Secretary details of the business to be discussed at the meeting.
- 19.3 If the Secretary fails to call the meeting within 10 days of having received the requisition, the Board or the Members who have signed the requisition may themselves give notice and convene the meeting pursuant to the terms of section 304 of the Act.
- 19.4 A special general meeting must not discuss any business other than the business mentioned in the notice calling the meeting.

Notice for meetings

- 20.1 The Secretary will call all general meetings by written notice posted or sent by ~~fax or email~~ [Electronic Communication](#) to every Member at the address, fax number or email address given in the Register of Members at least 14 clear days' before the date of the meeting but a general meeting may be called by shorter notice if it is so agreed:
- 20.1.1 in the case of an annual general meeting, by all the Members entitled to attend and vote thereat; and

- 20.1.2 in the case of any other general meeting, by a majority in number of the Members having a right to attend and vote being a majority together holding not less than 95 per cent of the total voting rights at the general meeting of all Members.
- 21.2 The notice shall specify:
 - 21.2.1 the time, date and place of the meeting;
 - 21.2.2 whether the meeting is an annual or special general meeting;
 - 21.2.2 the business for which the meeting is being called; and
 - 21.2.3 if a special resolution, or a resolution requiring special notice under the Act, is to be proposed, the notice shall also specify the intention to propose such a resolution and include the exact text of the resolution.
- 22 The Board may ask the Secretary to include with the letter or send separately to Members any relevant papers or accounts. If a Member does not receive notice of a meeting or papers relating to the meeting, this will not stop the meeting going ahead as planned.
- 23 The proceedings of a meeting shall not be invalidated by the accidental failure of the Company to send a notice calling the meeting to any Member.

PROCEDURE AT GENERAL MEETINGS

- 24.1 No business shall be transacted at any general meeting unless a quorum is present at the time when the meeting proceeds to business. The quorum for a general meeting shall be at least four Members.
- 24.2 If a quorum is not present within half an hour of the time the meeting was scheduled to start, the meeting shall stand adjourned to the same day the following week at the same time and at such place as may be fixed by the chairperson of the meeting and announced at the meeting. There is no need to give notice to Members of the adjourned meeting. If at the adjourned meeting a quorum is not present at the scheduled starting time then notwithstanding article 24.1, the Members present shall constitute a quorum.
- 25 If a majority of Members present agree, the chairperson of a meeting can adjourn the meeting. No business can be discussed at the adjourned meeting other than the business not reached or left unfinished at the original meeting. There is no need to give notice to Members of the adjourned meeting.
- 26.1 The Chairperson ~~of the Board~~ will be the chairperson at all meetings of the Company. If there is no Chairperson or he/she is not present or willing to act, the Vice Chairperson will act as the chairperson of the meeting. If the Vice Chairperson is not present or willing to act, the Members present must elect a Board Member to be chairperson of the meeting.
- 26.2 If the Chairperson arrives later, after the meeting has commenced, he/she will take over as chairperson of the meeting as soon as the current agenda item is concluded.

26.3 The Board shall determine the manner in which general meetings of the Company are held.

Proxies/Representatives/Postal votes

- 27.1 To appoint a representative to vote on a Member's behalf by proxy, the Member must let the Company have a properly completed document in the form shown in Appendix 1, which may be submitted by Electronic Communication. The Member's proxy does not need to be a Member.
- 27.2 The instrument appointing a proxy and any authority under which it is executed or a copy of such authority certified notarially or in some other way approved by the Board Members may:
- 27.2.1 be deposited at the Company's registered office or at such other place within the United Kingdom as is specified in the notice convening the meeting or in any instrument of proxy sent out by the Company in relation to the meeting not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the document proposes to vote;
 - 27.2.2 in the case of a poll taken more than 48 hours after it is demanded, be deposited as aforesaid after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll;
 - 27.2.3 where the poll is not taken forthwith but is taken not more than 48 hours after it was demanded, be delivered at the meeting at which the poll was demanded to the Chairperson or to the Secretary or to any Board Member; and
 - 27.2.4 an instrument of proxy which is not deposited or delivered in a manner so permitted shall be invalid.
- 27.3 If there is any doubt about whether a Member's proxy has authority to vote, the Chairperson will decide and his/her decision will be final.
- 27.4 The maximum number of proxy votes that may be cast by any one person is three.
- 27.5 To reverse a Member's appointment of a proxy, the Member must let the Company have a properly completed document in the form shown in Appendix 2, which may be submitted by Electronic Communication. The document must be presented to the Company before the meeting, at which the Member no longer wants to be represented by proxy, convenes.
- 27.6 A vote given or poll demanded by proxy shall be valid, notwithstanding the previous determination of the authority of the person voting or demanding a poll, unless notice of the determination was received by the Company at the Company's registered office or at such other place at which the instrument of proxy was duly deposited before the commencement of the meeting or adjourned meeting at which the vote is given or the poll demanded or (in the case of a poll taken otherwise than on the same day as the meeting or adjourned meeting) the time appointed for taking the poll.
- 27.7 The Chairperson will report to the meeting the details of any documents seeking to appoint a proxy received but which are not valid. ~~If a person represents an organisation, their~~

~~authorisation or appointment as a representative requires to be in accordance with the terms of article 12.2.~~

Voting

- 28.1 If a decision of a meeting is put to the vote, the outcome will be determined by the majority of those Members voting. Voting will be by a show of hands except where a poll is requested or required. Votes cannot be taken on resolutions which conflict with any provisions of these Articles or the law.
- 28.2 Where a vote is by a show of hands every Member present in person has one vote. Where a vote is by a poll, every Member present in person or who has appointed a proxy representative has one vote. Where an appointed proxy is present and he/she advises the Chairperson, the Chairperson shall direct that the vote is by a poll.
- 29 ~~If there is an equal number of votes for and against a resolution, or in relation to the election of Non Executive Board Members, the Chairperson will have a second and deciding vote.~~ Unless a poll is duly demanded, a declaration by the Chairperson that a resolution: has been carried; or carried unanimously or by a particular majority; or lost; or not carried by a particular majority, together with an entry to that effect in the minutes of the meeting, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.
- 30.1 A poll can be required before or immediately after a vote by a show of hands, if at least one-tenth of the Members present at the meeting (in person or by proxy through a representative in accordance with articles 27.1 and 27.2) request this.
- 30.2 A poll must take place as soon as the Chairperson has agreed to it, in line with the Chairperson's instructions. The result of the poll will stand as the decision of the meeting.
- 31 A resolution in writing executed by or on behalf of each Member who would have been entitled to vote upon it if it had been proposed at a general meeting at which he/she was present shall be as effectual as if it had been passed at a general meeting duly convened and held and may consist of several instruments in the like form each executed by or on behalf of one or more Members.

PROCEEDINGS AT GENERAL MEETINGS

- 32 All speakers must direct their words to the Chairperson. All Members must remain quiet and orderly while this is happening.
- 33.1 A Member will not be allowed to speak more than once on any individual matter unless it is to explain something or ask for an explanation until every other Member has had the chance to speak. That Member will then have the opportunity to speak a second time on a matter but only if the Chairperson agrees. Where the Chairperson raised the matter for discussion initially, he/she shall be permitted to make a final reply on the matter.
- 33.2 Any Board Member shall, notwithstanding that he/she is not a Member, be entitled to attend and speak at any general meeting.

