



WHEATLEY HOUSING GROUP LIMITED

BOARD MEETING

**18 September at 14.00
BY VIDEOCONFERENCE**

AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Minutes of Meeting held on 26 August and matters arising
4. Group CEO Update

Main Business Items

5. [redacted]
6. Covid 19 – Approach to Local & Sector Specific Lockdown Restrictions
7. Group Strategy update
8. [redacted]
9. Review of new build appraisal target return rate
10. Five year review of City Building (Glasgow) LLP
11. Rent remobilisation – Phase 2
12. 2020/21 Full year forecast out-turn
13. Group Desktop Technology Refresh – contract award
14. AOCB

Date of next meeting – Wednesday 28 October at 10.30am

Report

To: Wheatley Housing Group Board

By: Elaine Melrose, Group Director of Group Resources

Approved by: Martin Armstrong, Group Chief Executive

Subject: Covid 19 – Approach to Local & Sector Specific Lockdown Restrictions

Date of Meeting: 18 September 2020

1. Purpose

- 1.1. To set out a draft framework approach to the provision of services in the event of local and sector lockdown restrictions.

2. Authorising context

- 2.1 The Group Chief Executive 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.
- 2.2 The Board's agreement is therefore sought to the principles of the proposed approach for how we might work over the coming months in the event of local and sector specific lockdown restrictions, subject to Scottish Government legislation and guidance.

3. Risk appetite and assessment

- 3.1 The unprecedented nature of the current situation and a potential for a series of local and sector specific lockdown restrictions, 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 and future 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

4. Background

- 4.1 Following the easing of lockdown many of our services have progressed positively through their remobilisation delivery and had now moved into the second phase of remobilisation. In August, the Board were advised that these plans will continue to be refined, and will be adapted depending on the actual rate at which progress is made through the phases of the Scottish Government route map.
- 4.2 Scottish Government continues to operate in Phase 3 of its route map and given recent outbreaks of the virus across the country, with associated containment measures it seems unlikely that there will be any move towards Phase 4 in the foreseeable future.
- 4.3 In anticipation of a second wave/further outbreaks of the pandemic and the associated potential risks for the Group, its staff and customers, it was agreed that a paper be presented at the September board, outlining a framework approach that would be activated in the event of a second wave, either nationally or within any local area in which we operate. Our priorities in establishing such a framework are consistent with those of our initial plans:
- Compliance with Scottish Government Guidance
 - Supporting our Customers
 - Managing and protecting our staff
 - Safeguarding our financial position
- 4.4 Phase 3 of the Scottish Government's route map has been in place for approximately 2 months and we have now begun to see a pattern of localised and sector specific outbreaks including:
- the hospitality/night time economy sector in Aberdeen,
 - some Schools across the country
 - in some work locations such as call centres and factories; and
 - across households in Glasgow, East Renfrewshire, West Dunbartonshire, East Dunbartonshire and Renfrewshire
- 4.5 The R rate is estimated to be between 0.9 -1.1 with the rate of infection rising more quickly in particular demographic groups – primarily amongst those aged 18-30 with the highest daily rates increase since May being reported since 5th September 2020. In addition, changes to quarantine arrangements for those returning from abroad continue to be subject to change a short notice.
- 4.6 The Government's response to these outbreaks has been targeted both in terms of location, but also in terms of the specific sector/population which has been at the source of the outbreak, for example:
- Closing pubs and restaurants in Aberdeen
 - Closing individual schools in Glasgow
 - Introducing restrictions on the mixing of households
- 4.7 All of these targeted responses have also been time limited for a maximum of two weeks, thus far. The government's overall strategy continues to be one of elimination of the virus with the ambition of establishing a "zero covid" environment.

- 4.8 Given the developing picture across Europe, in Scotland and the rest of the United Kingdom it appears likely that any “second wave” covid impact will be managed via tailored interventions and underpinned by test & trace/protect & trace arrangements. These interventions are most likely to take the form of multiple local, geographic and sector specific restrictions which have the potential to interrupt our operations over coming months and potentially for the foreseeable future until a vaccine is in circulation.
- 4.9 This type of interruption is considered more likely than a full second wave national lockdown at this time and therefore our planning assumptions around this type of localised or ‘lockdown light’. Critically to accommodate this environment our planning and authorising environments must continue to reflect the need for immediate and flexible responses that will meet the needs of the organisation, its staff and customers.
- 4.10 It must however be recognised that this is a rapidly changing environment and as the UK, Scottish and more local landscape emerges and evolves, we will continue to reflect on and refine our approach in line with current guidance - no guidance has been issued with regard to second wave planning at this time. To support this, connections have been developed with Local Resilience Partnerships (LRPs”) in each of our strategic local authority areas and we continue to be active in discussions with Scottish Government through the Strategic Housing Resilience Group.

5. Discussion

- 5.1 Over the last few months, Senior Management Teams across all group partners have been actively engaged in workshop discussions regarding planning for further Coronavirus out breaks. They have reflected on:
- the capacity that has been created over the past 6 months through wider use of technology, digital services, working from anywhere philosophy etc,
 - availability and sustainability of resources and supply chains
 - the strengths of these arrangements and areas for improvement that might be considered
 - Tenure specific considerations
 - Required adjustments to their local business continuity arrangements.

- 5.2 Key themes emerging from the workshops were gathered and have informed our approach outlined in this paper, including:

IT and Digital

- 5.3 Our investment in, and exploitation of, our technology infrastructure to both provide services and support our business processes has been accelerated during the last 6 months and has been critical to our success in navigating our way through the crisis, from ensuring our governance processes can continue through Virtual Board Meetings to establishing a virtual customer service centre.

PPE

- 5.4 Our Group approach to procuring Personal Protective Equipment (“PPE”) has ensured we have maximised access to supply chains. Our PPE tracker has ensured resilience in the event of a second wave and would allow us to spot any emerging supply chain issues ‘up river’ and therefore enable us to be ahead of the curve a second time around.

Staff Resilience

- 5.5 The resilience of our staff from the Executive Team to key frontline workers will be key to the successful navigation through any second wave. This will include ensuring that we have appropriate delegation arrangements in place and resilience within the ET, the wider leadership team and our essential services teams. We also need to ensure we look after the mental and physical health of our key people and staffing teams to ensure they are ready for a second wave.

Scenario Planning

- 5.6 There is a strong likelihood that there will be local lockdowns and we need to have a framework and approach that can flex and adapt to a range of scenarios. However, there may be some particular scenarios which could have a high business impact and or customer impact. One such scenario would be an outbreak in one or more of our MSFs as seen in Melbourne, Australia.

Decision Making

- 5.7 Our ability to be agile and make swift decisions around business continuity has been key to the success of navigating through the first wave of the virus. We have modified our Executive Team and Board meeting cycles and mechanisms to adapt to the pertaining circumstances. We need to have the ability to revert back to these arrangements as and when required in the event of a second wave or local restrictions being introduced i.e. daily briefings and meetings.

Essential Services Framework

- 5.8 Given all of the above, our Essential Services Framework (established during lockdown) along with our Business Continuity Management Framework has been developed further to provide for a clear, proportionate and rapid decision/response environment across the business. The premise is that given the current stage of our remobilisation, the business restrictions considered most likely to have business impact is the inability to be in peoples' homes.
- 5.9 This has been tested following the introduction of the restrictions on different households mixing indoors by the Scottish Government on 1st September 2020 in Glasgow, West Dunbartonshire and East Renfrewshire. It enabled us to act quickly and decisively, ensuring minimum service disruption but also to tailor our response to the specific geographical areas affected by the restrictions. The tailored framework is shown below:

	SG Phase1	SG Phase 2 (Jun-Aug)	Current Position SG Phase 3 (estimated Sept/Oct to Dec)	Intermittent COVID restrictions
Letting	Via Local Authorities for homelessness	Temp accommodation / Housing First	Matched highest need customer	Matched highest need customer – subject to Scottish Government Guidance
Income maximisation	Home working	Visiting Teams	Face to face teams and rent campaign	Home working
Fire safety	Vulnerable customers, and ongoing incident management.	Fire inspections in lieu of SFRS quarterly inspections.	Household visits. Fire Risk Assessments recommence October	Vulnerable customers, and ongoing incident management.
ASB	Central team – advice, guidance and phone and limited face to face	Central team – investigate – phone and increase d face to face	Central team - visits	Central team – advice, guidance and phone and limited face to face
Environmental	MSF focus	Grass cutting	Close cleaning	MSF focus, Grass cutting & close cleaning
Eatwell	MSF focus	Tapering-off	Most vulnerable customers	MSF focus
Repairs	Life and Limb	Safety First		Life and Limb Gas servicing (9 month window)
Investment	Suspended	Test projects	External	Suspended
Commercial	Letting and services suspended	Letting – high demand Internal repairs	Further service mobilisation in line with group approach	Letting and services suspended
New Build	Site-prep	Restart		Immediate handovers only
Care	Core building based services continue face to face. Outreach & contact points moved to homeworking	Continue with face to face in building based services. Limited face to face targeted to the most vulnerable customers	Increased face to face and phased office working return	Core building based services continue face to face. Outreach & contact points moved to homeworking except for most vulnerable cases
Others	Back office working from home Governance- online	Back office- no change Governance- no change	Reintroduction of full Boards, possibly in person	Back office working from home Governance- online

- 5.10 In the event that further similar restrictions i.e. movement of people/'mixing ' of households are introduced in other areas, we would adopt this operating model with any necessary adaptations to reflect local circumstances . There is however a strong possibility that where further 'sector specific' or locational restrictions e.g. closing of hospitality venues, are introduced that no adjustment to our current delivery arrangements are necessary.

Vulnerable Tenures

- 5.11 Beyond general restrictive conditions applied it must be acknowledged that certain Group tenures i.e. Multi Storey Flats (MSF's) and Living Well properties where people live in very close proximity to each other with common access, gathering and egress areas may require separate consideration.
- 5.12 As the owner of 137 tower blocks, 29 Livingwell sites and other facilities such as Dunedin Harbour, specific arrangements relating to these facilities have been considered and are set out below. Where specific restrictions, as a consequence of an outbreak, are applied to these facilities our key considerations would be:
- Maintaining Safe Access and Egress
 - Customer Welfare
 - Customer Communications
- 5.13 The table below illustrates our scenario planning to address these issues in MSFs. This approach will be refined over coming weeks and adapted for our Living Well sites and our homeless persons hostel.

Safe Access & Egress	<ul style="list-style-type: none"> ▪ Use of Face coverings mandatory in circulation spaces for residents. ▪ Strictly controlled to residents only and essential visitors e.g. GP's, Carers, Emergency services etc. ▪ Simple Track & Trace Form to be completed by anyone entering the building. ▪ Enhanced CCTV monitoring for persons circulating and breaching lockdown rules. ▪ Concierge Staff located in concierge office with enhanced PPE to be worn at all times ▪ Enhanced cleaning of communal spaces such as stairwells and lifts. ▪ Guidance Signage and Fixed Sanitiser Stations installed in circulation spaces ▪ Potential for Lifts to be grounded and controlled by Concierge Staff using Fireman's Switch.
Customer Welfare	<ul style="list-style-type: none"> ▪ Establish contact with local supermarkets to develop emergency response plan for groceries and food deliveries. ▪ Increase Eat Well Food Deliveries - Staff in PPE delivering in disposable but recyclable bags / boxes. ▪ Plan for emergency storage facilities on site for storage of foods and groceries e.g. Shipping Containers. ▪ Sheets, Blankets, Heaters in the event of power outage during such times to be considered. ▪ Engage local schools in catchment plans to ensure remote education provisions in place ▪ Games and other welfare packs distributed for keeping children occupied. ▪ Provide drying frames (clothes horses) if drying areas closed off.
Customer Communication	<ul style="list-style-type: none"> ▪ Daily 'Ok today' customer calls either via Alertacall system or Housing Officers. ▪ Regular text messaging, use of 'WhatsApp' and leaflet drops for communication updates -including essential contact numbers and helplines.

IT/Digital Resilience

- 5.14 Overall we are well placed to navigate through a second wave (or a series of local lockdowns), however there may be related issues such as availability of equipment and our ability to carry out deliveries of equipment during a national lockdown. We have recently carried out an audit of additional IT kit requirements to ensure staff returning to work from furlough have suitable kit to return to work, if not the workplace.
- 5.15 We are establishing additional 'back up' kit supply resilience of 5-10% across key devices such as laptops, mobile phones and tablets, in the event of supply chain challenges, which we may encounter should a 2nd wave take place internationally locations such as Europe and/or China. which could constrain wider supply chain up to and including manufacturers/factories.
- 5.16 To facilitate kit distribution/replacement and to provide practical IT workshop support for staff, in addition to current arrangements provided at Wheatley House, it is considered necessary to improve resilience particularly in light of geographic lockdown scenarios. To this end we will establish further distribution hubs at New Mart Road, Edinburgh and Grierson House in Dumfries.

Procurement & PPE

- 5.17 The supply markets have been through a challenging period but have now settled to a new normal. The provision of PPE has been of course, the primary concern, ensuring that all staff have the appropriate personal protective equipment to carry out their roles with confidence of their personal safety. PPE supplies continue to be monitored closely and we continue to hold at least 12 week supplies for all core items. The reintroduction of Close Cleaning has been provided for within these projections.
- 5.18 The Groups PPE supply chain has been strengthened with the addition of the Scottish Government's selected suppliers and our own Group contracted suppliers, giving the Group comfort and confidence in the ability to provide the necessary materials, at the right price, without delay. We continue to observe this market closely carrying out supplier reviews on a rolling monthly basis, capturing feedback back concerns and reacting to market intelligence.
- 5.19 As we mobilised selected teams to work remotely the provision of IT hardware has been closely monitored, ensuring we made best use of the technology available. Utilising the buying power of the Public sector we have been sourcing IT hardware via the Crown Commercial Services Frameworks. This has provided a robust range of suppliers with pre agreed terms and pricing. While at present this market is stable paragraph 5.11 above highlights potential risks and our plans to mitigate these.

Food & Humanitarian Support

- 5.20 Our early Covid experience highlighted the limited capacity of national organisations to respond at the pace necessary to meet the very immediate needs of customers facing hardship as a consequence of Covid restrictions.
- 5.21 Through the partnership established with Braehead Foods and other providers we created a reliable and sustainable supply chain that provides quality fresh

produce, store cupboard basics and other provisions necessary to support customers and their families. In addition, the introduction of supermarket vouchers has provided support for those able to shop directly.

- 5.22 While the need for such support has returned to broadly to pre- Covid levels, relationships with this supply chain are strong making it will be possible to remobilise these services and the supporting distribution infrastructure as necessary, without delay.

Staff Resilience

- 5.23 Staffing resilience dashboards for all key service Groups/each subsidiary provide accurate daily information and track the number of staff at work, self-isolating, Coronavirus cases, other sickness absence and those currently furloughed. This allows for any increasing impact of Coronavirus on the workforce to be quickly identified and acted upon.
- 5.24 In the event that one subsidiary or service was particularly affected by sickness absence or self isolation, the group's strength is the potential to pool resources across group to meet particular needs. In addition to this, a bank of people exist in our existing staff pool and via a vacancy/recruitment bank that we could call upon if required in the event of a second wave to cover key roles in NETS, Care and the CSC. Scenario planning based on assumptions of 30% absence rates have been developed and demonstrate our ability to maintain essential services as defined by our framework in this situation. However, even at the height of lockdown, our absence rates have been below 3%.
- 5.25 Nevertheless, the winter months mean we will inevitably see cases of common 'seasonal illnesses' such as cold and flu increase. Our resilience is usually bolstered by all staff having access to a free flu vaccination. However, national supplies of the vaccination are restricted this year, as NHS and Care workers are prioritised. The impact of this will be offset to an extent the number of staff who are now working from home.
- 5.26 All Wheatley Care Employees will receive their vaccination and in addition the Group will have 500 doses of flu vaccine which will be prioritised to frontline staff and those over 50. We will also commit to including a flu vaccination as part of our W.E Benefits package for staff, whereby any member of staff can arrange a flu vaccination with their G.P or Pharmacist and will be refunded for the cost, thus maximising the number of staff vaccinated.
- 5.27 Alongside physical health, the mental health of our employees has been an ongoing consideration during lockdown. Support networks continue to be in place for all employees and these will continue these throughout the remainder of the pandemic and beyond as we evolve to the new operating model. These include access to our confidential care support provider and also regular 'zoom' calls with their individual teams, HR and the Chief Executive.