- 33.3 The Chairperson will decide how long each speaker is allowed to speak, allowing equal time to each speaker.
- 34 If any point arises which is not covered in these Articles, the Chairperson will give his/her ruling. ~~If the Chairperson's ruling is challenged by more than one Member, the Chairperson will step down and those Members present will decide the point raised on a majority vote. If the vote is tied, the Chairperson's original ruling is carried.~~
- 35 Meetings must not last longer than two hours unless at least two-thirds of the Members present agree after the end of that time to continue the meeting.
- 36.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- 36.2 A person is able to exercise the right to vote at a general meeting when:
- 36.2.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting; and
- 36.2.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
- 36.3 The Board Members may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
- 36.4 In determining attendance at a general meeting, it is immaterial whether any two or more Members attending it are in the same place as each other.
- 36.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

THE BOARD OF MANAGEMENT

Composition of the Board

- 37.1 The Company shall have a ~~B~~board comprised as follows:
- ~~37.1.1 Until the end of the 2019 AGM, the Company shall have a board of up to 18 Board Members comprising:~~
- ~~37.1.1.1 up to nine Non-Executive Board Members;~~
- ~~37.1.1.2 up to six Subsidiary Chair Board Members;~~
- ~~37.1.1.3 up to two Co-opted Board Members; and~~
- ~~37.1.1.4 one Other Board Member;~~

37.1.~~12~~ From the end of the 2019 AGM until the end of the 2021 AGM, the Company shall have a ~~B~~board of up to 17 Board Members comprising:

37.1.~~12~~.1 up to eight Non Executive Board Members;

37.1.~~12~~.2 up to six Subsidiary Chair Board Members;

37.1.~~12~~.3 up to two Co-opted Board Members; and

37.1.~~12~~.4 one Other Board Member; and

37.1.~~23~~ From the end of the 2021 AGM, the Company shall have a ~~B~~board of up to 16 Board Members comprising:

37.1.~~23~~.1 up to seven Non Executive Board Members;

37.1.~~23~~.2 up to six Subsidiary Chair Board Members;

37.1.~~23~~.3 up to two Co-opted Board Members; and

37.1.~~23~~.4 one Other Board Member.

The Company shall keep up to date a register of the names of the Board Members which shall be made available to any person at no cost. The names of the Board Members will also be published by the Company on its website, and in its annual reports and other similar documentation.

37.2 The Board can appoint to the Board an employee the Board considers ~~are-is~~ suitable to the role of the Other Board Member subject to the provisions of article 37.1. The Other Board Member shall serve until removed by the Board and shall not be subject to retiral in terms of articles 39.1 or 39.2. The Other Board Member can also serve on any sub-committees.

37.3 A person must be aged 18 or over to become a Board Member (including any person appointed ~~to fill a casual vacancy or~~ as a Co-opted Board Member).

37.4 The Other Board Member can take part in discussions at the Board or any sub-committees and vote at Board Meetings and sub-committee meetings on all matters except those which directly affect the membership of the Company or the election of the Company's Office Bearers. The Other Board Member may not stand for election, nor be elected as one of the Office Bearers of the Board. The presence of the Other Board Member at Board Meetings will not be counted when establishing whether the minimum number of Board Members are present to allow the meeting to take place as required by article 48 and the presence of the Other Board Member will not count towards the quorum for sub-committee meetings. ~~A Close Relative of an employee may not be a Board Member.~~

37.5 No Board Member may act as such until they have signed and delivered to the Board a statement, confirming that they will meet their obligations to the Board and the Company as set out in the Company's code of conduct for Board Members. Any Board Member who has, without good cause, failed to sign such a statement within four weeks of appointment ~~/election~~ to the Board shall immediately cease to be a Board Member.

37.6 The Board can require that a Board Member who is being investigated for a potential breach of the Company's code of conduct for Board Members take leave of absence and not attend any meeting in his/her capacity as Board Member until the Board has completed its consideration of the potential breach. When on such leave of absence, the Board Member will not be entitled to receive minutes and/or documents in his/her capacity as a Board Member relating to the business of the Company.

Interests

- 38.1 The Board shall set and periodically review its policy on payments and benefits. If a person is a Member, employee of the Company or serves on the Board or any sub-committee he/she must not receive any payment or benefit unless it is permitted by the policy. In making any payment or conferring any benefit the Company shall act at all times with transparency, honesty and propriety.
- 38.2 If a person serves on the Board or any sub-committee he/she must declare any personal or other external interests on an annual basis in accordance with the Company's code of conduct for Board Members. If while serving on the Board that person has any conflict of interest in any contract or other matter about to be discussed at a meeting, he/she must tell the Board. He/she will be required to leave the meeting while the matter is discussed and will not be allowed to vote on the matter or to stay in the meeting while any vote on the matter is being held unless permitted to do so in terms of these Articles or the Company's code of conduct for Board Members. If that person is inadvertently allowed to stay in the meeting and vote on the matter, his/her vote will not be counted. If no quorum exists for the purpose of voting on a matter only because of the operation of this article 38.2, provided that there are at least three remaining Board Members who are entitled to remain in terms of this article 38.2, such remaining Board Members are deemed to constitute a quorum for the purposes of voting and may proceed to make a decision as a quorate Board.
- 38.3 Provided that he/she has disclosed to the Board the nature and extent of any interest and subject to the provisions of the Act, a Board Member may be a director or other officer of, or employed by, any body corporate which is a holding company of the Company or a Subsidiary.
- 38.4 Provided that any interest has been properly disclosed by a Board Member pursuant to article 38.2, that Board Member shall, unless they are otherwise prohibited from doing so in terms of these Articles, be allowed to stay in the Board Meeting during the discussion and speak and vote on the matter under discussion.
- 38.5 The Board Members may, in accordance with the requirements set out in this article 38.5, authorise any matter or situation proposed to them by any Board Member which would, if not authorised, involve a Board Member (an "**Interested Board Member**") breaching his/her duty under section 175 of the Act to avoid conflicts of interest ("**Conflict**"). Any authorisation under this article 38.5 will be effective only if:
- 38.5.1 to the extent permitted by the Act, the matter in question shall have been proposed by any Board Member for consideration in the same way that any other

matter may be proposed to the Board Members under the provisions of these Articles or in such other manner as the Board Members may determine;

- 38.5.2 any requirement as to the quorum for consideration of the relevant matter is met without counting the Interested Board Member;
 - 38.5.3 the matter was agreed to without the Interested Board Member voting or would have been agreed to if the Interested Board Member's vote had not been counted.
- 38.6 Any authorisation of a Conflict under article 38.5 may (whether at the time of giving the authorisation or subsequently):
- 38.6.1 extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter or situation so authorised;
 - 38.6.2 provide that the Interested Board Member be excluded from the receipt of documents and information and the participation in discussions (whether at Board Meetings or otherwise) related to the Conflict;
 - 38.6.3 provide that the Interested Board Member shall or shall not be an eligible Board Member in respect of any future decision of the Board Members vote in relation to any resolution related to the Conflict;
 - 38.6.4 impose upon the Interested Board Member such other terms for the purposes of dealing with the Conflict as the Board Members think fit;
 - 38.6.5 provide that, where the Interested Board Member obtains, or has obtained (through his/her involvement in the Conflict and otherwise than through his/her position as a Board Member) information that is confidential to a third party, he/she will not be obliged to disclose that information to the Company, or to use it in relation to the Company's affairs where to do so would amount to a breach of that confidence; and
 - 38.6.6 permit the Interested Board Member to absent himself/herself from the discussion of matters relating to the Conflict at any Board Meeting and be excused from reviewing papers prepared by, or for, the Board Members to the extent they relate to such matters.
- 38.7 Where the Board Members authorise a Conflict in terms of these Articles, the Interested Board Member will be obliged to conduct himself/herself in accordance with any terms and conditions imposed by the Board Members in relation to the Conflict.

ELECTING-APPOINTING BOARD MEMBERS

- 39.1 Each Non Executive Board Member elected-appointed under these Articles shall be elected appointed for a fixed term of office expiring at the conclusion of an annual general meetingthree years (a "fixed term"). ~~The fixed term shall be for a term of three annual general meetings~~, unless the Board has set a lower number of annual general meetingsyears for the relevant Non Executive Board Member on their election-or

~~nomination~~appointment. No fixed term shall be set which would cause the relevant Non Executive Board Member to serve for more than a period of nine years (whether continuous or in aggregate), unless otherwise approved by the Board in accordance with article 39.5 beyond their ninth consecutive annual general meeting.

39.2 ~~At every annual general meeting each~~Each Non Executive Board Member who has served their fixed term shall retire from office at the Board Meeting held immediately after expiry of their fixed term. Any Non Executive Board Member who retires from office ~~at an annual general meeting~~ under this article 39.2 shall be ~~eligible for re-election~~re-appointment subject to the following:

39.2.1 where any Non Executive Board Member is retiring under this article 39.2 after serving a fixed term, that Non Executive Board Member can ~~stand for re-election, subject to nomination in accordance with article 39.8~~be re-appointed by the Board, provided that where the Non Executive Board Member has served two fixed terms, he/she shall only be eligible to ~~stand for re-election~~be re-appointed for one further fixed term, unless otherwise approved by the Board under article 39.5; and

39.2.2 where any Non Executive Board Member has nine years' service on the Board, that Non Executive Board Member shall automatically retire at the ~~annual general meeting~~Board Meeting which occurs at the expiry of their ninth year, ~~regardless of whether this date is the date of an annual general meeting~~, and shall not be eligible for ~~re-election~~ re-appointment, unless otherwise approved by the Board in accordance with article 39.5.

39.3 Board Members must also retire if they are a Co-opted Board Member ~~or have filled casual vacancies under article 41.~~

39.4 If a Non Executive Board Member leaves the Board for any reason other than by virtue of article 39.2, that Non Executive Board Member will not be eligible ~~to stand~~ for re-appointment~~election~~ or to be co-opted onto the Board until the expiry of five years following the date on which they left the Board, unless the Board agrees otherwise.

39.5 No Non Executive Board Member or Subsidiary Chair Board Member shall serve more than nine years' service in total on the Board, whether continuously or in aggregate, and shall automatically retire at the annual general meeting which occurs at the expiry of their nine years' service, unless the Board agrees otherwise. The Board shall be entitled to approve a longer fixed term for any Non Executive Board Member or Subsidiary Chair Board Member following expiry of nine years' service where the Board is satisfied that a Non Executive Board Member or Subsidiary Chair Board Member is able to demonstrate his/her continued effectiveness as a Board Member. Where the Board approves the re-appointment of a Board Member in terms of this article 39.5, the Board shall review that Board Member's appointment on an annual basis.

39.6 If a Non Executive Board Member retires from the Board in terms of these Articles and ~~stands for re-election~~is re-appointed, subject to article 39.4, any time previously served on the Board shall count towards their period of service for the purposes of article 39.5.

~~39.7 Non Executive Board Members shall be elected by the Members at an annual general meeting.~~

~~39.78 Subject to article 39.2, no person shall be eligible for election by the Members as a Non Executive Board Member at any annual general meeting unless he/she is nominated by the Board.~~ The Non Executive Board Members shall be individuals who have skills and/or experience that are necessary or desirable to further the objects of the Company. The skills and/or experience which prospective Non Executive Board Members must have shall be as determined by the Board from time to time.

~~39.89~~ The Board shall be entitled from time to time and at any time to appoint up to six persons as Subsidiary Chair Board Members and to remove from office any such Subsidiary Chair Board Member. The persons appointed as Subsidiary Board Members in terms of this article 39.9 must each be the chair of a Subsidiary at the time of their appointment.

~~39.910~~ A Subsidiary Chair Board Member shall remain in office until such time as he/she is removed by the Board in terms of article 39.89 or has nine years' continuous service on the Board, unless otherwise approved by the Board in accordance with article 39.5, or is no longer the chair of a Subsidiary.

~~39.11 Notwithstanding anything contained in these Articles, the following interim arrangements shall apply in relation to the 2019 AGM:~~

~~39.11.1 if the number of serving Non Executive Board Members at that time exceeds eight, then such number as is necessary to reduce the number of Non Executive Board Members to eight shall retire from office; and~~

~~39.11.2 the Non Executive Board Members to retire in terms of article 39.11.1 shall be those who have served the longest on the board since the date of their last election. If there are two or more Non Executive Board Members who have the same length of service since the date of their last election and cannot agree who should retire, they must draw lots.~~

~~39.102~~ Notwithstanding anything contained in these Articles, the following interim arrangements shall apply in relation to the 2021 AGM:

~~39.101.1~~ if the number of serving Non Executive Board Members at that time exceeds seven, then such number as is necessary to reduce the number of Non Executive Board Members to seven shall retire from office; and

~~39.101.2~~ the Non Executive Board Members to retire in terms of article 39.11.1 shall be those who have served the longest on the board since the date of their last election~~appointment~~. If there are two or more Non Executive Board Members who have the same length of service since the date of their last election~~appointment~~ and cannot agree who should retire, they must draw lots.

40.1 The Board shall determine the appointment process for Board Members from time to time.

40.2 An application for appointment to the Board can be rejected by a decision by not fewer than three quarters of the Board Members on one or more of the following grounds:

40.2.1 where appointment to the Board would be contrary to these Articles or policies;

40.2.2 where a conflict of interest may exist which, even allowing for the disclosure of such an interest may adversely affect the work of the Company; or

40.2.3 where there is clear evidence of relevant circumstances from which it is concluded that appointment to the Board would not be in the best interests of the Company.

41 The rejection of an application for appointment to the Board shall be notified to the person concerned in writing following the relevant Board Meeting.