Communication & Engagement

- 5.28 Throughout the past 6 months the confidence of customers, staff, partners and Board Members has been critical. This has been built positively and progressively through our actions and importantly the focus on communicating clearly, concisely and frequently with all stakeholders.
- 5.29 Our communication strategy through the coming months will continue to be fundamental to confidence levels remaining high during what will be a period of rapid change within the organisation and in the fluid operating context that Covid continues to present.

6. Key issues and conclusions

- 6.1. Wheatley Group's approach structured and considered approach to planning and deployment of services throughout this pandemic has established:
- a clear operating framework for services and their remobilisation that is flexible, responsive to changing circumstances, well understood and easily deployed
 - confident and effective leadership & governance arrangements
 - trust and confidence from both customers and staff
 - even more productive relationships with key delivery partners, suppliers and Scottish government.

The proposals set out above build on that framework where it is considered necessary.

- 6.2 A key consideration for the Group is the likely impact of new outbreaks of Coronavirus, combined with other planned, seasonal and unpredictable business challenges/changes. There is a strong likelihood that Coronavirus response requirements will run concurrently with:
- the managed return to work of furloughed staff, addressing the impact of the end of the furlough scheme on affected customers,
 - launch of 21/22 rent consultation process,
 - winter & rent campaigns, and
 - general weather related service disruption.
- 6.3 Planning will therefore be designed to create confidence in our ability to flex resources and approaches to address multiple issues concurrently as well as deliver key project commitments. Board should however note the potential risk to some of our wider delivery plan priorities should Covid demands become exceptional.

7. Value for money implications

- 7.1 The approach set out in this paper is designed to ensure we continue deliver value for customers, while keeping them and our staff safe.

8. Impact on financial projections

- 8.1. Investment in additional digital devices and/or PPE as set out in this paper will be contained within wider existing financial projections.

9. Legal, regulatory and charitable implications

- 9.1. The Scottish Housing Regulator has not provided any further guidance to organisations on how it will consider the impact of further COVID impact on our activities.

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 Regular engagement with Local Resilience Partnerships has been ongoing throughout the pandemic with Glasgow City and Dumfries and Galloway Councils, where the majority of Group customers reside. Efforts to engage further with our remaining major footprint authority areas in Edinburgh, West Dunbartonshire and West Lothian are on-going.
- 11.2 All public sector partners will similarly be considering their planning arrangements with regard to Covid. The consequences of any proposals or changes will be reported to Board as necessary.

12. Equalities impact

- 12.1. We will continue to take special account of those who have underlying health conditions or previously classed as shielding. It is recognised that their ability to work may be restricted by the shielding provisions should this be reintroduced.

13. Recommendations

- 13.1 The Board is asked to:
- 1) Note the content of this report
 - 2) Approve the services framework as the basis of the Groups continuing response to the emerging impact of Covid pandemic
 - 3) Note that partner Business Continuity Plans will be updated to reflect these proposals and presented to the next cycle of Boards

To: Wheatley Housing Group Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Group Strategy update

Date of Meeting: 18 September 2020

1. Purpose

1.1. This report:

- provides an update on the Board strategy sessions held by our partner organisations over the last two months;
- taking the feedback from these sessions into account, seeks the Board's feedback on a revised title and executive summary for our 2021-26 strategy; which would be developed into a full updated strategy document for the October Board meeting; and
- sets out next steps for our strategy development process.

2. Authorising context

- 2.1. Under the Group Authorising Framework, the Group Board is responsible for setting the overall Group strategic direction and objectives. Our partner organisations are responsible for developing and agreeing their own strategies within the envelope of overall group strategic objectives.

3. Risk appetite and assessment

- 3.1. We do not have a single risk appetite in respect of Group strategy. The risk context facing the Group has changed in light of Covid-19, with an economic shock and expected resultant increases in unemployment and financial difficulties, particularly among lower income households. Our strategy for 2021-26 will need to reflect this new context.
- 3.2. It is proposed that, once the revised strategy is agreed, a series of risk workshops be held with Boards across the Group to ensure risks to achievement of our objectives are fully understood and articulated, with mitigations also documented.

4. Background

- 4.1. Given the impact of the pandemic, we agreed to review our Group and partner organisations' five-year strategies, and to defer the launch of these to 2021.

- 4.2. The Group Strategic Development Committee considered some of the key principles for an updated strategy in June, and sessions have been taking place with each partner organisation Board during August and September to review the key principles which should be reflected in their updated draft strategies. Our strategy development work has also been informed by a full review of the Group risk register at the last Board meeting and a review of our strategy by the Fraser of Allander Institute.

5. Discussion

(i) Partner organisation Board strategy discussions

- 5.1. We have now held 10 strategy workshops covering the majority of our partner organisation Boards, with Lowther and Wheatley Care Boards planned for late September/early October. A number of the Boards held two sessions, one for the current reduced Board membership and another for other Board members, in order to help manage meeting numbers over Zoom and allow time for more in-depth discussion. Where there were two sessions, the relevant Chair attended and led both.
- 5.2. The workshops followed a common structure, considering:
- in light of Covid-19, what are the new challenges / barriers or opportunities/enablers?
 - Should we alter our vision?
 - Should we refine the brand / flag / message for our strategy?
 - Do we need to adjust any of our existing strategic priorities?
 - Do we have any new asks of the Group?
- 5.3. There was a strong degree of consistency between the points raised by our partner organisation Boards and the areas considered by the Group Strategic Development Committee in June. Summary feedback from each of the workshops is provided in Appendix 1, but the key themes are set out below.
- The vision and five strategic themes remain an appropriate and relevant way to structure the strategy for each partner organisation
 - The vast majority of each partner organisations' draft strategies remained appropriate and, as the Fraser of Allander Institute noted, more timely and relevant than ever in light of the pandemic
 - The Covid pandemic has provided an accelerant, which we should embrace, to the objectives and plans already set out in the draft strategy in two respects;
 - to increasing the use of digital methods for engaging with our customers and delivering services which are convenient, reliable and give the customer greater control;
 - while around 70% of our staff are not office-based, our staff operating model should transition to a more hybrid home/office working approach now for staff who were previously office-based, accompanied by wider support for our people to work and lead in a more digital context.

- Linked to the operating model and increased use of digital, agreement we should accelerate the reduction of our corporate estate, with support for exploring options such as repurposing for housing
- Affordability for our customers will be a key challenge due to the economic impact of Covid-19, particularly in terms of the labour market; so the proposals to bring forward the limit on rent increases to 2.9% from 2025 to immediately was strongly supported.
- The importance of stakeholder support in delivering some key aspects of the strategy, especially local authorities and the Scottish Government in respect of future policy and funding for housing and care.
- The green agenda is increasingly important, and we should seek to work with Scottish Government to deliver the funding necessary to further retrofit customers' homes to save them money on fuel bills and reduce our carbon footprint.
- Challenge in delivering our development and investment work due to Covid-19 restrictions were discussed, as well as the potential impacts and risks in relation to our supply chains.
- The potential structural changes in the labour market increasing home working and the potential increase in demand for access to open spaces and properties which can be used to support home working
- The asks of the Group Board reflected the view that Wheatley Solutions and the Wheatley Foundation are two key enabling vehicles in the Group that support our partner organisations in service delivery. In terms of Solutions, the Boards were keen to see a continued development of digital service offerings and engagement platforms for customers. The role of the Foundation in supporting customers who are experiencing hardship as a result of the pandemic emerged as a common thread. The importance of our continued role in facilitating training and employment for our customers was highlighted, especially with the impact on our communities of the furlough scheme ending.
- For our RSLs, there was a strong appetite for us to contribute at a local and national level to the homelessness agenda. This was however within the context of strong feedback that appropriate wraparound support must continue to be provided to a significant number of homeless people using the model of Housing First, and we also have a responsibility to maintain balanced, sustainable communities.

5.4. Two of the Boards had different contexts to consider. For DGHP, this was the beginning of its process for creating a five-year strategy within Wheatley. Its Board strongly endorsed the aims and direction of the Group strategy, while noting some areas which it wished to see developed in its own document. These included the specific partnership ballot commitments on jobs, investment and new build. Recognising the rural dimension was also highlighted as key (for example the need to influence government and regulators on broadband and mobile coverage), as was the short term

imperative of achieving regulatory compliance, eg with the Scottish Housing Quality Standard.

- 5.5. Cube's Board recognised that its ambitions to address its particular strategic challenges in relation to rent levels and the quality of some of its properties would always be constrained by the limitations of capacity in its current business plan. For that reason, a specific set of asks of the Group Board was made and these are reflected in the separate paper on the agenda.

(ii) Title and executive summary

- 5.6. Views were sought from our partner organisation Boards on the title of the strategy. There was consensus, similar to the Group Strategic Development Committee's view, that the previous title *Inspiring Ambition, Unleashing Potential* should be changed to reflect the current context.

- 5.7. We shared the same set of suggestions with each Board:

- *Stronger Communities, Stronger Voices*
- *Building Stronger Communities Together*
- *Building Better Futures*
- *Investing for Stronger Communities*
- *Connecting Communities, Building Futures*

- 5.8. No single option emerged as a clear preference, with different Board members preferring different emphases in the words used. In DGHP's second session (of the core/reduced Board), the title **Your Home, Your Community, Your Future** was proposed. The importance of our role in communities was common to most of the discussions and it is therefore proposed that this suggested title be adopted for the Group strategy.

- 5.9. The executive summary of the previous 2020-25 version of the strategy document has been updated to reflect the discussions held to date. This is provided in appendix 2. The key additions/updates to the Executive Summary are highlighted in blue and include:

- An intention to seek to partner with the Scottish Government to develop **Wheatley Green Investment Plan**, affirming our commitment to work towards low or net zero carbon including bringing a quarter of our stock to net-zero carbon
- Accelerating the introduction of a **new blended operating model**, which maintains a focus on achieving a strongly personalised approach
- Strengthening our commitment to investment in our **digital infrastructure** to enhance our ability to provide services and engage with our customers digitally.
- In tandem seeking to use our influence to improve digital inclusion for our customers through a **Wheatley Community Connection Plan** seeking to support all customers to have affordable home broadband connections
- Setting ambitious proposals for how we can be a key partner at local and national level in **tackling homelessness**, supported by specific

commitment to housing around 10,000 homeless households over the life of the strategy

- Drawing on our experience of the pandemic to **strengthen our understanding of families** and tailor our service offering accordingly. This includes introducing a specific family satisfaction target
- Accelerating our planned rent increase assumption reductions **to year 1** of the strategy
- **A 25% increase** in the level of Gift Aid to the Foundation £15m

The Board's views are sought on the proposed updates.

(iii) Performance and Planning Framework 2021-26

- 5.10. In order to ensure clear line of sight from the Group Purpose through to the Strategic Themes and Results we will also refresh Performance and Planning Framework which will accompany the fully refreshed strategy in October. This will set out the key measures, project milestones and KPIs under each strategic theme. This will include the measurement of our wider social impact and contribution to the national performance framework. It is proposed that the Board will receive updates on progress at regular intervals, with some measures having a more long-term impact e.g. the reduction in the cost of running a home.
- 5.11. We have already realigned some of our performance results to ensure they reflect our current environment and reflect the feedback from our partner Boards on key priorities. This includes raising the target for Gift Aid from £12million to £15 million, accelerating our target to limit rent increases to 2.9% throughout the life of the strategy, increasing our carbon footprint reduction target commitment to achieving our sustainability targets and specific targets relating to lets to homeless households.

6. Key issues and conclusions

- 6.1. We consider that the direction of travel set out in our 2020-25 strategy remains highly relevant in the current circumstances. We propose to accelerate progress towards some of the objectives, such as our working model for staff, and expand our ambitions in other areas such as energy efficiency and broadband in our customers' homes. We propose to reflect a strengthened role in addressing the impacts of the pandemic on financial hardship in our communities, and set out more concrete targets for our role in addressing homelessness.
- 6.2. We will complete the final partner Board workshops in the coming weeks. A full revised strategy will then be brought to the next Group Board meeting, taking into account any further feedback from partner Board workshops. Each partner Board will also review an update of their own five- year strategies at their November meetings.

7. Value for money implications

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

8. Impact on financial projections

8.1. Our business plan projections continue to be updated to ensure they align with the objectives set out in our strategy. This was last done for the August Board meeting, and will be done again for the February Board.

9. Legal, regulatory and charitable implications

9.1. We will continue to keep the Scottish Housing Regulator and Care Inspectorate informed of any changes to our strategy.

10. Implementation and deployment

10.1. Subject to the Board's feedback, the full strategy will be brought back to the next meeting. Thereafter, each partner Board will consider their own updated strategies. Delivery plans will be developed to set out how the specific activities and objectives in the strategy will be delivered, including timescales.

11. Partnership implications

11.1 Our new partner, Dumfries & Galloway Housing Partnership, was already integrated into the new strategy; the proposals set out above will address all parts of the Group.

12. Equalities impact

12.1. The existing strategy recognised the importance of equality, with specific targets in areas such as gender balance in different parts of our workforce. We will review the issue of equalities in the strategy refresh, to ensure all aspects, including our approach to Black and Minority Ethnic staff and customers, continue to reflect the approach of a leading employer.

13. Recommendations

13.1 The Board is asked to:

- 1) Note the feedback from the partner Board workshops to date;
- 2) Agree, subject to any comments, the updated Group Strategy Executive Summary; and
- 3) Note that a full strategy document will be brought to the October Board meeting

Appendix 1 – Partner Organisation Board Feedback

Board	Challenges/barriers or opportunities/enablers	Vision, brand, flag and message	Strengthening/adjusting existing strategic priorities	Asks of Group
Dunedin Canmore (first session)	<ul style="list-style-type: none"> ▪ Opportunity to expand our digital engagement, including potentially engaging different segments of tenants through this channel ▪ Challenge sustaining the current enhanced level of community ▪ Affordability will become a bigger challenge, particularly as employment becomes less stable ▪ Opportunity to focus on how our development enhances access to open spaces ▪ Opportunity to reflect staff's feedback and accelerate the new operating model 	<ul style="list-style-type: none"> ▪ Agree with proposed areas to strengthen vision ▪ Agree title needs refined to reflect current context ▪ Feel flexibility and togetherness need to be strong themes 	<ul style="list-style-type: none"> ▪ We should accelerate digital engagement ▪ Agree we should enhance focus on homelessness, but needs to be in a sustainable way ▪ Agree we should accelerate review of office space, potentially looking at ability to repurpose ▪ Agree we accelerate new operating model – but need to take into account how we support staff make this adjustment 	<ul style="list-style-type: none"> ▪ Commitment to employability support for tenants, as well as our own continued focus on apprentices and graduates ▪ Development of digital products to support acceleration of digital -crucially in a way that works for customers
GHA (x2 sessions)	<ul style="list-style-type: none"> ▪ Poverty – highlighted through discussions around affordability of rent, the continuation of EatWell and the need for wrap around services increasing during lockdown ▪ The workplace –opportunity to accelerate the blended model of homeworking and digital channel shift for staff whilst reducing the reliance on office accommodation. There is an opportunity to bring about a massive reduction in our carbon footprint through our corporate estate strategy ▪ Job creation – a challenge in terms of level of tenants who could be impacted but opportunity to do more in terms of employability support ▪ Engagement - opportunity to increase the level of engagement via digital, but needs to stay focussed on being personal 	<ul style="list-style-type: none"> ▪ Agree with proposed areas to strengthen vision ▪ Agree title needs refined to reflect current context ▪ No strong consensus on title 	<ul style="list-style-type: none"> ▪ Homelessness – support increased focus, but need to be mindful of impact on the sustainability of existing communities ▪ Would like to see an early focus on the development of the Whole Family Approach ▪ Support of the Foundation will be required more than ever ▪ Support acceleration of new operating model and associated changes in our corporate estate ▪ Agree we strengthen our 'green' focus 	<ul style="list-style-type: none"> ▪ Develop our approach to measuring and tracing community impact ▪ In Homelessness discussions at national level we try and ensure the complexities are understood ▪ Digital capability in areas such as data analytics is further developed and also to support accountability