~~40.1 If, at the annual general meeting the number of candidates standing for election is less than or equal to the number of vacant places, the Chairperson will declare them elected without a vote. If there are more candidates standing for election than there are vacant places, those present at the general meeting will elect Board Members onto the Board, in terms of article 39.7. Each Member present or who has appointed a proxy representative will have one vote for each place to be filled on the Board. A Member must not give more than one vote to any one candidate.~~

~~40.2 The Company will post or send by fax or email intimation of the intended date of the annual general meeting and information on the nomination procedure to each Member at the address, fax number or email address given in the Register of Members of the Company not less than 28 days before the date of the meeting. Nominations for election to the Board must be in writing and in the form specified by the Company and must give the full name, address and occupation of the candidate, and their reasons for their suitability to be a Non Executive Board Member. Nominations must be signed by and include a signed statement from each nominee to show that they are eligible to join the Board in accordance with article 37.4 and 43, and that they are willing to be elected. Nomination forms can be obtained from the Company and must be completed fully and returned by hand or by post to the Company's registered office at least seven days before the general meeting.~~

~~40.3 Not less than seven nor more than 28 clear days before the date appointed for holding a general meeting, notice shall be given to all who are entitled to receive notice of the meeting of any person who is recommended by the Board for election or re-election as a Non Executive Board Member at the meeting. The notice shall give the particulars of that person which would, if he/she were so elected or re-elected, be required to be included in the Company's register of Board Members.~~

~~41 If a Non Executive Board Member leaves the Board between the annual general meetings, this creates a casual vacancy and the Board can appoint any person to take their place on the Board until the next annual general meeting.~~

Co-opted Board Members

42.1 The Board can co-opt to the Board or to a sub-committee anyone it considers is suitable to become a Board Member or a member of a sub-committee ("**Co-opted Board Member**"). Co-opted Board Members do not need to be Members, but they can only serve as Co-

opted Board Members on the Board or sub-committee ~~until the next annual general meeting for a period of one year~~ or until removed by the Board. A Co-opted Board Member can also serve on any sub-committees.

- 42.2 A person appointed as a Co-opted Board Member shall undertake the role of Board Member or member of a sub-committee and accordingly will be subject to the duties and responsibilities of a Board Member. Co-opted Board Members can take part in discussions at the Board or any sub-committees and vote at Board and sub-committee meetings on all matters except those which directly affect these Articles, the membership of the Company or the election of the Company's Office Bearers. Co-opted Board Members may not stand for election, nor be elected as one of the Office Bearers of the Board.
- 42.3 Co-opted Board Members in this way must not make up more than one-third of the total number of the Board or sub-committee members at any one time. The presence of Co-opted Board Members at Board Meetings will not be counted when establishing whether a quorum is present to allow the meeting to take place as required by article 48 and the presence of Co-opted Board Members will not count towards the quorum for sub-committee meetings.

Eligibility for the Board

- 43.1 A person will not be eligible to be a Board Member and cannot be appointed ~~or elected~~ as such if:
- 43.1.1 he/she ~~has been adjudged~~ is an undischarged bankrupt, has granted a trust deed ~~for or entered into an arrangement with creditors or his/her estate has been sequestrated and has~~ which has not been discharged ~~or is in a current Debt Payment Plan under the Debt Arrangement Scheme~~;
 - 43.1.2 he/she has been convicted of an offence involving dishonesty which is not spent by virtue of the Rehabilitation of Offenders Act 1974 or an offence under the Charities and Trustee Investment (Scotland) Act 2005;
 - 43.1.3 he/she is a party to any legal proceedings in any Court of Law by or against the Company;
 - 43.1.4 he/she is or will be unable to attend Board Meetings for a period of 12 months;
 - 43.1.5 he/she has been removed from the board of another registered social landlord within the previous five years;
 - 43.1.6 he/she resigned from the Board in the previous five years in circumstances where his/her resignation was submitted after the date of his/her receipt of notice of a special Board Meeting convened to consider a resolution for his/her removal from the Board in terms of article 44.5;
 - 43.1.7 he/she has been removed from the Board in terms of articles 44.4 or 44.5 within the previous five years;

- 43.1.8 he/she has been removed, disqualified or suspended from a position of management or control of a charity under the provisions of the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990 or the Charities and Trustee Investment (Scotland) Act 2005;
- 43.1.9 he/she has been removed from the office of charity trustee or trustee for a charity by an order made by the Charity Commissioners for England and Wales or by Her Majesty's High Court of Justice in England on the grounds of any misconduct in the administration of the charity for which he/she were responsible or to which he/she were privy, or which his/her conduct contributed to or facilitated;
- 43.1.10 a disqualification order or disqualification undertaking has been made against that person under the Company Directors Disqualification Act 1986 or the Company Directors Disqualification (Northern Ireland) Order 2002 (which relate to the power of a Court to prevent someone from being a director, liquidator or administrator of a company or a receiver or manager of company property or being involved in the promotion, formation or management of a company);
- 43.1.11 his/her application for appointment to the Board has been rejected in accordance with article 41;
- 43.1.1~~21~~ he/she has been removed from the governing body of any other member of the Group; or
- 43.1.1~~32~~ he/she has left the Board and a period of five years has not expired since his/her departure for the purposes of article 39.4.
- 43.2 A person cannot be re-~~appointed~~~~delected~~ as a Board Member if the Board is not satisfied of the individual's continued effectiveness as a Board Member. In these circumstances the Board must not allow the individual to ~~stand for re-election~~be re-appointed.
- 44.1 A Board Member shall cease to be a Board Member if:
- 44.1.1 he/she resigns his/her position as a Board Member in writing;
- 44.1.2 he/she ceases to be a Member unless he/she is a Co-opted Board Member in terms of article 42.1, an Other Board Member or an appointee of The Scottish Housing Regulator;
- 44.1.3 he/she misses four Board Meetings in a row without special leave of absence previously granted by the Board either at his/her request or by exercise of the Board's discretion;
- 44.1.4 the majority of the Members voting at a general meeting decide this. ~~The Members will then appoint another person to take his/her place. If a replacement is not appointed at the general meeting, the Board may appoint a Board Member in terms of article 41;~~

- 44.1.5 the majority of those remaining Board Members present and voting at a special meeting of the Board convened for the purpose decide to remove him/her as a Board Member in terms of article 44.2;
 - 44.1.6 he/she becomes ineligible as a Board Member in terms of article 43;
 - 44.1.7 he/she is a Co-opted Board Member whose period of office is ended in accordance with articles 39.3 or 42.1;
 - 44.1.8 he/she is a Board Member retiring in accordance with article 39.2;
 - 44.1.9 he/she is a Subsidiary Chair Board Member whose period of office is ended in accordance with article 39.9~~10~~;
 - 44.1.10 he/she is an Other Board Member whose period of office is ended in accordance with article 37.2; or
 - 44.1.11 he/she has failed to sign and deliver to the Board a statement confirming that the Board Member will meet his/her obligations to the Board and to the Company as set out in the Company's code of conduct for Board Members.
- 44.2 If, at a special Board Meeting convened for the purpose, a majority of the Board Members present and voting determine that a Board Member has:
- 44.2.1 failed to perform to the published standards laid down by ~~the Scottish Federation of Housing Associations and/or~~ The Scottish Housing Regulator adopted and operated by the Company;
 - 44.2.2 failed to sign or failed to comply with the Company's code of conduct for Board Members;
 - 44.2.3 committed a breach of the Company's Articles, standing orders or other policy requirements;
 - 44.2.4 failed to disclose a financial interest personally or as a member of a firm or as a director or other officer of a business trading for profit or in any other way whatsoever in a contract or other transaction with the Company as described in article 38.2; and/or
 - 44.2.5 failed to comply with the terms of any suspension or direction previously issued by the Board pursuant to this article 44.2,

the Board may by a majority vote of those Board Members present and voting (excluding abstentions) at such special meeting of the Board: (a) remove that Board Member from office; (b) suspend that Board Member from office on such terms and for such period as they may determine; (c) censure that Board Member in such manner as they may determine; or (d) make a direction requiring that Board Member to act or refrain from acting in a particular manner.