Solutions (single session)	<ul style="list-style-type: none"> ▪ Challenge the economic impact of Covid will create for our customers in terms of security of employability and affordability ▪ Opportunity for Solutions to support Group partners respond to their own challenges ▪ Challenge of ensuring our green enhancements do not translate to increased costs for our customers 	<ul style="list-style-type: none"> ▪ Vision remains appropriate – could it be expanded to reference end customer ▪ Title could adopt a more overtly supportive tone to reflect the operating context 	<ul style="list-style-type: none"> ▪ Support the proposed areas to strengthen ▪ Strongly support acceleration of operating model and rationalisation of corporate estate ▪ We should expand and accelerate our digital services offerings ▪ Impact of new operating model on requirements of leaders and staff 	<ul style="list-style-type: none"> ▪ None specific, but identified role of Foundation as increasingly critical
DGHP (x 2 sessions)	<ul style="list-style-type: none"> ▪ Opportunity to align Transformation Plan ▪ Opportunity to introduce new operating model, but comes with challenges in terms of how staff are managed and supported in doing so ▪ Challenges of current context for building a pipeline for our 1000 homes target ▪ How our house design and development factors in access to open spaces and an increased prevalence of home working ▪ Opportunity to utilise the strategy to progress with DGHP rebranding, which is strongly supported ▪ Challenge in how we understand future demand for development and sustainability of some existing stock ▪ Opportunity to enhance green through leveraging procurement channels ▪ Opportunity to accelerate digital engagement, but must be mindful this won't be an option for all tenants ▪ Opportunity to join funding group in future 	<ul style="list-style-type: none"> ▪ Vision and title for us needs to have resonance for DGHP specifically ▪ Title should be adjusted to reflect operating context – specific suggestion made was “Your Home, Your Community, Your Future” ▪ Recognition DGHP at a different stage in its strategy journey 	<p><i>Not applicable as no existing strategy - key focus was on how we incorporate delivering partnership commitments and crucially how we communicate our progress against the commitments to our tenants and communities</i></p>	<ul style="list-style-type: none"> ▪ Employability programmes which can support the delivery of the 500 jobs commitment ▪ Extension of wraparound and support services, including access to care expertise
WLHP (2 sessions)	<ul style="list-style-type: none"> ▪ Opportunity to look at what additional value we can provide to our customers to support them, particularly given the impact of Covid-19 and rise in UC claimants ▪ Opportunity to increase focus on the overall Health and Wellbeing of our customers ▪ Digital connectivity is increasingly important and challenge will be people having the tools to engage in a digital environment ▪ Key focus for the first year or two of the strategy will be the impact of Covid-19 and Brexit, so the flexibility the annual 	<ul style="list-style-type: none"> ▪ Vision remains appropriate and the emphasis on supporting communities is clear ▪ Title – while we continue to be ambitious, the tone needs to reflect the operating context 	<ul style="list-style-type: none"> ▪ Key focus on maintaining excellent customer service whilst growing the stock of WLHP ▪ Need to expand digital engagement and make the best use of data analytics to support HOs ▪ Strengthen our approach to sustainability to ensure we adequately support the green agenda ▪ Stronger links with other organisations to support the overall wellbeing and resilience of our 	<ul style="list-style-type: none"> ▪ Provision of support for customers to access affordable Wi-Fi/broadband options ▪ Use national influence in relation to digital poverty and the green agenda

	<p>strategy refresh will be key to ensuring it remains current</p> <ul style="list-style-type: none"> ▪ Opportunity to increase our contribution to homelessness 		<p>customers and communities</p> <ul style="list-style-type: none"> ▪ More explicit on the WLHP specific elements such as local engagement and partnerships 	
Loretto Housing (combined sessions)	<ul style="list-style-type: none"> ▪ Opportunity to further develop engagement/communication with both customers and staff through multiple channels including face-to-face, digital, phone ▪ A challenge will be ensuring human, social interaction is not lost in digital engagement ▪ An enabler has been our proven ability to be agile and flexible. This will be important in addressing future challenges ▪ Opportunity to further support homeless customers as they move into permanent accommodation ▪ Whilst recognising challenges, reiterated keen desire to retain a strong development programme 	<ul style="list-style-type: none"> ▪ Vision could be more 'tenant friendly' and succinct ▪ The sentiment of Building Stronger Communities Together was considered to more accurately reflects the key messages in the strategy Strategic Themes still very much relevant 	<ul style="list-style-type: none"> ▪ Ensure we continue to support staff as they work from home and look towards accelerating the future with a blended model of working will help this ▪ Opportunity to strengthen digital inclusion ▪ Reduce poverty for our customers through maximising use of wraparound services, Foundation funding and introducing lower rent increase ▪ Strengthen engagement focus in more outlying stock areas 	<ul style="list-style-type: none"> ▪ More detail on the Engagement Framework in order to facilitate community resilience ▪ Community Academy programme to drawn on relevant offerings from in-house MyAcademy provision ▪ Continue to influence at national level

Your Home, Your Community, Your Future: Our Strategy 2021-26

Wheatley in 2020 – our track record of excellence

Investing In Our Futures, Wheatley Group's first five year strategy, delivered outstanding customer satisfaction and raised the bar in Scotland and beyond for performance results and business efficiency in housing, care and property management. We have succeeded in our challenging goal of keeping rents affordable whilst delivering unparalleled growth and investment, maintaining investor confidence and bringing access to affordable borrowing for asset growth and service improvements.

We are rightly proud of our journey to excellence and the huge impact this has had on our customers' lives right across the Group. Our phenomenal success is externally recognised through the many national and international awards and accreditations Wheatley and its partner organisations continue to win each year, from bodies ranging from the European Foundation for Quality Management to Investors in People and the UK Government Cabinet Office, which oversees Customer Service Excellence.

Significant investment in technology and digital innovation over the last five years has created cutting-edge platforms for customers to transact and engage with us. This, along with the wide array of wraparound services we provide and the unwavering commitment of our staff through our Think Yes! culture meant that we were able to rapidly respond to the needs of our customers and communities during the Covid-19 pandemic.

As we move into our next strategy, we are committed to ensuring our customers and communities fully recover from the impact this pandemic has brought.

Wheatley in 2026

We want our customers to reach their potential for a brighter future for themselves and their families. We recognise the challenges our customers are facing in this post-Covid 19 era and we believe we are ideally placed, working alongside our partners, to support them and play a strong role in a fair and socially just economic recovery.

Our strategy will deliver an unprecedented shift in the balance of power and control towards our customers, empowering them to make their own choices about the services they want, ensuring they are properly equipped to do things for themselves and involving them in the design of products and services from start to finish.

We will continue to make a significant social impact by investing in our communities, supporting the lifelong health and wellbeing of our customers, creating job and apprenticeship opportunities and reducing the inequalities experienced by many of those living in our communities. We will deliver an ambitious Wheatley Green Investment Plan to accelerate our transition to net zero carbon, enhance our role in combatting the effects of deprivation and strengthen our role in tackling homelessness across Scotland.

Our purpose, vision and values

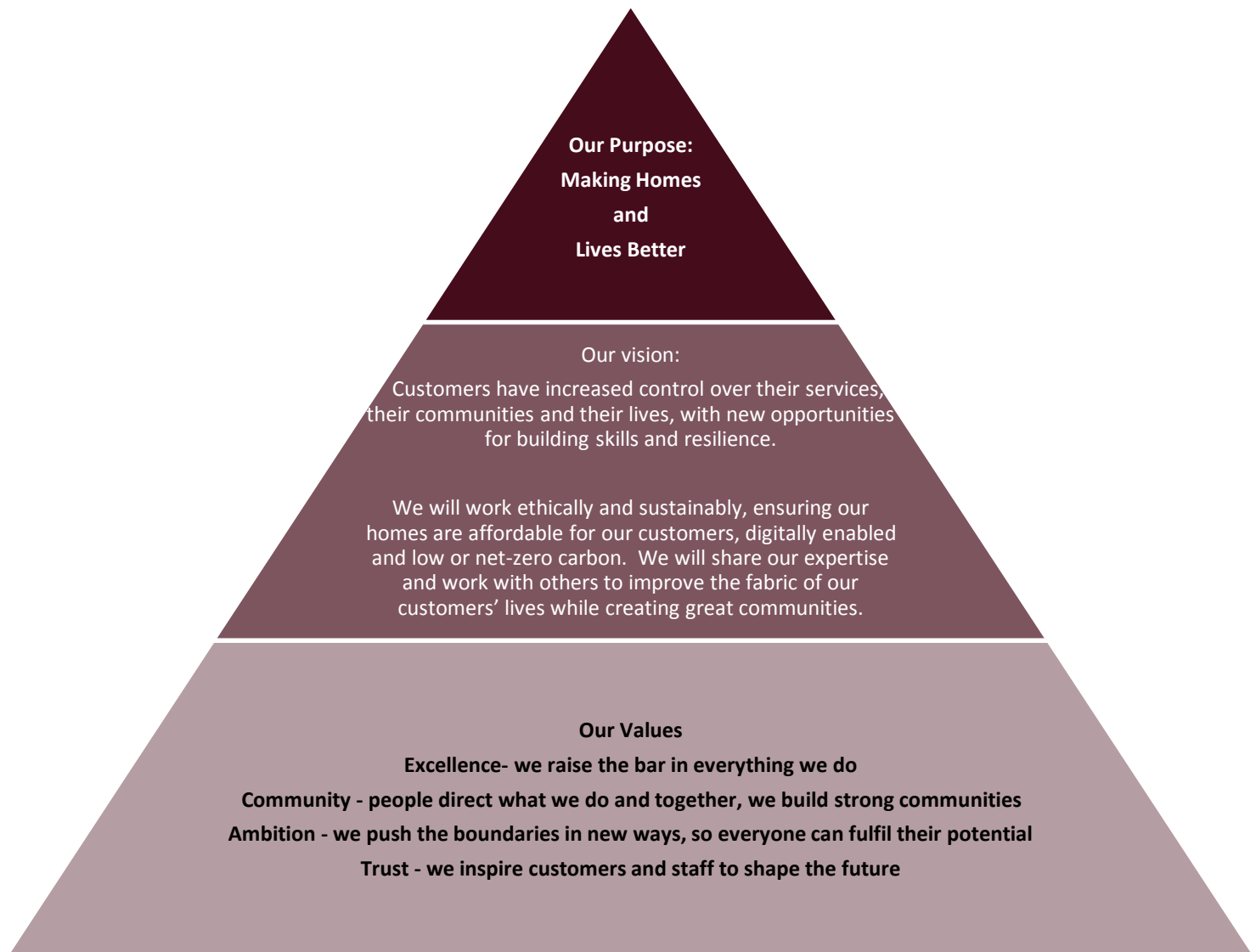


Figure 1: our purpose, vision and values

We will deliver this vision through five strategic themes, under which we have defined 18 key outcomes. These are summarised below.

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

Figure 2: our strategic themes and key outcomes

Delivering Exceptional Customer Experience

Providing exceptional customer experiences is, and always will be, at the heart of everything we do. Our customers deserve the very best and through the life of this strategy, that is what we will deliver. We will provide much greater choices for our customers, supporting them to take control and draw down services at a time that suits them using simple, intuitive digital methods. Customer service requests will be increasingly routed straight to our frontline teams, allowing us to respond more quickly and efficiently, cutting out old administrative and paper-based process.

Digital service delivery will be the norm, but we will ensure no-one is left behind. We will prioritise the introduction of new service models in the first year of the strategy based on our experience of working during the pandemic, blending digital and face to face service whilst maintaining a strongly personalised approach. Our approach to engagement will increasingly be digital and online, broadening our reach and providing customers with ease of access at a time and in a way that suits them. To facilitate this, we will invest in digital infrastructure to enhance our ability to provide services and engage with our customers, while continuing to use our national influence to advocate for an expansion of digital inclusion in our communities, such as low cost broadband availability.

A great repairs service that delivers on customer priorities and demonstrates value for money is of paramount importance to our customers. Our ambition is for an increasingly tailored service that meets the particular needs and expectations of different customer groups, such as older people or families in work with school age children. In 2021 we will carry out a full option appraisal of our Joint Venture with City Building Glasgow to thoroughly understand and evaluate the progress and benefits that have been achieved in its first five years, both for our customers and our business. This will inform our decisions about the future arrangements for repairs delivery in the West, to be enacted in 2022.

We will use our experience of working with families during lockdown to strengthen our understanding of the value drivers for them in our service offering. We will complete a review of their experiences by March 2021 and implement a target of 90% satisfaction from families by 2023.

The Covid pandemic has provided a once in a lifetime opportunity to end rough sleeping in Scotland. Wheatley will be a key partner in tackling homelessness at national and local level. We will continue to strengthen our commitment to Housing First, whilst maintaining a focus on how we foster sustainable, balanced communities. This will include delivering 350 homes for Housing First by 2021 and supporting local authority partners in delivering their Rapid Rehousing Transition Plans. Between 2021 and 2026 we anticipate housing around 10,000 homeless households.

The following section summarises the impact this strategy will have on our customers. This paints the picture of how a Wheatley customer will personally experience our services in 2026 – how it looks and feels to them:

I feel in control and have choices

- I take charge of my life, I have greater control over how I access services.
- I have access to training, life skills, employability, support.
- I see a brighter future for myself and my family.

I shape the services I receive

- I influence the things that matter to me.
- I can give instant feedback.
- I understand performance from both a customer and business perspective.
- I can get involved through crowdsourcing ideas, designing, voting, on/offline discussions.

Interactions are low effort for me

- 80% of my transactions are digital, but face to face support is there if I need it.
- Pro-active repairs/smart home makes life easy.
- I get timely contact and service offers as a result of Artificial Intelligence/ analytics.
- My customer journeys are seamless and feel personal.

I have access to the information I need

- Online access provides me with all info about my home and community at my fingertips – account, costs, maintenance history, investment plans etc.

I feel safe and secure

- I am proud of my home.
- I live in a calm, peaceful neighbourhood.

I feel part of my community

- My neighbourhood is vibrant – physically, economically and digitally connected.
- People look out for each other.
- I am proud to be part of my community.

I feel you care about me

- I get help when I need it/my needs change. I only have to tell my story once.
- Care technology helps me stay independent.
- You listen to me and I feel you know what matters to me.

I am proud to feel part of an ethical organisation that shares my values

- Social purpose, Value for money.
- Sustainable, low carbon footprint.
- Equalities, best employer.
- Affordable products for people of all incomes.

Figure 3: the impact of our strategy on our customers

Strategic Theme 2: Making the most of our Homes and Assets

Our commitment to increasing the supply of new homes to meet housing need remains unwavering. Over the next five years we have set ourselves a challenging target of 5,500 new, [low carbon](#) homes across a range of tenures, to meet the diverse housing needs and economic circumstances of our customers. [In a post-pandemic environment, we will respond to the expected increased prevalence of home based, agile working amongst our customers by exploring opportunities to enhance access to outdoor spaces and ensuring our new homes take account of the potential for home working.](#)

We will also make the most of our existing assets by investing and divesting appropriately to fund our ambitions. Maximising our rate of return will be a business principle here, as it is with new build decisions. This may include divesting high value assets, such as high equity Lowther properties, as well as poorly performing stock. [We will also review our corporate estate and align this with our operating model, repurposing or disposing of offices no longer required.](#) This approach will allow us to make investment decisions that best support customer and business needs.

We will continue to use our financial strength to invest a further £1.3 billion over the next five years. Half of this will be on our existing homes; with £360 million for improving, modernising and maintaining homes across the Group, in addition to £300 million on repairs. There will be a significant programme of investment in our most recent partnership, Dumfries & Galloway Housing Partnership, as we modernise and revitalise homes throughout communities in that region. [We will seek to partner with the Scottish Government in order to raise the grant funding for a Wheatley Green Investment Plan, which will increase the energy efficiency of existing homes through up to £50m of investment in retrofitting, bringing a quarter of our stock to net-zero carbon.](#)

Our new engagement approaches will ensure investment is increasingly focused on what creates most value for our customers. Harnessing innovative property technology will provide predictive analytics to inform a more intelligence-led repairs and maintenance service, which will both enhance customer convenience and improve efficiency in asset management.

The rent our customers pay delivers more than a home – it also gives them the keys to a wealth of opportunities and wraparound support. Many of our customers experience pressure on their household budgets, so over the next five years, we will ensure our homes are affordable, not just by keeping rents affordable, but also by reducing the household costs of running our homes and linking customers into opportunities for learning and employment. By harnessing our size and buying power, we will give customers digital access to a growing range of opportunities to save money on household expenditure such as energy, food bills, broadband and insurance. At the same time, we will continue to improve energy efficiency in our more difficult to heat homes and explore opportunities to reduce household fuel bills through micro-renewable energy generation.

[This renewed focus on sustainability will include the achievement of net zero carbon in our corporate estate by 2026. Combined with our new build, retrofitting in existing stock and a transition to renewable focussed procurement, this will strengthen our role in creating green jobs and working with our supply chain to create growth and value opportunities.](#)

Strategic Theme 3: Changing Lives and Communities

With regards to our communities, our aim is to deliver safe, calm and peaceful neighbourhoods where people want to live. We have set a challenging target that by 2021 over two thirds of our customers will live in neighbourhoods they classify as peaceful. [This builds on the community resilience evidenced during the pandemic.](#)

Our Community Improvement Partnership approach to building a cycle of confidence will support communities to become more resilient and new engagement approaches will encourage social and digital connections, as well as building capacity for customers to co-create local solutions to local priorities.

We will develop a Wheatley Community Connection Plan, setting out how we will look to support all customers to have affordable home broadband connections, allowing them to access services through WiFi rather than paying expensive mobile data charges.

In our care services we are committed to ensuring that 2,000 customers receive care digitally by 2023, including the expansion of the Alertacall platform across the Group following the outcome of a pilot. In addition, 20% of outreach services will be achieved through a blend of face to face and digital by 2023.

We will also deliver added value with new housing, care and support offerings in Dumfries and Galloway and we will support our RSLs to develop services and skills to meet the needs of a customer group with increasingly complex needs through homelessness routes.

As the economic impact of the pandemic is likely to be felt throughout the strategy period, we will redesign our services to build resilience in households at risk of entering the benefit system for the first time through welfare, fuel advice and housing officer support.

Strategic Theme 4: Building Shared Capability

The importance of embracing digital opportunities has never been more strongly felt than at the height of the pandemic. We must build on the significant progress made during this time to enhance the skills and confidence of our staff and customers to engage in an increasingly digital world.

Our digitally focussed staff will be equipped to work from any location and our face-to-face staff will be mobile, allowing us to respond with increasing agility to changing customer demands. This shift in how we work will open up exciting opportunities to re-shape our corporate estate, to make it more engaging for our customers and communities. Over the next five years we will establish creative *community hubs* that feel very different from traditional offices. These new community hubs will be both virtual and physical spaces, bringing great places to work, community learning, social connections, access to partner services and engagement opportunities right into the heart of our communities. Rationalising our current office estate will deliver significant efficiency savings and help fund our investment ambitions, whilst improving convenience for both customers and staff.

We will work pro-actively with schools, colleges and universities to foster talent and source the pipeline of people with the skills and capabilities for both current and future needs. Learning and Leadership programmes will be designed and targeted to equip staff with the specific skill sets they need to successfully deliver our redesigned services *within our new operating model*. Wheatley staff in 2026 will have the knowledge and skills they need to help customers across the breadth of our products and contexts, minimising hand-offs and maximising value for customers. This holistic approach will bring job enrichment and secure Wheatley's position as a sought-after employer in people's career journeys.

We will take our award-winning Think Yes culture to the next level to introduce Thinking Yes Together, improving the self-reliance of our customers and enhancing their digital connectivity. Customers will be able to draw down many of our services easily and reliably at a time and place of their choosing, without the need for these to be filtered through a member of staff first.

Strategic Theme 5: Enabling our Ambitions

We led the way when we introduced our current operating model and our Think Yes culture, and they have underpinned our journey to excellence. However, we want to deliver a second transformative step change to deliver our vision for Wheatley in 2026. To do this we need to seize the opportunity to create a re-configured digitally led business that fully harnesses the benefits of technology for both our customers and our business.

Self-directed services must be low effort for customers – they need to provide exceptional convenience to become the channel of choice. We will maximise opportunities to automate all transactional services. However, success will hinge on *making digital feel personal*, so that we retain the strong relationship we have with our customers, and they continue to feel we care about them. To achieve this blending of digital and personal, our staff will be experts in digital interactions, highly skilled in developing relationships of trust online, deriving relevant insight about customers from rich data and helping build customer capacity to do more for themselves.

Digital service provision will never be for everyone or right for every complex situation, so complementing our digitally focussed roles, we will have specialist roles for face-to-face interactions. These will be designed to meet specific vulnerabilities and needs, delivering services where people need them – in homes, care or community settings. As customer advocates, staff will be adept at influencing partner organisations for the benefit of our customers and communities and helping customers get their voices heard. Responsible for the off-line aspects of neighbourhood connections, they will galvanise volunteers, support local engagement and encourage customers to work together to design local solutions to improve their own communities.

By 2026 Wheatley will have cemented its position as a leading influencer. Whilst our partner organisation brands will continue to be the customer-facing brands, external partners and stakeholders will engage with the Wheatley brand. In this way we will maximise the strength of the Group to exert greater strategic influence and drive change. Strategy and decision makers, including politicians, regulators and funders will be fully aware of Wheatley's unique offering and capacity, and keen to work with us for mutual benefit and to bring about transformational change.

Harnessing technology to transform our services will deliver significant reductions in operating costs and opportunities for different financial modelling. By 2026 we will borrow only to invest in new homes whilst maintaining affordable rent increases. Continuing to achieve efficiency savings that secure our position as one of the most efficient housing, care and property management organisations in the UK and beyond

allows more money to be channelled into front line services and investment in customers' homes.

Every decision will be based on the value to customers and the value to the business; balancing social purpose with the needs of a commercial business. As a result, our performance management framework will evolve to include both business and customer value measures. All decisions on external care contracts will be based on commercial principles, with a requirement for appropriate return and risk mitigation. We will explore the potential to drive additional efficiencies through establishing alternative models for delivery of our central functions.

We will limit RSL rent increases to no higher than 2.9% every year to 2026, with increases set at a local level based on detailed affordability assessments. In addition to lower rent increases we will leverage the profit from our commercial activities to build community resilience by delivering £15 million gift aid to support the activities of the Wheatley Foundation.

We will continue to be externally validated as global leaders in outstanding customer service and benchmarked performance results. We will increasingly take a proactive and high-profile role in showcasing our successes and solutions to drive up standards across the country. As an international role model people will come to learn from us. Our performance will move from excellent to outstanding, as defined by our customers. They will set the priorities in terms of core measures that matter to them and work with us to develop challenging but realistic targets for 2026.

Group Members

During the first five years of Wheatley we have clearly demonstrated that together we are creating a stronger, more secure future. We do more for our customers by bringing together diverse income streams, investing wisely in local communities and bringing great ideas to life. Our most recent partner organisation, Dumfries and Galloway Housing Partnership, has further grown the size and scale of the Group. The Group now:

- operates in 19 local authorities;
- has strategic agreements in place or being developed in six key areas of operation (Glasgow, Edinburgh, Dumfries and Galloway, West Lothian, East Lothian, and West Dunbartonshire);
- has stock of over 60,000; and
- has 10% of the approximately 600,000 social rented homes in Scotland (and 22% of RSL stock).

Wheatley partner organisations are proud to retain their own identity, but united by a common commitment to excellence in all they do. They have a joint purpose in 'Making Homes and Lives Better' for the people they work for and the communities in which they live. This shared culture across our maturing Group ensures Board Members and

staff are increasingly comfortable applying principles and platforms appropriately, with respect to their different customer groups and contexts, to deliver exceptional customer experience.

The involvement of our partner organisations in shaping our Group Strategy ensures it underpins and supports their ambitions, as detailed in their individual strategy documents.

Strategic Themes and Results

Delivering exceptional customer experience	Making the most of our homes and assets	Changing lives and communities	Developing our shared capacity	Enabling our ambitions
Overall customer satisfaction is above 90%	Develop 5,500 new homes across all tenures	Meet the agreed contributions to accommodation for homeless households in each local authority we operate in; housing an estimated 10,000 homeless people/households over 5 years	Over 90% of staff say they feel appreciated for the work they do	Limit annual RSL rent increases to 2.9% throughout the life of the strategy
Over 90% of Care customers satisfied with the overall service	Invest £500m of new public and private finance in new build housing	90% of Care services are graded 5 or above	Staff absence is maintained at 5% for Care services and 3% for all other parts of the business	Maintain a strong investment credit rating of A+ stable
Net promoter score for Lowther increased to 60	Achieve 95% customer satisfaction with their new build home	Over 70% of our customers live in neighbourhoods categorised as peaceful	Staff turnover remains at less than 7%	Maintain gross rent arrears below 4%
Implement "Rate it" score from book it, track it, rate it repairs approach and aim to improve performance by 10%	Invest £360 million in improving, modernising and maintaining homes	Achieve 85% satisfaction with Wheatley Environmental Services	Over 80% of customers self-report positive distance travelled towards 'self-reliance'	100% of Care services break even
RSL tenant satisfaction with value for money increased to 85%	Achieve a 60:40 ratio of planned to reactive repairs	Reduce the number of accidental dwelling fires by 10%	250 young people provided with structured opportunities to build their skills within the business	£15 million generated in Gift Aid to Wheatley Foundation and reinvested in communities

Satisfaction with complaint handling increased by 10%	Reduce the volume of emergency repairs by 10%	100% of applicable properties have a fire risk assessment	50 graduates provided with opportunities to work and gain experience in our sectors	Average days to let a home maintained at less than 14 days
Overall satisfaction amongst households with children improved to 90%	Maintain existing tenant satisfaction with the quality of their home at over 90%	4,000 jobs, training and apprenticeships delivered	Our workforce's demographic makeup more closely resembles that of the communities in which we operate	Over 50% of customers actively use their online account to make transactions with us
90% of customers feel they can participate in the landlord's decision making	Reduce the output of CO2 emissions from our homes by at least 4,000 tonnes per year	250 customers have been supported to attend higher education and university through Wheatley bursaries	40% of promoted posts filled with internal candidates	100% of Lowther rental customers have an online account
95% of customers actively engaged in shaping services feel they participate in decision making	Reduce our corporate carbon footprint to net-zero by 2026	10,000 vulnerable children benefit from targeted Foundation programmes		Achieve our targets across the 7 domains of our digital maturity assessment
Satisfaction with the process of getting my new home is improved by 10%		60% of tenants with online accounts are using the My Savings rewards gateway.		Achieve management costs per unit that remain in the lowest quartile among an independently selected UK and international benchmarking group
		10% Reduction in the cost of running a home by 2026		

Report

To: Wheatley Housing Group Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Review of new build appraisal target return rate

Date of Meeting: 18 September 2020

1. Purpose

- 1.1. To seek approval from the Board for a revision to the Group's new build development appraisal target rates of return.

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.
- 2.2 The Group Development Committee has operational oversight of the development programme, including approval of new projects, in line with the Committee's terms of reference approved by the Wheatley Housing Group Board in April 2019.

3. Risk appetite and assessment

- 3.1. Our agreed risk appetite for business planning and budgeting assumptions is "open". This 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. The project appraisal methodology we adopt for new build projects has to provide sufficient mitigation to the risks that operational assumptions turn out to be inaccurate – for example on rent levels or repairs costs, and that the net cash flow from the project is sufficient to service borrowing costs. We have addressed these risks by:
- Using prudent assumptions on rents and costs, with periodic benchmarking against our actual experience and that of external experts; and
 - Allowing for a risk margin in our target appraisal rate of return, above the assumed "base" cost of borrowing.
- 3.3. However, as interest rates have fallen in recent years, our appraisal targets have not changed. This leads to the risk that projects may be rejected as not meeting an internal hurdle rate when they would still provide a projected return

above our borrowing costs. It is therefore important that we periodically re-assess our target rates.

- 3.4. Our external treasury risk consultants, Chatham Financial (formerly JCRA) provide periodic updates for interest rate and inflation assumptions for use in long-term business planning. The most recent report, dated 26 August 2020 is included in Appendix 1, setting out their assumptions for use by social housing operators in the UK. This new report includes a reduction to short-term CPI out to 2022 given the challenging economic picture as a result of the pandemic.
- 3.5. We maintain a more prudent approach than is adopted by Chatham Financial to ensure adequate headroom in the event their economic forecast proves to be inaccurate. The assumptions underlying our business planning for interest rates and inflation are set out in Appendix 2.
- 3.6. We commissioned JLL (who also act as valuer for the majority of our properties) to review our base appraisal assumptions. Their response (including a summary of our assumptions) is provided in Appendix 3. Their opinion is that our assumptions are reasonable in the context of our Group's size and scale.

4. Background

- 4.1. We assess the financial consequences of new build projects using the concept of *discounted cash flow*. This involves estimating the long term cash outflows and inflows from a project, then discounting the value of these by a higher amount the further they are in the future. This is a standard technique used to evaluate projects in order to reflect the time value of money – the idea that £1 received years in the future is worth less than £1 received today.
- 4.2. The discount rate we use is based on our cost of borrowing, because returns in future have to at least cover the cost of the borrowing we undertake for each project. We make an assumption on future inflation rates for each line of income and expenditure and include this in our 30-year cash flow projections. This is referred to as using *nominal* cash flows, as opposed to keeping them in today's prices. We also use a nominal discount rate, based on the *actual* interest rates we will pay (not discounting these by an inflation factor). We add a risk premium to the discount rate, to take account of the fact that we are making assumptions on rents and costs, as well as inflation, and there is a risk that rental income could turn out lower or costs higher.
- 4.3. We do not include any assumed value at the end of the 30-year appraisal period in respect of the capital value growth, even though this may be substantial. This is because we aim to hold all of our affordable rented properties in perpetuity so a sales receipt will never be realised.
- 4.4. The sum of all the discounted cash flows is known as the Net Present Value ("NPV") of the project. If this is positive at our target discount rate, then the project is estimated to make a net positive financial contribution to the organisation over 30 years. Another way of looking at the same calculation is to infer the Internal Rate of Return ("IRR"), which is the discount rate at which the NPV of these cashflows is zero. If the IRR is higher than our target discount rate then the project makes a positive financial contribution. Our approach is

similar to that used by the vast majority of social landlords to appraise potential new developments.

- 4.5. There may be exceptional cases where we wish to proceed with a project which does not meet the target IRR. An example might be where a project is of very high strategic importance to a local community or Strategic Housing Authority. In such cases we will also assess whether the project still covers our base cost of funds, and is therefore expected to break-even but we are accepting a reduced risk margin. We allocated an amount of money in our RSL Borrowing Group business plan to contribute to such projects if needed, known as the “group development fund”.

5. Discussion

(i) Current return targets

- 5.1. We last reviewed our assumptions on discount rate and risk premium in August 2016. The Board agreed to set the target IRR at 6.2% for social rent and mid-market rent (“MMR”) projects and 6.5% for private rented sector (“PRS”) schemes, with a dual test for PRS which also needed to be met of 8% in a sales scenario after 10 years. These hurdle rates applied across the Group at the time, irrespective of whether the project was to be undertaken by an RSL or Lowther and were based on two key points:

- (i) an assumed risk margin (at the time, in 2016) of 0.6% over the-then RSL Borrowing Group weighted average cost of debt of 5.6% over the modelled 30-year business plan;
- (ii) the assumption that all MMR properties were funded and delivered by the RSL Borrowing Group, based on its cost of funds, and simply leased to Lowther to manage; and that PRS properties acquired by Lowther would be at the same average cost of funds (5.6%)

- 5.2. DGHP, which joined the Group in December 2019, adopted a similar appraisal method for new build but used a longer time period of 40 years and a slightly lower target IRR at 6.0%. Over a 30-year period this would be equivalent to 4.7%, meaning the effective target rate is much lower under DGHP’s current policy than the rest of the Group.

- 5.3. Given this differential with DGHP, and the fact that it has been over four years since our last review, it is an appropriate time to re-assess our return targets across the Group.