- 45 Any Board Member suspended in accordance with article 44.2 shall not, for the period of suspension, be entitled to attend or vote at any Board Meeting nor to receive notice of any such meeting during the period of such suspension.

POWERS OF THE BOARD

- 46.1 Subject to the provisions of the Act and these Articles, the Board is responsible for directing the affairs of the Company and its business and may do anything lawful which is necessary or expedient to achieve the objects of the Company. The Board is not permitted to exercise any powers which are reserved to the Company in general meetings either by these Articles or by statute. The Board is responsible for the leadership, strategic direction and control of the Company with the aim of achieving good outcomes for its tenants and other service users in accordance with the Regulatory Standards and Regulatory Guidance issued by The Scottish Housing Regulator from time to time. [The Board is responsible for ensuring that the Company can demonstrate its governance and financial arrangements are such as to allow The Scottish Housing Regulator to regulate effectively and exercise its full regulatory powers.](#)
- 46.2 Subject to the provisions of the Act, the Board acts in the name of the Company in everything it does. A third party acting in good faith and without prior notice does not need to check if the powers of the Board have been restricted, unless they are already aware that such a restriction may exist.
- 47.1 Without prejudice to its general powers conferred by these Articles, the Board may exercise the following powers:
- 47.1.1 buy, sell, build upon, lease or exchange any land and accept responsibility for any related contracts and expenses;
 - 47.1.2 agree the terms of engagement and remuneration of anyone employed in connection with the business of the Company and act as employer for anyone employed by the Company;
 - 47.1.3 grant heritable securities over land owned by the Company and floating charges over all or any part of property and assets both present and in future owned by the Company. This includes accepting responsibility for any related expenses;
 - 47.1.4 decide, monitor and vary the terms and conditions under which property owned by the Company is to be let, managed, used or disposed of;
 - 47.1.5 appoint and remove solicitors, surveyors, consultants, managing agents and employees, as required by the Company's business;
 - 47.1.6 refund any necessary expenses as are wholly necessary incurred by Board Members and sub-committee members in connection with their duties;
 - 47.1.7 compromise, settle, conduct, enforce or resist either in a Court of Law or by arbitration any suit, debt, liability or claim by or against the Company; and
 - 47.1.8 accept donations in support of the activities of the Company.

- 47.2 No alteration of these Articles shall invalidate any prior act of the Board which would have been valid if that alteration had not been made. The powers given by this article 47 shall not be limited by any special power given to the Board by these Articles and a meeting of the Board at which a quorum is present may exercise all powers exercisable by the Board.

BOARD PROCEDURE

- 48 It is up to the Board to decide when and where to hold its ordinary meetings, but it must meet at least six times per calendar year. The quorum for the transaction of the business of the Board at the time when the meeting proceeds to business shall be four Board Members.
- 49 The Board will continue to act while it has vacancies for Board Members. However, if at any time the number of Board Members falls below seven, the Board can continue to act only for another two months. If at the end of that period the Board has not found new Board Members to bring the number of Board Members up to seven, the only power it will have is to act to bring the number of Board Members up to seven.
- 50 Board Members must be sent written notice of Board Meetings posted, or delivered, by hand or sent by ~~fax or email~~ Electronic Communication to the last such address for such communications given to the Secretary at least seven days before the date of the meeting, unless the Chairperson determines, in relation to a specific proposed Board Meeting, that a shorter period is required. The accidental failure to give notice to a Board Member or the failure of the Board Member to receive such notice shall not invalidate the proceedings of the relevant meeting.
- 51 Board Meetings can take place in any manner which permits those attending to hear and comment on the proceedings. A Board Member may participate in a Board Meeting by means of conference telephone, video conferencing facility or similar communications equipment whereby all the Board Members participating in the Board Meeting can communicate with each other. A Board Member participating in a Board Meeting in this manner shall be deemed to be present in person at the Board Meeting.
- 52.1 All speakers must direct their words to the Chairperson. All Board Members must remain quiet and maintain order while this is happening. The Chairperson will decide who can speak and for how long.
- 532.3 If any point arises which is not covered in these Articles, the Chairperson will give his/her ruling which will be final.
- 534 All acts done in good faith as a result of a Board Meeting or sub-committee meeting will be valid even if it is discovered afterwards that a Board Member was not entitled to be on the Board.
- 545 A written resolution agreed (including by way of Electronic Communication) by not fewer than three quarters of the Board Members or three quarters of the members of a sub-committee will be as valid as if it had been passed at a Board Meeting or sub-committee meeting duly called and constituted.

55 Subject to these Articles, the Board may agree any arrangements which it thinks fit about how it takes decisions, and about how such arrangements are to be recorded or communicated to Board Members.

Special Board Meetings

- 56.1 The Chairperson or two Board Members can request a special meeting of the Board by writing to the Secretary with details of the business to be discussed. The Secretary will send a copy of the request to all Board Members within three working days of receiving it. The meeting will take place at a place mutually convenient for the majority of Board Members, normally the usual place where Board Meetings are held, between 10 and 14 days after the Secretary receives the request.
- 56.2 No other business may be discussed at the meeting other than the business for which the meeting has been called.
- 56.3 If the Secretary does not call the special meeting as set out above, the Chairperson or the Board Members who request the meeting can call the meeting. In this case, they must write to all Board Members at least seven days before the date of the meeting.
- 57 If a Board Member does not receive notice of the special meeting, this will not prevent the meeting going ahead.

Sub-committees

- 58.1 The Board may delegate its powers to sub-committees or to staff or to Office Bearers. The Board will establish the terms of reference for such delegation, which will be set down in writing and communicated to the recipient of the delegated powers. Such delegation will be set out down in writing in standing orders, schemes of delegated authority or other appropriate documentation. In the case of a sub-committee such delegation shall include the purposes of the sub-committee, its composition and quorum for meetings. A minimum number of members for a sub-committee shall be three. There must be at least three of the members of a sub-committee present for the meeting to take place. The Board shall be responsible for the on-going monitoring and evaluation of the use of delegated powers.
- 58.2 The meetings and procedures of sub-committees or otherwise must comply with the relevant terms of reference.
- 58.3 Any decision made by a sub-committee must be reported to the next Board Meeting.
- 58.4 The Board can establish and delegate powers to sub-committees, designated as Area Committees, to take decisions relating to the management and maintenance of properties within a particular geographical area. The Board will determine the membership and delegated responsibility of an Area Committee in its terms of reference. An Area Committee shall exercise such delegated powers, notwithstanding the provisions of articles 42.1 and 42.3 which provisions do not apply to Area Committees.