(ii) Proposed new return targets

(a) RSLs

- 5.4. In assessing what cost of borrowing should be included in a development appraisal discount rate, the relevant base cost of capital is the projected *marginal* cost – i.e. what the borrowing assumed to fund that development will cost. The fact that an entity may have borrowed in the past at a different interest rate to fund previous schemes is not usually relevant, as the focus should be the cash flow from the new build scheme and whether it will cover the costs of the new borrowing that will pay for it. Some RSLs borrow on a scheme by scheme basis, so attributing a specific interest rate to a project is relatively straightforward.

- 5.5. Our RSLs, other than DGHP, form a borrowing group and borrow on a pooled basis from our treasury vehicle, Wheatley Funding No.1 Ltd (“WFL1”). The private finance component of new build appraisals may be sourced from a mix of places, such as bond and bank funding “blended” together in WFL1. It is our aim for DGHP to join this borrowing group arrangement in the next few years, meaning its cost of borrowing would also be relevant.
- 5.6. We need to consider the estimated future costs of borrowing as well as the current cost of committed facilities in our business plan, including any cash we have drawn down but not yet deployed, such as recent EIB borrowing. For future drawdowns, we estimate the costs of borrowing based on our forward business planning assumptions. The annual average cost of all of this borrowing over the 30-year life of the business plan provides a reasonable basis for setting the estimated base cost of funds. This should be reviewed periodically to reflect changes over time; it is proposed that we do this formally every three years.
- 5.7. [paragraphs 5.7-5.9 redacted]
- 5.10. Based on the changes since 2016, it is proposed to reduce the base cost of funds assumption for our RSL borrowing group IRR target by 0.5% to 5.1%, for social rent and MMR. The risk margin would remain the same, at 0.6%, thereby bringing down the IRR target from 6.2% to 5.7%, over a 30-year appraisal period.
- 5.11. We considered whether there should be a higher risk premium on MMR developments relative to social rented schemes. Under our current arrangements, both are appraised at the same rate of 6.2%. We have significant experience of MMR projects over the last 10 years, with these experiencing sustained strong demand. They are a form of subsidised affordable housing, with rents set at the Local Housing Allowance level, meaning if customers need to move onto Universal Credit, then this will pay for their rent in full. In addition, local authority and Scottish Government partners are generally flexible if a change of tenure from MMR to social rent is required, for example if there are any risks in relation to expected demand. For these reasons, we consider that maintaining the same risk premium for MMR and social rent projects remains appropriate.

Transitional arrangements for DGHP

- 5.12. As previously discussed at the Board, it is our intention for DGHP to join the RSL Borrowing Group in the next two or three years once the catch-up stock investment issues to achieve regulatory standards are addressed.
- 5.13. Bringing DGHP into the borrowing group does not materially change the borrowing group (WFL1) average cost of funds, as DGHP’s debt base is relatively small in comparison to existing WFL 1 debt.
- 5.14. However, given DGHP’s expected future cost of funds has fallen from its previous level based on the new facilities we have put in place (eg Allia), DGHP’s Board has raised the question of whether it can reduce its 6% overall IRR target over 40 years.

5.15.. In the long term, we would seek to achieve a single standard appraisal rate for our RSLs within a single borrowing group structure. However, recognising the current lower effective rate of 4.7% over 30 years in DGHP, we propose to begin a transition to consistency across Group by moving the DGHP target IRR to 5.7%, although allowing a 35-year time frame for the appraisal rather than our normal 30 years. This is equivalent to a 30-year rate of 5.0% and these arrangements would be re-assessed at the next three-year review point.

5.16. The proposal for allowing a longer appraisal timeframe / lower effective rate of return than our other RSLs is based on development appraisals being more challenging in Dumfries & Galloway than other parts of our operations for two reasons:

- (i) *Development costs are higher due to the cost of servicing rural locations* – such as the need to pay a premium for labour, including overnight accommodation, and transport costs for labour and materials. The Scottish Government's social housing tender price index shows that over the 15 most recent quarters, costs in Dumfries & Galloway were 5% higher than the Scottish average (which is also the Glasgow average). While extra grant should cover these differences, this has not always been the case in the past.

Scottish Social Housing Tender Price Indices, June 2020

Location Code	Location	Index Value	Sample Size	Status
M	Mainland	99	450	Provisional
MA	Scottish Borders	96	13	Provisional
MB	Clackmannanshire, Stirling, Falkirk	93	21	Provisional
MC	Dumfries and Galloway	105	12	Provisional
MD	Fife	91	44	Provisional
ME	Aberdeenshire and Moray	102	17	Provisional
MF	Aberdeen City	101	5	Provisional
MG	Highland	102	57	Provisional
MH	West Coast	116	23	Provisional
MJ	City of Edinburgh	119	8	Provisional
MK	Lothian	96	22	Provisional
ML	City of Glasgow	100	46	Provisional
MM	Ayrshire	99	24	Provisional
MN	Glasgow Environs	99	75	Provisional
MP	South Lanarkshire	92	21	Provisional
MQ	Dundee City	90	13	Provisional
MR	Angus, Perth and Kinross	102	49	Provisional
Z	Island	120	35	Provisional
ZA	Orkney Islands	105	5	Provisional
ZB	Shetland Islands	131	7	Provisional
ZC	North Ayrshire (island)	N/A		
ZD	Highland West (island)	N/A		
ZE	Argyll and Bute (islands)	126	4	Provisional
ZF	Western Isles	127	15	Provisional

N/A denotes insufficient sample size

Note: the location indices are calculated over 15 quarters and are based on the Scottish mean = 100 (See note on calculation).

Source: Scottish Government

- (ii) *Rent levels are lower in DGHP than our other RSLs* - due to the structural nature of the economy and incomes. This is a key factor in determining rates of return in development appraisals.

Group RSL rents: March 2020 ARC return

RSL	1 Apt		2 Apt		3 Apt		4 Apt		5 Apt	
	Ave Rent	Units	Ave Rent	Units	Ave Rent	Units	Ave Rent	Units	Ave Rent	Units
Dunedin Canmore	£78.75	23	£84.87	2466	£98.73	1615	£111.87	586	£115.66	91
Cube	£70.17	231	£82.47	1197	£97.58	1589	£105.66	361	£120.01	13
WLHP	-	-	£83.97	185	£89.82	399	£97.89	137	£105.57	7
Loretto	-	-	£75.68	589	£87.81	451	£94.47	118	£114.19	18
GHA	£65.04	2118	£79.21	6653	£86.63	19593	£101.67	7884	£110.57	1190
Dumfries & Galloway	-	-	£75.49	2824	£82.32	4396	£88.65	2679	£ 96.54	296
Grand Total	£65.68	2372	£80.71	11090	£88.27	23647	£102.34	9086	£111.03	1319

5.17. It is important to note that under this proposal, DGHP projects would still need to provide a projected surplus over its cost of borrowing over 30 years. There would be no cross-subsidy from other RSLs to DGHP.

5.18. Consistent with the other Wheatley RSLs, in considering individual DGHP schemes, Group Development Committee has delegated authority from the DGHP Board and Group Board to approve schemes where the hurdle rate is met. Where schemes do not meet the target IRR, these developments may still be considered for exceptional reasons, but would require approvals from both DGHP's Board as well as Group Board in order to proceed. This arrangement is set out in the Group Development Committee Terms of Reference.

(b) Lowther Homes

5.19 [paragraphs 5.19-5.26 redacted]

6. Key issues and conclusions

6.1 The amendments proposed to our target return rates for new build schemes reflect the specific circumstances of each part of our Group. The reduction in some of the targets are based on a fall in the underlying cost of borrowing, specifically where we have "locked in" borrowing rates on recent drawings from the EIB and Allia. We do, however, maintain a significant level of conservatism in our future interest rate assumptions on funds we have not yet drawn to recognise the fact that we are appraising schemes over the long term, and interest rates may rise from their current very low levels.

7. Value for money implications

7.1. The approach set out in this paper is designed to ensure that there is no subsidy of new build schemes by existing tenants over the long term.

8. Impact on financial projections

8.1. We do not anticipate a material impact on our financial projections. These already include assumptions for future schemes in line with the proposals in this paper, including reduced rent assumptions.

9. Legal, regulatory and charitable implications

9.1. None.

10. Implementation and deployment

- 10.1. A paper explaining the new approach will be presented to the Group Development Committee at its next meeting. We will also notify the DGHP Board of the proposed modifications to its targets return rates as part of the transitioning of its Development Committee to Group arrangements.

11. Partnership implications

- 11.1 No further implications noted.

12. Equalities impact

- 12.1. There are no equalities implications associated with this report.

13. Other resource implications

- 13.1. There are no other resource implications associated with this report.

14. Recommendations

- 14.1 The Board is asked to:

- Approve the revision to the IRR target rate for the RSL Borrowing Group to 5.7% over 30 years for social rent and MMR new build projects;
- Approve the revision to the IRR target rate for DGHP to 5.7% over 35 years for social rent and MMR projects;
- [redacted]
- Agree that these arrangements be subject to formal review by the Board at least every three years to reflect changes in our operating context and future interest rate assumptions

List of Appendices

Appendix 1 – [redacted]

Appendix 2 – Wheatley Group business plan assumption rates (financial)

Appendix 3 – [redacted]

Appendix 2 – Assumed interest rate and inflation rates in business plans

Interest rate assumptions

	2020/21	2021/22	2022/23	2023/24	2024/25	2025 on
Variable rate (LIBOR)	1.50%	2.50%	4.00%	4.50%	5.00%-	5.00%
Interest Receivable	0.00%	0.25%	0.50%	0.75%	1.50%	2.00%

Inflation rate assumptions

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Cost inflation	0.00%	1.50%	3.00%	3.00%	3.00%	2.50%-
CPI	0.00%	1.00%	2.00%	2.00%	2.00%	2.00%

Report

To: Wheatley Housing Group Board

By: Stephen Devine, Interim Director of Repairs and Assets

Approved by: Martin Armstrong, Group Chief Executive

Subject: Five year review of City Building (Glasgow) LLP

Date of Meeting: 18 September 2020

1. Purpose

- 1.1 This report asks the Board to agree the Terms of Reference that Wheatley will set for a 5-year review of City Building (Glasgow) LLP (“CBG”).

2. Authorising Context

- 2.1 Under the Group Authorising Framework (GAF) and Intra-Group Agreement (IGA) the Group Board is responsible for agreeing matters of strategic significance.

3. Risk Appetite and Assessment

- 3.1 The Group’s risk appetite relating to Repairs and Maintenance is “Minimal” i.e. preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward. The risk tolerance of individual subsidiaries relating to Repairs and Maintenance is “Minimal”.

4. Background

- 4.1 Wheatley became an equal member of CBG, along with Glasgow City Council (“GCC”), in April 2017. As part of the legal agreements that created CBG and to ensure that it was delivering value for Wheatley and our customers, it was agreed that a review would take place on or around the fifth anniversary of the joint venture. The legal agreements also indicated that, amongst other things, the review should:
- be carried out jointly with GCC,
 - cover the extent to which CBG is meeting the strategic objectives set for it by Wheatley and GCC, and the priorities in its business plan.
- 4.2 The proposed Terms of Reference for the 5-year review are provided at Appendix 1.

5. Discussion

- 5.1 CBG has provided repairs, maintenance and investment works to Group partners in west central Scotland (GHA, Cube, Loretto Housing, Lowther Homes and YourPlace) since it was established as a joint venture in April 2017. It has also recently begun providing investment works for DGHP.
- 5.2 The 5-year review is an important milestone for considering the effectiveness with which these services are provided, as well as how the joint venture arrangement is operating and the extent to which strategic objectives agreed by the Board in becoming a member in CBG are being met. The review also provides an opportunity to look forward through assessing CBG's readiness to meet our repairs service vision through MyRepairs.
- 5.3 The Terms of Reference for the review are structured to consider:
- CBG as a provider of repairs etc. to Wheatley
 - the extent to which being a member of CBG delivers value for Wheatley and GCC
 - delivery against agreed objectives
- 5.4 The aim of each is discussed in outline below, with more detail in the attached draft Terms of Reference for consideration by the Board.

CBG as a provider of repairs etc. to Wheatley

- 5.5 This aspect of the review looks at the extent to which CBG is meeting the service performance objectives that were set as part of creating the joint venture for each Group partner and their customers. More generally, it also considers CBG's effectiveness as a repairs, maintenance and investment provider for Wheatley customers including looking to capture first-hand information from tenants on what they think and feel about the service they receive from CBG.
- 5.6 CBG's contribution through its operational expertise, as part of a wider repairs and investment delivery system involving Wheatley is also highlighted for consideration under this section in the Terms of Reference.

Review of the extent to which being a member of CBG delivers value for Wheatley and GCC

- 5.7 This section in the proposed Terms of Reference recognises that CBG is a business in its own right and that Wheatley, as a joint owner, should derive value from the 'investment' it is making through spend with CBG on repairs, maintenance and investment. Key considerations here include assessing the extent to which the Board's key drivers for entering the joint venture in 2017 are being achieved and whether other repairs delivery options might now deliver greater value.

Review of delivery against objectives

- 5.8 This final aspect of the Terms of Reference looks at the extent to which the objectives Wheatley and GCC set for CBG in establishing their joint venture are being met. This relates directly to the requirements for the 5-year review that were set in April 2017 through the agreements that established CBG as a joint venture.

Methodology

- 5.9 Capturing views and experiences from tenants and factored owners on their repairs service is a key feature of the proposed review. A range of methods will be used in doing this such as surveys, online focus groups, telephone interviews, complaints analysis and virtual drop-in sessions. If necessary, depending on the experience of the consultant undertaking the review, this aspect will be conducted separately to ensure that expertise in tenant engagement is available and to make sure that a broad range of tenant and owner voices are heard.
- 5.10 Other aspects of the review methodology will include internal and external financial and service quality assessment. This will compare the value of the service provided by CBG to Group customers in the West of Scotland, to that provided to our customers in the East and South of Scotland, and, where information is available to the consultant to the service provided to customers of a cross-section of other landlords.
- 5.11 The review will also look back at what has been achieved in the time since the joint venture was established in areas including performance, collaboration, innovation, improvement, technology and delivery against plans, and look forward to assess CBG readiness to deliver the strategic change in our repairs service that we require going forward.

Proposed timing and timescales

- 5.12 It is proposed that work on the review begins this autumn, with the aim of concluding it around March 2021. Completing the review then should allow sufficient time for any actions, changes or decisions coming from the review, to be taken forward before the 5-year anniversary of Wheatley becoming a member of CBG in April 2022. This timescale has been discussed and agreed with CBG, as much of the analysis as part of the review will require access to its resources.

Proposed approach to the review

- 5.13 The draft Terms of Reference proposed here have been shared with GCC, given its joint responsibility for conducting the review, and reflect its requirements along with those we are proposing for agreement by the Board. The proposed approach to the review is to have it carried out by a consultancy firm with necessary expertise that is agreed by Wheatley and GCC, through a selection process that fits with respective procurement requirements.

6. Key issues and conclusions

- 6.1 A review of our CBG joint venture is required around the fifth anniversary of it being created under the terms of LLP Members' Agreement. It also provides an opportunity to make sure that being a member of CBG is delivering value for Wheatley and our customers, and that CBG has the capabilities and ways of working we will need to deliver our strategic ambition going forward. The Terms of Reference for the review presented here for agreement are intended to achieve this.

- 6.2 The aim is for the review to be carried out by a consultancy firm and for it to be concluded around March 21. This will allow time for any actions from the review to be put in place before the fifth anniversary of becoming a member in CBG in April 2022.

7. Value for Money Implications

- 7.1 The quality of the repairs service and investment delivered by CBG in their homes are two of the key value drivers for our tenants. Conducting and learning from the review will help inform our future approaches and help to ensure we continue to deliver value for money.

8. Impact on Financial Projections

- 8.1 There are no financial implications from this report. The cost of the 5-year review will be met by CBG from its existing resources with no adverse impact on its Members.

9. Legal, regulatory and charitable implications

- 9.1 There are no legal implications associated with this report.

10. Partnership Implications

- 10.1 Our CBG joint venture with GCC is an example of partnership working that has strengthened relationships and enhanced our reputation. The joint nature of the review is expected to help reinforce our collaborative approach.

11 Implementation

- 11.1 A steering group involving senior staff from Wheatley and GCC will oversee the appointment of a consultancy firm, its work and the production of a final report from the review.

12. Equalities Impact

- 12.1 There is no equalities impact as a result of the implementation of this policy.

13. Recommendations

- 13.1 The Board is asked to approve the proposed Terms of Reference that Wheatley will set for the 5-year review of our City Building (Glasgow) LLP joint venture at Appendix 1.

List of Appendices

Appendix 1: Draft Terms of Reference for the 5 year review of City Building (Glasgow) LLP

Draft Terms of Reference for the 5 year review of City Building Glasgow

Terms of Reference

Year 5 review of City Building (Glasgow) LLP

DRAFT

1. Introduction

Wheatley Housing Group (Wheatley) and Glasgow City Council (GCC) became joint owners (members) of City Building (Glasgow) LLP (CBG) in March 2017. As part of this joint venture, Wheatley and GCC agreed that a review of CBG would take place by the 5th anniversary of becoming members of CBG.

The intention is for the review to conclude by March 2021, so that any actions either member decides to take based on the review can be initiated before the 5 year anniversary in March 2022.

The agreed Terms of Reference for this '5 year review' are set out here.

2. Review scope

Wheatley and GCC have particular relationships with, and expectations of, CBG, that were agreed in developing their joint venture and that should to be assessed through the 5 year review. In particular, the following should be assessed in the 5 year review.

- Performance of CBG in meeting the strategic objectives agreed between Wheatley and GCC as set out in the Collaboration and Contribution Agreement.
- Extent to which CBG has met its objectives as set out in the Approved Business Plan applicable to the financial year immediately preceding the Review Period.
- CBG's adherence to the Approved Business Plan.
- Any material failure to the Approved Business Plan.
- Effectiveness of CBG as a provider of repairs, maintenance and investment works to Wheatley subsidiaries and their customers in West-central Scotland.
- Effectiveness of CBG as a provider of repairs and maintenance to GCC and its ALEOs in Glasgow.
- Extent to which being a member of CBG delivers value for Wheatley and GCC.

The views of tenants and others who receive services from CBG will be fundamental in informing the review. This will provide direct information on the quality of service provided, as well as on how this has changed since Wheatley and GCC became members in CBG. Staff views will also be important in considering culture and working relationships. The review will therefore capture the views of tenants, other customer and staff through surveys and focussed feedback sessions.

CBG as a provider of repairs etc to Wheatley

Wheatley is clear that the quality of the repairs, maintenance and investment services that CBG is involved in providing to its tenants and factored owners is the key driver of overall customer satisfaction and of fundamental importance. In becoming an owner of CBG, Wheatley agreed the following service objectives that should achieve by the 5 year review:

Recognising that repairs is a key driver of overall customer satisfaction for Wheatley Group customers

- overall customer satisfaction above 90% for GHA, Cube, Loretto Housing, Your Place and Lowther Homes,
- Wheatley Group's RSLs should achieve and sustain top quartile performance on 80% of ARC (The Scottish Housing Regulator's Annual Return on the Charter) measures,
- 80% of customers reporting to Wheatley Group that the personalised service they receive meets their needs, and,

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- satisfaction with value for money of at least 83% across GHA, Cube, Loretto Housing.

Key measures of success:

- 98.5% of repairs right first time by 2018,
- 93% satisfaction with repairs and maintenance over previous 12 months by 2020,
- increase customers very satisfied with repairs to 60% by 2020, and,
- establish local repairs teams with local repairs operatives that deliver a 10% increase in customers being very satisfied with the repairs service

Service development and operating model achievements:

- service excellence is redefined from the perspective of Wheatley Group customer priorities,
- customer insight informs and co-creates a menu of differentiated products and services for key customer groups,
- ThinkYes and W.E.Excel culture is embedded across every Service that deliver's WHG's outcomes, driving innovation, new learning, shared best practice, consistent improvement, and creating the best solutions for all customers,
- specialist training facilities that develop new apprentices in the craft skills needed for repairing and maintaining our assets are established.

As well as the objectives above, it was also agreed that CBG would work with Wheatley to explore and implement agreed efficiencies, plans, improvements and methodologies which will deliver repairs, maintenance and other services in such a way as to support CBG's ability to achieve the above objectives for the benefit of Wheatley Group and its customers.

As well as the agreed objectives above, the 5 year review should also consider CBG's effectiveness as a repairs, maintenance and investment provider for Wheatley customers, more generally. This part of the review will consider as a minimum:

- What tenants – social, MMR and PRS, and factored owners think of the repairs service they receive including how this experience has changed over recent years and expectations for the future
- The effectiveness of the overall repairs and maintenance system that includes CBG, Wheatley and customers, with particular emphasis on:
 - the contribution CBG has made including through its delivery expertise to informing My Repairs¹, shaping its implementation and future direction,
 - the ICT systems that support the service, how these have been developed since 2017, the effectiveness of current arrangements and strategy for the future
 - the working relationships between CBG and Wheatley staff involved in the planning and delivery of the service
 - the response to the Covid-19 pandemic and how this is shaping CBG's future service delivery and business model
 - the extent to which CBG trades operatives understand and exhibit Wheatley's customer service ethos and culture
 - the impact of increasing future work for CBG through DGHP joining Wheatley and the effect this has had including in safeguarding continued improvement/innovation, service deliverability standards generally and value for money (especially given geography, logistics and the pricing structure with overhead costs, SORs and margin between CBG and Wheatley)

¹ My Repairs is Wheatley's customer focused vision for the repairs service that CBG is part of delivering

- Similarly, the effectiveness of the overall investment planning and delivery system that includes CBG, Wheatley and customers, should be assessed with particular emphasis on the contribution CBG has made to improving the system since 2017
- the extent to which the repairs and investment service delivered by CBG to Wheatley Group partners is value for money. This should include benchmarking:
 - the financial mechanisms between Wheatley and CBG comprising overheads, margin and SORs,
 - how the price for a representative sample of repairs and investment works compares to those in the market, the cost to CBG of delivering these works
 - how CBG has driven increased efficiencies and effectiveness in the last 5 years.
- Any variation in what tenants, think, the effectiveness of the repairs and investment system and value for money across different geographies, customer segments and service requirements for the different Wheatley partners (GHA, Cube, Loretto Housing, DGHP, YourPlace and Lowther Homes) served by CBG
- The level of change there has been in CBG including in its approach to repairs and investment delivery, adoption of new technology, evidence of innovation and appetite for exploring wider industry experience and trends

Review of the extent to which being a member of CBG delivers value for Wheatley and GCC

Both Wheatley and GCC assessed the joint venture model through which they have equal control and ownership of CBG as the most effective options for repairs etc delivery in 2017. The extent to which this assessment remains valid today should be considered as part of the 5 year review. In doing this, the review will consider the existing joint venture model relative to other options for repairs delivery including the service being in-house or provided through a third-party provider with no direct ownership relationship to Wheatley or GCC.

In making this comparison, the drivers for the joint venture should be

- 1) considered to test whether the value that was expected; has been achieved
- 2) assessed to determine whether either of the other options for repairs delivery could reasonably be expected to deliver greater value now and
- 3) examined through comparing and contrasting how they are realised in CBG against Wheatley's two 'in-house' repairs delivery mechanisms.

The drivers to be considered are:

- Control and flexibility over the repairs, maintenance and investment service and its development
- Strategic control, ability to set priorities and monitor progress
- Governance over our own repairs delivery
- Stakeholder buy-in with minimal risk of service disruption to customers
- Financial value

More generally, as the owners of CBG, Wheatley and GCC also want to make sure that their 'investment' – mainly through the value of work that CBG is awarded and the assurance this provides for CBG – is generating added value. In considering this aspect, the 5 year review will examine:

- The effectiveness of CBG governance and the extent to which its Board and leadership are focused on the strategic objectives of its members

- The level of alignment between CBG's strategic ambition and business plans and those of its member
- The management ethos in CBG and the extent to which it is focused on delivery additional value – beyond agreed targets, for its members
- Wider benefits including the opportunities it has created for:
 - young people in Glasgow including those in Wheatley homes through apprenticeships,
 - savings for examples through leveraging economies of scale and collaborative procurement and
 - RSBI to develop its business and the extent to which members have shaped their activity to support it, the impact of social mobility of employees with a disability, and the contribution RSBI has made to the overall success of the partnership and the City.

Review of delivery against objectives

Wheatley and GCC agreed particular objectives for their joint venture through various legal agreements as part of establishing it. These objectives which should be considered as part of the review are:

- Performance of CBG in meeting the strategic objectives (see below) agreed between Wheatley and GCC as set out in the Collaboration and Contribution Agreement.
- Extent to which CBG has met its objectives as set out in the Approved Business Plan applicable to the financial year immediately preceding the Review Period.
- CBG's adherence to the Approved Business Plan.
- Any material failure to the Approved Business Plan.

The strategic objectives that Wheatley and GCC, agreed they wanted to achieve through the joint venture were:

- For Wheatley these were:
 - more control in the development of service for the benefit of Wheatley Group customers.
 - the ability to develop the future strategic direction of the service.
 - the ability to shape the culture of service delivery.
 - financial benefits on an annual business at least equivalent to the VAT.
 - savings that would be required had the repairs and maintenance services been brought in-house by Wheatley Group.
 - an equal role in the governance of the repairs service delivery and CBG.
 - minimum disruption to service, as a consequence of transitioning to CBG, to Wheatley Group customers.
 - a strong relationship with CBG to allow Wheatley Group to evolve services over time to meet the needs of its customers.
- For GCC:
 - to improve service delivery through combining its repairs and maintenance service requirements with those of the Wheatley Group.
 - to maintain a Glasgow workforce committed to living wage, Strathclyde Pension Fund and wider community benefits that maximises opportunities for Glasgow residents.
 - to explore opportunities to develop a long term apprenticeship/ RSBI plan that supports Wheatley Group and GCC repairs and maintenance, manufacturing and investment requirements.

- to align the development of CBG and its operations with the Transformation Programme which is being undertaken and in particular to the Council Family Review.
- to maximise the impact of its spend and efficiencies, and continue to deliver best value.
- to enhance the prospects for maintaining job security, against a downward trend in turnover associated with the Wheatley Group investment programme, GCC capital programme and GCC maintenance programme.

The review should consider the extent to which these objectives are being met and whether CBG's governance, leadership, culture and operations are guided by the wishes of its members. The applicability of these objectives to CBG going-forward should be considered, as should opportunities to achieve more such as through re-examining the possibility of VAT savings and operating arrangements spanning CBG and Wheatley subject to the core principles of the LLP Agreement remaining in place. Finally, other areas where CBG might contribute to Wheatley and GCC's strategic direction over the next 5 year period should be explored. This should include both how these strategies should impact CBG and its priorities, and how CBG's capabilities and plans might contribute to the delivering the stated strategic objectives of its members.

Approach and timing

The review will be carried out independently of Wheatley, GCC and CBG by a consultancy/professional services organisation with applicable expertise. The consultant/professional services organisation will be selected through a competitive process by Wheatley and GCC. The cost of the review will be met by CBG with no adverse impact on expected outcomes from its business plan for members.

The work on the review will be overseen by a steering group made up of senior staff from Wheatley and GCC, and staff across Wheatley, GCC and CBG will be available to support the review as required. Tenant engagement and surveys will be supported through Wheatley.

The selection of an organisation to perform the review will be completed by November 2020, initial findings from the review will be available by February 2021 and the review will be fully concluded by March 2021.

Report

To: Wheatley Housing Group Board

By: Olga Clayton, Group Director of Housing and Care

Approved by: Martin Armstrong, Group Chief Executive

Subject: Rent Remobilisation Phase 2

Date of Meeting: 18 September 2020

1. Purpose

- 1.1 To provide an update on work undertaken to move towards the remobilisation of business as usual activities in relation to rent, income and arrears collection; and
- 1.2 To outline the next steps as we transition to Phase 2 of our remobilisation.

2. Authorising context

- 2.1 Under the terms of the Group Authorising Framework and Group Authorise/Manage/Monitor Matrix, the Board is responsible for the ongoing monitoring of operational performance.
- 2.2 The Group CEO has responsibility for business operations across the Group. The Covid-19 situation has had a significant effect on these operations and reflecting this the Board agreed the principles of our approach for remobilise, subject to the rate at which Scotland moves through the phases of Scottish Government's route map.

3. Risk appetite and assessment

- 3.1 The Group risk appetite related to Welfare Reform is Open, defined as willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward.

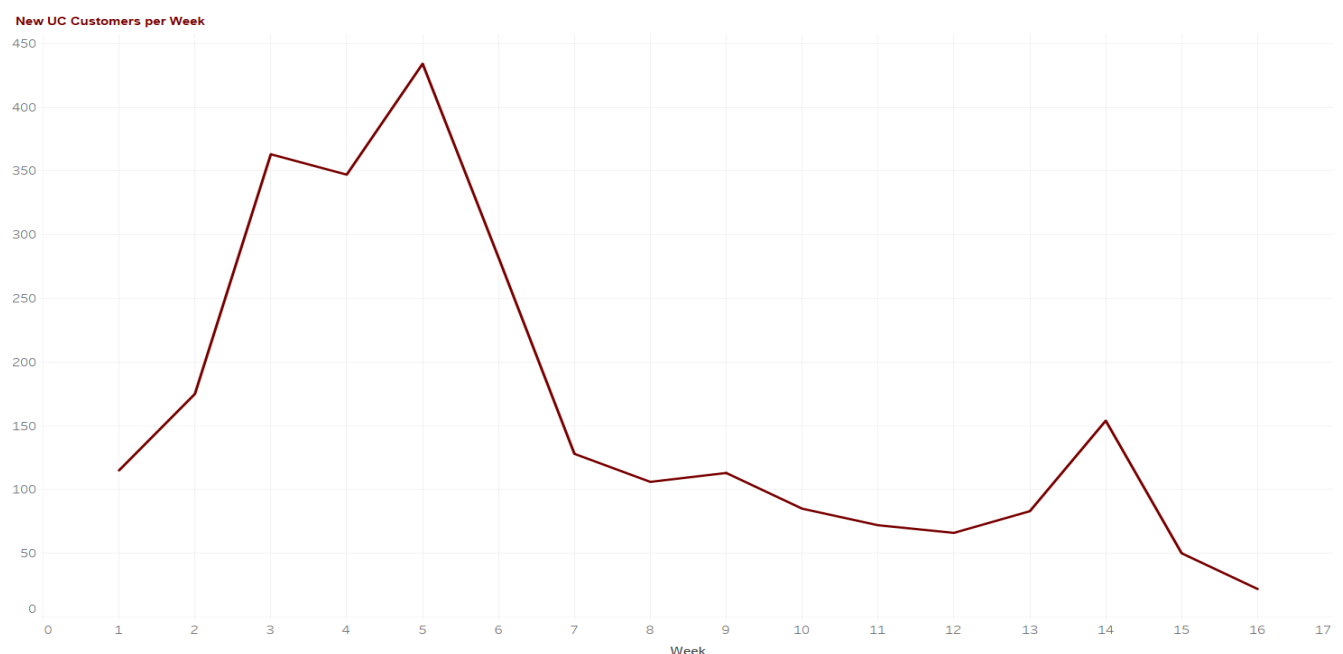
4. Background

- 4.1 Our approach to rent and income collection, consistent with our other key business areas, had to be modified in light of the lockdown restrictions introduced in March. Our operating model and close relationships with our customers allows us to have a strong understanding of their needs. This has allowed us, to a much greater extent than many other organisations, to respond quickly and efficiently to those needs during the pandemic

- 4.2 We have maintained contact with our customers through the pandemic, primarily via phone calls. We have made more than 200,000 outbound contacts to customers since lockdown began. With our small patch sizes and close relationships, we were able to target our efforts to those customers we knew would be most likely to need help and support. The calls have focussed firstly on their welfare and meeting any immediate needs for food, fuel and other emergency support. This has been supported by the deployment of an Emergency Response Fund. We have however continued to also prioritising work to collect income to mitigate the risk the impact of the pandemic could have on our rental income.
- 4.3 Our 'Talk to Us' campaign also strongly encouraged those customers who found themselves needing our assistance, possibly for the first time ever, to get in touch. We have also utilised technology to introduce sending bulk text messages to customers across Group, reassuring them we understood this was potentially a difficult time for them and encouraging customers to engage with us. Our messages reached out to almost 47,000 customers and was a precursor to us beginning to use this technology to also send rent reminder text messages ahead of rent due dates and messages to any customers who didn't make payment. These messages are still supportive in tone and provide the Housing Officer's mobile number for the customer to get in contact directly. So far we have sent more than 42,000 of these texts out to customers.
- 4.4 We have utilised our social media engagement platforms to reinforce our 'Talk to Us' campaign message. This has included our Facebook, Twitter and Instagram sites sharing information and stories of how we were helping our customers across a range of issues. We have also issued direct communications from the Group Chief Executive to all customers personally highlighting and reiterating the support we could offer. This has led further engagement from our that helped to resolve issues of food and fuel poverty, isolation and digital exclusion.
- 4.5 To date, we have provided 27,633 food parcels and supermarket vouchers for 4,260 customers, with a total spend on food sitting at £1.1 million and spend on other goods from our Emergency Response Fund to alleviate customer hardship has been £290k to date.
- 4.6 We decided at the beginning of lockdown to temporarily halt our rent escalation processes to ensure no tenant would lose their home during the pandemic. This latterly became mandatory when the Coronavirus (Scotland) Act was introduced, which meant that up to the end of September no evictions could take place and the notice period for enforcing notices of proceedings, the first stage in court action for non-payment of rent, was extended from 28 days to 6 months.
- 4.7 Staff were supported on implementing our new way of working and collecting rent and income with a Home Working Guide that was developed to ensure they had the correct messages, scripts and knowledge to feel reassured while assisting our customers under challenging circumstances.