THE SECRETARY AND OFFICE BEARERS

- 59.1 Subject to the provisions of the Act, the Secretary and any deputy or alternate Secretary and any other Office Bearers shall be appointed by the Board for such term and upon such conditions as it may think fit and any Secretary so appointed may be removed by the Board. The Office Bearers, except for the Secretary, must be ~~elected~~ Board Members ~~and~~ but cannot be Co-opted Board Members. An employee of the Company or any other member of the Group may hold the office of Secretary although shall not be a Board Member. If the Secretary cannot carry out his/her duties, the Board, or in an emergency the Chairperson, can ask another Office Bearer or employee to carry out the Secretary's duties until the Secretary returns.
- 59.2 The Secretary and the Office Bearers will be controlled, supervised and instructed by the Board in respect of performance of their respective duties (which duties, in the case of the Secretary, are those set out in article 59.3).
- 59.3 The Secretary's duties include the following (these duties can be delegated to an appropriate employee with the Secretary assuming responsibility for ensuring that they are carried out in an effective manner):
- 59.3.1 calling and going to all meetings of the Company and all the Board Meetings;
 - 59.3.2 keeping the minutes for all meetings of the Company and Board;
 - 59.3.3 sending out letters, notices calling meetings and relevant documents to Members before a meeting;
 - 59.3.4 preparing and sending all the necessary reports to the Registrar of Companies and The Scottish Housing Regulator;
 - 59.3.5 ensuring compliance with these Articles;
 - 59.3.6 keeping the Register of Members and other registers required under these Articles and the Act; and
 - 59.3.7 supervision of the Company's seal.
- 59.4 The Secretary must produce or give up all the Company's books, registers, documents and property whenever requested by a resolution of the Board, or of a general meeting.
- 59.5 The Chairperson will be appointed in accordance with article 59.76 for a period which shall commence on the date of the Chairperson's appointment and shall expire immediately prior to the next scheduled Board Meeting held after the expiry of three years from the date of the appointment (the "office term"), subject always to the provisions of article 39.

Role of the Chair

- 59.6 The Chairperson is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of the Board's role and to ensure that the Board properly discharges its responsibilities as required by law, these Articles and the standing orders of the Company. The Chairperson will be delegated such powers as is required to allow the

Chairperson to properly discharge the responsibilities of the office. Among the responsibilities of the Chairperson are that:

- 59.65.1 the Board works effectively with the senior staff;
 - 59.65.2 an overview of business of the Company is maintained;
 - 59.65.3 the Agenda for each meeting is set;
 - 59.65.4 meetings are conducted effectively;
 - 59.65.5 minutes are approved and decisions and actions arising from meetings are implemented;
 - 59.65.6 the standing orders, code of conduct for Board Members and other relevant policies and procedures affecting the governance of the Company are complied with;
 - 59.65.7 where necessary, decisions are made under delegated authority for the effective operation of the Company between meetings;
 - 59.65.8 the Board monitors the use of delegated powers;
 - 59.65.9 the Board receives professional advice when it is needed;
 - 59.65.10 the Company is represented at external events appropriately;
 - 59.65.11 appraisal of the performance of Board Members is undertaken, and that the senior staff officer's appraisal is carried out in accordance with the agreed policies and procedures of the Company; and
 - 59.65.12 the training requirements of Board Members, and the recruitment and induction of new Board Members is undertaken.
- 59.76 The Chairperson must be elected from the Board Members (excluding Co-opted Board Members). The Chairperson must be prepared to act as Chairperson until the end of their office term (unless he/she resigns the post). The Chairperson can only be required to resign if a majority of the remaining Board Members present at a Board Meeting agree to this.
- 59.87 If the Chairperson is not present at a Board Meeting or is not willing to act, the Vice Chairperson will act as the chairperson of the Board Meeting. If the Vice Chairperson is not present or willing to act, the Board Members present will elect another Board Member to be chairperson for the Board Meeting. If the Chairperson arrives at the meeting late, he/she will take over as chairperson of the Board Meeting as soon as the current agenda item is concluded.
- 59.98 If the votes of the Board Members are divided equally for and against an issue, the Chairperson will have a second and deciding vote.

- 59.109 The Chairperson can resign his/her office in writing to the Secretary and must resign if he/she leaves the Board or is prevented from ~~standing for or~~ being ~~elected~~ appointed to the Board under article 43. The Board will then elect another Board Member as Chairperson.
- 59.110 The Chairperson can be re-elected upon expiry of their office term for a further maximum of two years and must not hold office continuously for more than five years, unless otherwise approved by the Board, subject always to the provisions of article 39.
- 59.121 Upon expiry of their period of service as Chairperson, the Chairperson must resign as a Board Member and leave the Board, unless otherwise agreed by the Board. If the Chairperson resigns under article 59.76 or 59.109 then they shall also be deemed to have resigned as a Board Member, regardless of the length of their period of service as Chairperson.
- 59.132 The Board may appoint a Vice Chairperson to act in the absence of the Chairperson appointed in accordance with article 59.76 on such terms as the Board shall think fit.

NOTICES

- 60.1 Any notice which requires to be given to a Member under these Articles shall be given either in writing or by way of an Electronic Communication. Such a notice may be given personally to the Member or be sent by post in a pre-paid envelope addressed to the Member at the address last intimated by him/her to the Company or (in the case of a Member who has notified the Company of an address to be used for the purpose of Electronic Communications) may be given to the Member by way of an Electronic Communication.
- 60.2 Any notice, if sent by post, shall be deemed to have been given at the expiry of 48 hours after posting. For the purpose of proving that any notice was given, it shall be sufficient to prove that the envelope containing the notice was properly addressed and posted.
- 60.3 Any notice contained in an Electronic Communication shall be deemed to have been given on the day it is sent. For the purpose of proving that any Electronic Communication was sent, it shall be sufficient to provide any of the evidence referred to in the relevant guidance issued from time to time by the Chartered Institute of Secretaries and Administrators.
- 60.4 A Member present, either in person or by proxy, at any meeting of the Company shall be deemed to have received notice of the meeting and, where requisite, of the purposes for which it was called.

INDEMNITY

- 61.1 Every Board Member or other Office Bearer or auditor of the Company shall be indemnified (to the extent permitted by section 232, 234, 235, 532 and 533 of the Act) out of the assets of the Company against any loss or liability which he/she may sustain or incur in connection with the execution of the duties of his/her office. That may include, without prejudice to that generality (but only to the extent permitted by those sections of the Act),

any liability incurred by him/her in defending any proceedings (whether civil or criminal) in which judgement is given in his/her favour or in which he/she is acquitted or any liability in connection with an application in which relief is granted to him/her by the court from liability for negligence, default or breach of trust in relation to the affairs of the Company.