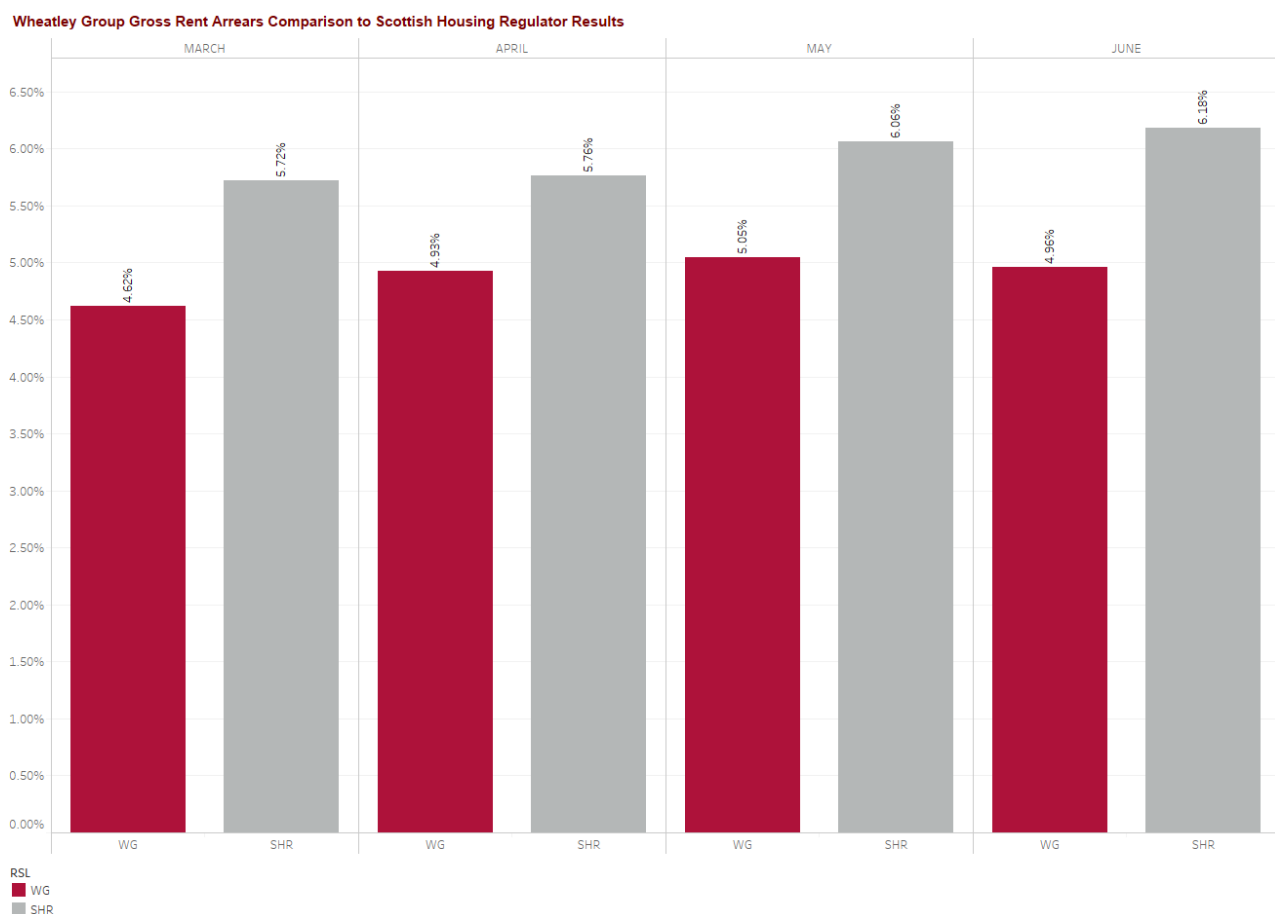
- 4.8 As home visits were paused and our primary means of contact was by phone, this was particularly important so that staff were clear on how to tackle cases where the customer was refusing to engage or pay. Providing Housing Officers with the means to take payments over the phone was a new approach but one that has been very effective, with over £1.1 million collected to date.
- 4.9 Supporting our customers digitally was crucial in the early stages of lockdown and continues to be an essential part of our offering. We have reflected this in our engagement with customers. This has included Welfare Benefits Advisors utilising conference calls to conduct and represent customers at benefit tribunals to ensure these could still go ahead in the absence of face to face hearings, using video calls to complete benefit forms and more generally using e-mail, WhatsApp and text messaging to help and support customers. We have experienced an increase in customers signing up for an online account, alongside an increase in digital income collection channels being used, with many signing up to digital payment methods such as Direct Debit.
- 4.10 The accelerated launch of visual analytic tools to track rent and income payments has allowed us to manage the risk associated with income collection. This has been a daily focus at Executive level and highlighted almost immediately that we were experiencing a spike in the number of customers claiming Universal Credit. More than double the previous customer numbers expected to transition to Universal Credit did so in April alone - 1,311 new UC customers against an average of 510 new UC customers per month the previous year. Chart 1 below which shows the number of customers making Universal Credit claims in the initial weeks of lockdown.

Chart 1: New UC case numbers at beginning of lockdown



- 4.11 Our early identification of this trend and subsequent deployment of our wraparound services and increased engagement has meant the impact on arrears has been relatively low. Our Gross Rent Arrears percentage is relatively stable and below the combined average for the sector across the first quarter of the year as reported by the Scottish Housing Regulator. This is shown in chart 2 below.

Chart 2: Wheatley Group Gross Rent Arrears Compared to SHR Results



4.12 In the initial stages of lockdown, we developed a detailed understanding of how the changes that were being made to benefits/Universal Credit and the furlough scheme were impacting on our customers. In response to this we developed staff guidance, keeping it updated in real time as things changed, at times very rapidly. We used this experience and our customers' feedback to lobby DWP, the Scottish and UK Governments for changes regarding Universal Credit, Discretionary Housing Payments and other benefits as well as the way utility companies were treating customers via the Social Housing Resilience Group.

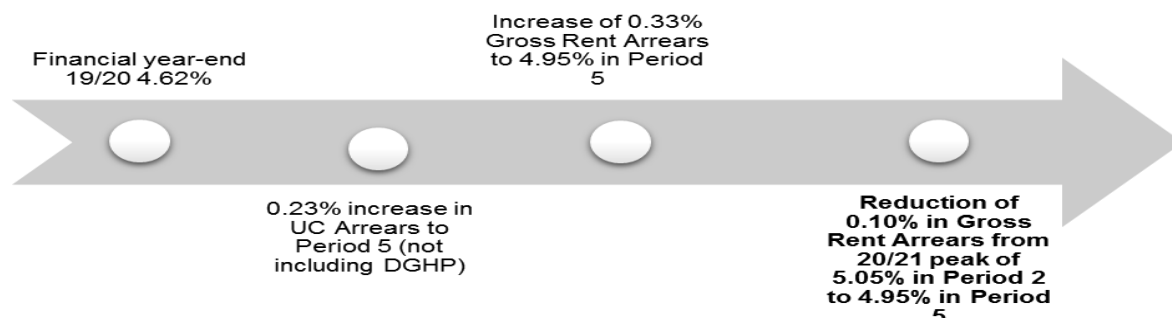
5. Discussion

5.1 Our remobilisation plans have been developed in 3 key phases, broadly in line with Scottish Government's phases of the roadmap from lockdown. Phase 1 ran from June to September with Phase 2 running from September to December and Phase 3 expected to be from January to March 2021. We made some key assumptions regarding the political and social landscape when developing our approach and have had to revise these as this environment has changed.

5.2 In Phase 1, we continued with our successful remote working rent and income collection approach, mobilising home visiting teams to carry out doorstep visits to non-engagers with an increasing rent balance and those customers on Universal Credit who had yet to provide an uprating on their rent. We also began to identify furloughed customers at risk of becoming unemployed when the scheme ends, offering support and guidance from our Welfare Benefits Advisors.

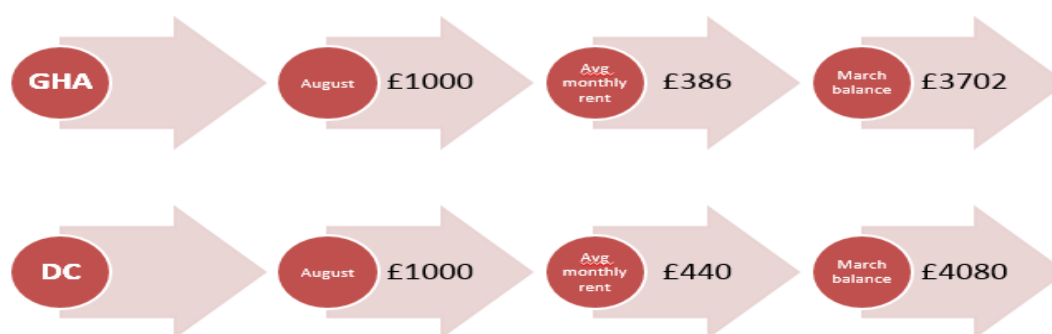
For customers who continued not to pay rent, we continued to refer to our Group Debt Recovery Team, introduced outbound evening and weekend calls from the CSC and an additional escalated telephone/video appointment with WBA or Locality Housing Director/Head of Housing. These activities led to over 2,500 visits being made, all 1039 furloughed customers being contacted to offer advice and support, new guidance and letters produced for staff to ensure consistency of messaging and approach along the same lines as we provided in early lockdown stage and an overall Group wide arrears reduction from May to June as demonstrated below.

Diagram 1 - Gross Rent Arrears Position in Period 5/July 2020



- 5.3 Our key assumptions around Phase 2 have had to be revised following the Scottish Government's agreement in principle to accept the Homeless And Rough Sleepers Action Group ("HARSAG") recommendations made to them, including the proposal to extend the existing Coronavirus (Scotland) Act legislation to prevent evictions until March 2021.
- 5.4 Our initial plans were that we would move closer to our previous 'normal' escalation process for customers who continue to fall into the 'Won't Pay' category. However, customers will now know their cases cannot be escalated to court prior to March 2021. We have therefore had to develop more innovative escalation approaches to help reinforce the seriousness of non-payment. These include reviewing messaging to customers and stakeholders to make clear the potential outcome of non-payment, serving notices on persistent non-payers whose arrears are above £1000 with the intention to start court action for eviction as soon as this becomes an option. Diagram 2 below shows the potential impact of non-payment over a 6 months' notice period:

Diagram 2 - 6 months' Notice Impact



- 5.5 We will also revise and tailor our letters to meet legal requirements for court action while making reference to the current situation. We will develop particularly tailored letters for 'Can't Pay,' 'Won't Pay' and furloughed customers and have introduced an additional step of case reviewer as part of a new 'Won't Pay' escalation pathway. For those customers that we have been granted a decree against but are currently unable to evict, we will consider enforcing the payment element using bank or wage arrestments.
- 5.6 We can carry out a wage arrestment where an employer's details are known and where this is successful, a deduction has to be made and paid to arrears until the amount due is cleared. For bank arrestments, specific account details are not required and the top 4 banks are contacted to establish if a customer has an account with them. This is a one off payment that can be taken - any amount above a minimum amount that must be left in the bank account and up to the sum owed can be taken. RSLs across Group have limited experience of this to date, although Lowther have used these in the past. Each case would be assessed by our legal team to establish the likelihood of success before pursuing given there are also costs attached to serving these arrestments. There are currently 42 cases with a total value of £106,988 across Group that we could potentially action in this way.
- 5.7 Our key messaging is clear, that we will make every effort to engage and support customers to pay their rent, but for those who continue to refuse to do so, we will take those forms of enforcement action still available to us as a last resort. We will seek to not evict anyone who has difficulty paying as a direct result of the current crisis, however, we fully expect them to work with us to find solutions. Our Housing Officers have been supporting thousands of customers through these challenging times ranging from arranging affordable payment arrangements where they've fallen behind with rent to help with benefits, Universal Credit, fuel bills and delivering free emergency food parcels and household essentials.
- 5.8 Despite the challenges the pandemic has presented us with, it has also given us opportunities to be innovative. We are preparing to launch a new digital payment method which allows staff to send secure payment links to customers via text message or email which they can then use to make an online card payment with a few taps on their phone in a secure environment. The transaction takes place with the staff member still on the line to support the customer if needed. It is quick and simple to both send the link and for the customer to make the payment, which reaches their account the same or next day and mirrors transactions standard online transactions, which will be very familiar for most of our staff and many customers. It also enhances our protections for staff in relation to data protection and PCI compliance in taking card payments.
- 5.9 Sending bulk text rent reminders and missed payment prompts has been very successful in generating contact and engagement with Housing Officers with over 42,000 messages sent to date. To make this process even more efficient and productive, work is well progressed to automate this process by developing an IT platform in-house that will use our system data and parameters we set to automatically identify those customers who should receive a text and issue it. We are finalising control in this area and are almost ready to transition into the system build and configuration phase. This will also be available for a variety of contact reasons, not only rent and income.

- 5.10 Partnerships have also remained a key element of our work as we move into Phase 2 of our remobilisation. We have been involved in initial virtual roundtable discussions with senior leaders from DWP, SFHA and others regarding supporting our new customers who are moving from temporary homeless accommodation into permanent tenancies. We want to foster a positive start to their tenancy and are considering ways to ensure there is no issue of arrears due to time lags in benefits being paid or issues with furnishing their home. This is at an early stage, but our partners are equally committed to ensuring positive outcomes.

Furlough Campaign

- 5.11 Ensuring we are prepared for the impact of furlough ending has been a major focus for our Phase 2 plans. We have developed a proactive campaign, focused specifically on this customer group to ensure they are supported in any challenges they may face with regard to their income and ability to pay rent. We are carrying out a month of engagement with Housing Officers contacting customers we know are furloughed weekly to engage with them regarding when they are likely to return to work, how secure their employment is, what help and support they do or may need in future and how they will pay their rent. This will be followed up by contact from our Welfare Benefits Advisors in October and November for those customers who are in unsecure employment and may be in the most need of specialist advice to navigate the challenges of having to claim benefits to supplement or provide income and pay for housing costs. This will be linked to the work of our annual rent campaign and will continue into our Phase 3 planning as the job retention bonus scheme, where employers receive £1,000 for every staff member they return from furlough and keep employed until February 2021, will come to an end and there may be another increase in UC claims and customers needing assistance.