- 61.2 The Company shall be entitled to purchase and maintain for any Board Member insurance against any loss or liability which any Board Member or other Office Bearer of the Company may sustain or incur in connection with the execution of the duties of his/her office, and such insurance may extend to liabilities of the nature referred to in section 232 (2) of the Act.

THE BOARD'S MINUTES, SEAL, REGISTERS AND BOOKS

Minutes

- 62 Subject to the provisions of the Act, minutes of every general meeting, Board Meeting and sub-committee meeting must be kept. Those minutes must be presented at the next appropriate meeting and if accepted as a true record, signed by the chairperson of the meeting at which they are presented. All minutes signed by the chairperson of the meeting shall be conclusive evidence that the minutes are a true record of the proceedings at the relevant meeting.

Execution of Documents and Seal

- 63 The Company shall execute deeds and documents in accordance with the provisions of the Act and the Requirements of Writing (Scotland) Act 1995 and record the execution in the register. The use of a common seal is not required. The Company may have a seal which the Secretary must keep in a secure place unless the Board decides that someone else should look after it. The seal must only be used if the Board decides this. When the seal is used, the deed or document must be signed by a Board Member and the Secretary or a second Board Member and recorded in the register.

Registers

- 64 The Company must keep at its registered office a Register containing:
- 64.1 the names and addresses of the Members and where provided for the purposes of Electronic Communication, fax numbers and email addresses;
 - 64.2 the date each person was entered in the Register as a Member and the date at which any person ceased to be a Member of the Company;
 - 64.3 a statement of other property in the Company whether in loans or loan stock held by each Member; and
 - 64.4 the names and addresses of the Office Bearers of the Company, their positions and the dates they took and left office.
- 65.1 The Company must also keep at its registered office:

- 65.1.1 a second copy of the Register showing the same details as above but not the statements of property. This second register must be used to confirm the information recorded in the original Register;
 - 65.1.2 a register of loans and to whom they are made;
 - 65.1.3 a register showing details of all loans and charges on the Company's land; and
 - 65.1.4 all other registers as may be required under the Act.
- 65.2 The inclusion or omission of the name of any person from the original Register of Members shall, in the absence of evidence to the contrary, be conclusive that the person is or is not a Member of the Company.

Registered name

- 66 The registered name of the Company must be clearly shown on the outside of every office or place where the Company's business is carried out. The name must also be engraved clearly on the Company's seal and printed on all its business letters, notices, adverts, official publications, website and legal and financial documents.

Documentation

- 67 The Company's books of account, registers, securities and other documents must be kept at the Company's registered office or any other place the Board decides is secure.
- 68 At the last Board Meeting before the annual general meeting, the Secretary must confirm in writing to the Board that articles 62 to 67 have been followed or, if they have not been followed, the reasons for this. The Secretary's confirmation or report must be recorded in the minutes of the Board Meeting.

ACCOUNTS

- 69 Accounting records shall be kept in accordance with all applicable statutory requirements and such accounting records shall, in particular, contain day to day entries of all sums of money received and expended by the Company and the matters in respect of which such receipt and expenditure take place and a record of the assets and liabilities of the Company.
- 70 The Board must send the Company's accounts and balance sheet to the Company's auditor. The auditor must then report to the Company on the accounts it has examined. In doing this, the auditor must follow the conditions set out in the Act and Part 6 of the Housing (Scotland) Act 2010.
- 71 The Company must provide The Scottish Housing Regulator and such other organisations as the Board determines appropriate with a copy of its accounts and the auditor's report within six months of the end of the period to which they relate, [or such other period as may be permitted by the applicable regulatory authority from time to time.](#)

THE AUDITOR

- 72 Auditors of the Company shall be appointed and their duties regulated in accordance with the Act.

ANNUAL RETURNS AND BALANCE SHEET

- 73 Every year, within the time allowed by law, the Secretary shall send to the Registrar of Companies the confirmation statement in the prescribed form, together with all such documentation required by the Act.
- 74 If requested, the Company must provide a free copy of the latest confirmation statement and auditor's reports to Members or people with a financial interest in the Company.
- 75 The Company must always keep a copy of the latest balance sheet and auditor's report publicly displayed at its registered office.
- 76 The Company must comply with the requests of The Scottish Housing Regulator for annual returns.

DONATIONS

- 77 The Board shall set and review periodically its policy for the donation of funds to charities. Such donations must further the objects of the Company and the Board shall report to the Members on such donations.

INVESTMENTS

- 78 The Company's funds may be invested by the Board in such manner as is permitted by its investment policy subject always to the requirement that the Company will comply with the Regulatory Framework and Regulatory Guidance issued by The Scottish Housing Regulator from time to time.

INSPECTING THE REGISTER

- 79 Any Member or person having a financial interest in the Company can inspect their own account. They may also inspect the second copy of the Register of Members which shall be made available to them for inspection within seven days of the request of a Member or eligible person. The books must be available for inspection at the place they are kept at all reasonable hours. The Board may set conditions for inspecting the books. ~~The Company will also maintain a register of the names of those Members who have given consent for this purpose which shall be made available for inspection within seven days of the request of any person.~~

DISPUTES

- 80 Every dispute between the Company or the Board and:

- 80.1 a Member;
- 80.2 a person aggrieved who has cease to be a Member within the previous six months; or
- 80.3 a person claiming under these Articles,

shall be dealt with in accordance with any procedures determined by the Board from time to time but without prejudice to all rights which any person may have to raise an action on the matter in any court with competent jurisdiction including without prejudice the Sheriff Court in the Sheriffdom in which the Company's registered office is located.

COPIES OF ARTICLES

- 81 The Secretary shall, on demand, provide a copy of these Articles free of charge to any Member who has not previously been given a copy and, upon payment of such fee as the Company may require, not exceeding the amount specified by law, to any other person.

CLOSING DOWN THE COMPANY

- 82.1 The Company may be dissolved by the Company making an application to the Registrar of Companies pursuant to Part 31 of the Act to have the Company's name struck off the register of companies maintained by the Registrar of Companies under the Act.
- 82.2 If any property remains after the Company has paid its debts, this property will be transferred to a charitable registered social landlord as determined by The Scottish Housing Regulator.

AMENDING THESE ARTICLES

- 83.1 These Articles can be changed or deleted and new Articles can be introduced if ~~:-~~
 - ~~83.1.1~~ —three quarters of the votes at a special general meeting are in favour of the amendment(s); ~~and~~
 - ~~83.1.2~~ —The Scottish Housing Regulator has approved the amendment(s).
- 83.2 The Company must notify The Scottish Housing Regulator within 28 days of the change or amendment to these Articles being made.
- ~~83.32~~ The Company can change its name if three quarters of the votes at a special general meeting are in favour of the change.
- ~~83.43~~ If the Company changes its name in terms of article ~~83.32~~ it must ~~inform-notify~~ The Scottish Housing Regulator in writing within ~~2814~~ days of the change being made.
- ~~83.54~~ The Company can change its registered office but must:
 - ~~83.45.1~~ notify The Scottish Housing Regulator of the change in registered office within ~~seven working~~28 days of the decision having been made; and

- 83.45.2 notify the Registrar of Companies of the change within 14 days of the change having been made.

Rules or Bye laws

- 84.1 The Board may from time to time and subject to the prior approval of The Scottish Housing Regulator make and amend such rules and bye laws as they may from time to time deem necessary or expedient or convenient for the proper conduct and management of the Company and for the purposes of prescribing the conditions of membership, and, in particular, but without prejudice to the generality of the foregoing, they shall by such rules and bye laws regulate:
- 84.1.1 the admission of the Members, and the rights and privileges of the terms on which Members may resign or have their membership terminated insofar as these are not provided in these Articles;
 - 84.1.2 the conduct of the Members in relation to one another, and to the Company's employees;
 - 84.1.3 the setting aside of the whole or any part of parts of the Company's premises at any particular time or times or for any particular purpose or purposes;
 - 84.1.4 the procedure at general meetings and Board Meetings and sub-committee [meetings](#) in so far as such procedure is not regulated by these Articles; and
 - 84.1.5 generally, all such matters as are commonly the subject matter of Company rules.
- 84.2 The Company in general meeting shall subject to the prior approval of The Scottish Housing Regulator have power to alter or repeal the rules and bye laws and to make additions thereto and the Board shall adopt such means as they deem sufficient to bring to the notice of the Members all such rules and bye laws, which so long as they shall be in force, shall be binding on all Members provided nevertheless, that no rule or bye law shall be inconsistent with, or shall affect or repeal anything contained in, the memorandum of association of the Company or these Articles.

INTERPRETING THESE ARTICLES

- 85.1 In these Articles, the following definitions and rules of interpretation shall apply:
- ~~85.1.1 "2019 AGM" means the annual general meeting of the Company to be held in the calendar year 2019;~~
 - 85.1.12 "2021 AGM" means the annual general meeting of the Company to be held in the calendar year 2021;
 - 85.1.23 "Act" means the Companies Act 2006 and any statutory modification or re-enactment thereof for the time being in force;

- 85.1.34 **"Articles"** means these articles of association as originally adopted or as altered from time to time;
- 85.1.45 **"Board"** means the board of management (or such other term that is used by the Company to denote the holder of this offices) of the Company from time to time referred to in article 37.1;
- 85.1.56 **"Board Meeting"** means a meeting of the Board;
- 85.1.67 **"Board Member"** means any director for the time being of the Company and shall (save where expressly excluded) include Co-opted Board Members;
- 85.1.78 **"Chairperson"** means the chairperson of the Company (or such other term that is used by the Company to denote the holder of this office) referred to in article 59.1;
- 85.1.89 **"charitable"** means both charitable under section 7 of the Charities and Trustee Investment (Scotland) Act 2005 and also in relation to the application of the Taxes Acts;
- 85.1.910 **"clear days"** excludes, in relation to the period of a notice, the day after the notice is posted (or, in the case of a notice sent by Electronic meansCommunication, the day after it was sent) and also the day of the meeting;
- 85.1.104 **"Co-opted Board Member"** means a Board Member co-opted to the Board in terms of article 42.1;
- 85.1.112 **"Electronic Communication"** has the same meaning as is assigned to that expression in the Electronic Communications Act 2000;
- 85.1.123 **"Group"** means the Company, and any Subsidiary from time to time;
- 85.1.134 **"Group Agreement"** means the written agreement from time to time between the Company and the Subsidiaries in relation to the objectives and operation of the Group;
- 85.1.145 **"Guarantee"** means any guarantee and includes any obligation (including as primary obligor), including a contract of indemnity or suretyship, however described, to pay, satisfy, provide funds for the payment or satisfaction of (including, without limitation, by advance of money, purchase of or subscription for securities and purchase of assets or services), indemnify against the consequences of default in the payment of, or otherwise be responsible for, any indebtedness of any Subsidiary or any other person;
- 85.1.156 **"Member"** means any person who is admitted to membership of the Company in accordance with the provisions of these Articles;
- 85.1.167 **"Non Executive Board Member"** means a Board Member (excluding the Other Board Member) elected-appointed in terms of article 39.7 these Articles;

85.1.1~~78~~ **"Office Bearer"** means the Chairperson, Secretary and any such other office bearer of the Company appointed under article 59.1;

85.1.1~~89~~ **"Office of the Scottish Charity Regulator"** means the body set up under the Charities and Trustee Investment (Scotland) Act 2005 to regulate charities in Scotland;

85.1.1~~120~~ **"Other Board Member"** means an employee of the Company appointed as a Board Member in accordance with article 37.2;

85.1.2~~10~~ **"Register of Members"** means the register of members referred to in article 64;

85.1.2~~12~~ **"The Scottish Housing Regulator"** means the body corporate established under section 1 of the Housing (Scotland) Act 2010 known as the Scottish Housing Regulator, having its principal office at 3rd Floor, Sutherland House, 149 St Vincent Street, Glasgow, G2 5NW;

85.1.2~~23~~ **"Secretary"** means the secretary of the Company or any other person appointed to perform the duties of the secretary of the Company, including a joint, assistant or deputy secretary;

85.1.2~~34~~ **"Subsidiary"** means any organisation which is from time to time a subsidiary of the Company within the meaning of Section 164 of the Housing (Scotland) Act 2010;

85.1.2~~45~~ **"Subsidiary Chair Board Member"** means a Board Member appointed by the Board in terms of article 39.9;

85.1.2~~56~~ **"Taxes Acts"** means Part 11 of the Corporation Tax Act 2010 as read with Schedule 6 of the Finance Act 2010 and any statute or statutory provision which amends, extends, consolidates or replaces the same; and

85.1.2~~67~~ **"Vice Chairperson"** means the vice chairperson of the Company referred to in Rule 59.1~~32~~.

85.2 Words in the singular also include the plural. Words in the plural also include the singular.

85.3 A reference to law or statute is a reference to that law or statute as re-enacted, amended or replaced.

~~85.4 In the event of Sterling joining the Euro any sums of money referred to in Sterling in these Articles shall be redenominated into Euros at the rate of exchange applying for such redenomination as at the date of joining the Euro.~~

APPENDIX 1

PROXY FORM

You must use the wording shown below to appoint a representative to vote at a meeting for you.
Please see article 27.1 for more details.

I (insert name) am a member of (insert name) _____ Limited.

My address is: (please insert).

I hereby appoint (insert name) who lives at (insert address) to be my representative and vote for me
at the Company's meeting on (insert date) and any other dates that meeting continues on.

Your name

Your signature

Date

APPENDIX 2

CANCELLATION OF PROXY

You must use the wording shown below to reverse your application to send a representative to vote at a meeting for you. Please see article 27.4 for more details.

I (insert name) am a member of (insert name) _____ Limited.

My address is: (please insert).

I hereby revoke the appointment of (insert name) as my representative to vote for me at the Company's meeting on (insert date) made by me on the (insert date).

I no longer authorise the person referred to above to represent me at the meeting referred to above.

Your name

Your signature