Diagram 3 – Furlough Campaign Key Actions



- 5.12 The findings from our first week of the campaign show a reduction in the number of customers still furloughed, currently 252 customers have been identified. This is as expected, with a number now having returned to work given that retail and hospitality sectors are now more widely operating, as are some manufacturing and offices too. 66% (162) of these customers do not know when their furlough will end and 17% (42) have advised they will return to work between now and end of October. Of the total number of customers contacted, 36% indicated their employment will be secure when furlough ends, with 13% advising their employment will not be secure at the beginning of November. The largest proportion are unsure about the security of their employment, meaning the steps we are putting in place to provide help, support, guidance and links to other organisations should allow us to support customers mitigating any negative impact that job insecurity, including on their ability to pay rent. Tables 1 and 2 below show the profile of our current furloughed customers' accounts and payment status in terms of our escalation process at both Group and RSL level.

Table 1 – Furloughed Customers' Account Balance Profile

	Arrears		Credit		Zero Balance	
	Balance	Customers	Balance	Customers	Balance	Customers
GHA	£140,581	154	£1,269	9	£0	19
Cube	£31,784	38	£2,614	4	£0	3
Loretto	£2,227	3	£185	1		
DC	£3,924	3			£0	2
WLHP	£3,073	4	£154	1		
DGHP	£5,740	10				
Wheatley	£187,060	212	£4,349	16	£0	24

Table 2 – Furloughed Customers' Payment Status



RSL	Can't Pay	No Arrears	Paying	Won't Pay	Grand Total
GHA	56	59	45	22	182
Cube	7	16	19	3	45
WLHP	1	1	2	1	5
Loretto	2	1		1	4
DC	3	3	0	0	6
DGHP	1		8	1	10
Wheatley	70	80	74	28	252

- 5.13 As part of meeting the challenge that the ending of furlough presents, we are developing links with Scottish Government's PACE network. We are ensuring they are aware of the support we provide for customers in terms of wraparound services and employability via the Wheatley Foundation, particularly in our main areas of operation in Glasgow, Edinburgh and Dumfries and gaining knowledge of how they can help too in order to provide as comprehensive a support service for this customer group as possible. We are also due to meet virtually with senior leaders within DWP to understand their planning for furlough ending and potential increases in UC claims. This will allow us to be clear how their operations may change again and be prepared for any impact it may have on their service delivery that we would need to support customers through.
- 5.14 Our staff who work in wraparound services such as Welfare Benefits Advisors, Fuel Advisors and My Great Start New Tenancy Advisors will make short videos showcasing the support they can provide and encourage customers to get in touch with us. These will be used on our websites and social media platforms as part of the Furlough and Rent Campaigns to personalise the messaging about the support these services can provide and encourage customers to get engaged with us.
- 5.15 Our Performance Monitoring Framework for Universal Credit and rent and income more generally is well established and has been essential to allow us to keep a close eye on how we have coped with the crisis that Coronavirus has caused. As we start to refine our approaches to rent and income collection for Phase 2, we will continue to refine our PMF, particularly with regard to our furloughed customers and more specifically tracking the impact of our revised escalation on the path of 'Won't Pay' customers.

6. Next steps

Annual Rent Campaign

- 6.1 This year's annual Rent Campaign will fall into Phase 2 and will be consistent with the 'Talk to Us' messaging, adopting a digital focus given current circumstances. The clear messaging that we are working on for customers, staff and stakeholders will be linked to the Talk to Us theme to maintain consistency of messaging with earlier campaigns. Work is ongoing to finalise this.
- 6.2 Other innovations we hope to bring in as part of Phase 2 remobilisation and the rent campaign include webchat in relation to rent and income discussions and also potentially for providing benefits advice and guidance. Secure messaging can now be delivered following a successful upgrade of our Customer Relationship Management System (CRM) earlier this year and we are looking to utilise the benefits of this in terms of pushing out messaging to customers who have a Web Self Service account around arrears letters and messaging, services they may want to take up or where they may want to consider changing their payment method to one that is more digitally focused.

Maintaining focus

- 6.3 In order to maintain ongoing good performance in this challenging environment, we will ensure frontline staff are kept motivated by the refreshed processes, toolkits and arrears escalation routes, and campaign activities will keep the strong focus on rents and mitigation of arrears. Monthly Visual Measure Board Meetings dedicated to rents will keep staff focused and priorities refreshed as they are agreed for the month ahead based on current and forthcoming challenges. These will be supported by members of the Group Debt Recovery and Universal Credit Teams.
- 6.4 Assurance checks will be carried out by our Service and Innovation & Improvement Teams to ensure consistency of approach across the Group and peer checks will be undertaken among team members and supported by Locality Directors and Heads of Housing. Monthly Rents Community of Excellence Meetings will be held to discuss 'Won't Pay' cases in particular and to share any learning in bringing them to a positive outcome and we will also launch a small balance campaign across Group utilising bulk text messaging that was successfully trialled in Dunedin Canmore.
- 6.5 The various campaigns will keep staff focused on rents and mitigation of arrears and sessions to be held with Locality Directors, Heads of Housing and rents champions from across Group will ensure key messaging and next steps for phase 2 and beyond are clear and consistently shared. We will have key staff involved in creating our videos to showcase our key messages online and the impact of all of these actions will be regularly monitored using the current performance monitoring framework that we will add to in order to ensure it is covering the key elements of the work we are doing as we remobilise in a rents context.

7. Key issues and conclusions

- 7.1 During the pandemic, we have worked incredibly hard across Group to minimise the impact on our customers, to lobby and advocate on their behalf and to maintain the business in a good position in terms of income collected. As we progress through our remobilisation phases, it is equally important that we maintain our focus on protecting our income streams whilst continuing to deliver excellent customer services.
- 7.2 We will do this by maintaining our focus, planning and communicating effectively with our customers, staff and stakeholders and continuing to utilise all the tools and partnerships we have at our disposal while delivering innovation and new approaches.

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 focus on maintaining and improving rental income collection and reduction of arrears through the actions described in this report will support achievement of these targets.

9. Impact on financial projections

- 9.1 There is no adverse impact on the financial projections, however a focus on rental income collection will help the Group to manage arrears balances and maximise rental income collected. Savings in the transactional costs of administering payments where more digital methods are deployed will go towards achieving running cost efficiency targets built into the financial projections.

10. Legal, regulatory and charitable implications

- 10.1 There are no direct legal, regulatory and charitable implications beyond those set out in the body of the report.

11. Partnership implications

- 11.1 We continue to work closely with existing partners across our local authority areas and with DWP and Scottish Government departments

12. Implementation and deployment

- 12.1 We will manage our remobilisation the rent remobilisation deployment plan as set out in detail in the report.

13. Equalities impact

- 13.1 Our most vulnerable customers are most likely to be the worst affected in terms of the impact of Coronavirus. Our support will mitigate these impacts to ensure they are not adversely affected as much as they would otherwise be.

14. Recommendations

- 14.1 The Board is asked to:
- 1) Note the content of this report
 - 2) Provide feedback on the proposed approach for remobilisation of rent and income collection from lockdown and phase 1 position towards a more normalised position in phase 2
 - 3) Approve the proposed approach for remobilisation of rent and income collection from lockdown and phase 1 position towards a more normalised position in phase 2, subject to any amendments they might propose to this approach

Report

To: Wheatley Housing Group Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: 2020/21 Full year forecast out-turn

Date of Meeting: 18 September 2020

1. Purpose

- 1.1 To provide an update on the Group's 2020/21 full year forecast out-turn as compared against the approved 2020/21 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

Full year forecast out-turn

- 4.1 The updated full year forecast out-turn is shown in the table below:

Group - £m	FULL YEAR		
	Budget	Full Year Forecast	Variance
INCOME			
Net Rental Income	302,231	300,195	(2,036)
Grant Income	47,104	34,136	(12,968)
Other Income	41,924	40,225	(1,698)
Total Group Income	391,258	374,556	(16,703)
EXPENDITURE			
Employee Costs	88,592	84,328	4,263
ER/VR	1,249	12,000	(10,752)
Running Costs	38,705	37,784	920
Repairs & Maintenance	51,863	46,396	5,467
Cost of Sales	7,956	7,194	762
Irrecoverable VAT & bad debt	12,600	13,954	(1,354)
Depreciation	92,932	91,738	1,194
Demolition	930	930	-
Total Group Expenditure	294,825	294,324	501
NET OPERATING SURPLUS	96,434	80,232	(16,202)
<i>Net operating margin</i>	<i>24.6%</i>	<i>21.4%</i>	<i>-3.2%</i>
Gain/(loss) on sale of fixed assets	1,060	-	(1,060)
Net Interest Payable	(73,194)	(71,114)	2,080
STATUTORY SURPLUS	24,299	9,118	(15,182)
INVESTMENT			
Total Capital Investment Income	(63,626)	(33,787)	(29,839)
Core Investment Programme	84,710	54,894	29,816
New Build Programme	121,824	62,806	59,018
Other fixed assets	5,943	5,943	0
NET CAPITAL INVESTMENT SPEND	148,852	89,856	58,995

4.2 The full year forecast for the group shows a statutory surplus of £9.1m, £15.2m lower than budgeted and a net operating surplus of £80.2m, £16.2m lower than budget. The variance is largely driven by the majority of income and expenditure lines reporting variances to budget owing to the changes in the operation of the business during the Covid-19 restrictions.

4.3 Key changes since the preparation of the previous full year forecast presented to the August Board meeting include:

- An update to forecast revenue staff costs for the most recent furlough claims, which has reduced full year staff costs by a further £0.2m, reporting a full year reduction of £4.3m compared to budget (note that some furlough income is allocated to capitalised staff costs).
- The inclusion of additional £2.4m of ER/VR provision, extending the programme up to £12.0m this year which will deliver additional recurring efficiency savings – increasing these from £4m to £4.7m - and supporting the remodelling of the business to help to reduce the age profile in the frontline and environmental teams. If agreed, the programme will commence in the coming weeks and it is expected that a significant number of staff can be confirmed with leaving dates by the end of the 2020/21 financial year, however the timing may require the balance of any unused provision to be rolled forward into the 2021/22 financial year.

- The delay in restarting internal investment works in the RSLs as a result of the continuation of Covid-19 restrictions has reduced the full year forecast investment programme by £29.0m (inclusive of VAT), with a further £0.8m reduction in capitalised staff costs linked to the furlough claim from April through to the end of the scheme in October.
- The inclusion of an additional £0.5m of running cost savings taking the forecast spend £0.9m lower than budget. This revised forecast is based on the current levels of spend across the Group in areas such as office running costs whilst taking account of additional costs for PPE for staff.
- Repairs costs are forecast to be £5.5m lower than budget, £0.3m lower than the previous forecast reflecting the trend being seen through the most recent figures available for August and taking account of the recent re-introduction of restrictions in the Glasgow and surrounding areas.
- Provision for a higher level of bad debts costs remains unchanged from the previous forecast, with bad debt costs to date in the RSLs remaining within the original budgeted provision.

5. Key financial metrics – interest cover

- 5.1 Interest cover for the RSL Borrower Group based on the updated full year forecast presented in 4.1 is 154%, compared to interest cover of 144% reported in the financial projections approved by the Board in February 2020 which formed the basis of the 2020/21 budget. The improvement in measure is due to the lower levels of revenue expenditure and core investment spend forecast. In 2020/21, 50% of core investment spend is taken into account in the interest cover calculation. The forecast level of interest cover shows that the RSLs continue to meet the covenant target with a comfortable level of headroom.
- 5.2 The previous forecast presented at the August meeting reported interest cover of 156%.

6. Value for Money implications

- 6.1 Delivery of our cost efficiency targets is a key element of continuing to demonstrate value for money. The updated full year forecast out-turn for 2020/21 shows a full year statutory surplus of £9.1m which includes provision for an extended ERVR programme in 2020/21 to accelerate changes to the operating model which will in turn increase the level of cost reductions included in the business plan.

7. Impact on financial projections

- 7.1 The updated forecast for 2020/21 shows that the Group continues to generate a surplus after taking account of the impact Covid-19 restrictions have on the forecast budgetary out-turn.

8. Legal, regulatory and charitable implications

- 8.1 No implications.

9. Equalities impact

9.1 Not applicable.

10. Recommendation

- 10.1 The Board is requested to:
- 1) note the revised 2020/21 forecast out-turn;
 - 2) approve the updated ERVR programme of £12.0m.

Report

To: Wheatley Housing Group Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Group Desktop Technology Refresh

Date of Meeting: 18 September 2020

1. Purpose

- 1.1. To seek Board approval to award a new group wide contract for the provision of IT desktop hosting services to Iomart Group PLC for a period of four years.
- 1.2. To seek delegated authority to the Group Director of Finance to enter into a contract agreement.

2. Authorising context

- 2.1. Under the Scheme of Financial Delegation Group Board approval is required for contracts relating to revenue expenditure in excess of £1 million.
- 2.2. It is anticipated that the total value of this contract over four years will not exceed £1.8 million (excluding VAT).

3. Risk Appetite and Assessment

- 3.1. The 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)*". Due to significantly changed operations across all services delivered by Group, Group IT have ensured that the Desktop Hosting solution and service provision provides maximum flexibility for delivery of desktop access arrangements (across home, office, remote and 3rd party delivery), performance of the solution, security of service access, and ongoing maintenance and updates to the hosted platform.
- 3.2. An assessment of the risks associated with the services proposed is detailed below:

Risk Area	Mitigated by
Internal staff capacity and capabilities to design, manage and deliver VDI technology services	Collaborative design work has completed for the technology services and hosting platform, including Group IT network and infrastructure integration. The hosting contract includes 24x7 support and monitoring and will be integrated to Group IT Service Delivery.

Security of external (untrusted) access to services for staff and 3 rd parties	Multifactor authentication services are included within the service and will be deployed to ensure that staff and 3 rd party access is securely managed and delivered.
Value for money	Pricing includes all licensing and support/hosting/management costs and is fixed for the term of the contract. Capacity uplifts (assuming staff or utilisation growth across the contract) are included and fixed cost.
Future support and operational improvements	Desktop hosting software, hardware updates and full security patching schedule are included within the hosting services delivered.

4. Background

- 4.1 The computer desktops used by Wheatley staff (other than DGHP) are provided by a set of technologies termed “VDI” – Virtual Desktop Infrastructure. This technology has been in use within Wheatley Group since 2011. The VDI technology has provided safe, secure and flexible working for all staff across Group and has been a significant enabler of the current working arrangements since the Covid-19 lockdown.
- 4.2 We maintain two primary desktop hosting platforms (of different ages, both at maximum capacity), delivering desktop services across a range of roles and locations. Both platforms have been aggressively managed to the end of their service life as the 2015-2020 technology strategy was completed and in advance of projected technology refreshes from 2020-21. The current platforms are available to staff via home/remote access (using Group hardware, or by staff personal devices) and by traditional office arrangements.
- 4.3 Replacing and upgrading our VDI is an important element of our new technology strategy. It supports our new operating model, will improve the home working experience for staff and will facilitate DGHP staff moving on to a common desktop platform with the rest of Wheatley. A detailed paper on our future technology plan, which will support our 2021-26 strategy and operating model, will be brought to the December Board.
- 4.4 As well as access to a range of critical services (applications, data services, a common ‘desktop’ that is familiar and understood by staff) VDI has provided a wider set of business and technical benefits since launch:
- Simplified management and support to staff
 - Safe and secure delivery of technology to staff
 - Flexibility in the access to applications from a range of trusted and untrusted locations (offices, remote users and home use)
 - Rapid and flexible build and deployment of services to staff across Group and during major business changes (e.g. partner integration projects)
- 4.5 As the VDI service currently in use has reached the end of productive life, a replacement technology service is required to maintain and improve staff access to desktops and desktop services whilst supporting current and future working arrangements and flexible delivery.

- 4.6 We commenced exploration of desktop replacement options in early 2019 as part of a future desktop strategy. Since then, we have also taken account of the impact of the pandemic and our proposed operating model changes, with fewer office-based workers and more home working.

5. Discussion

- 5.1 In seeking to procure a technology replacement to current desktop hosting services we have sought to achieve the following outcomes:
- A modern technology platform and service delivery approach for all users in Group
 - Improved staff experience across office applications, enterprise applications and general computer access and usage
 - Improved support for a wider range of staff devices
 - Improved security for staff accessing Group applications from a range of locations
 - Maximising the investment in existing hardware and devices deployed to staff, offices and staff homes
 - Rapid build and deployment of the technical solution, with minimal disruption to staff
 - Increased capacity to allow wider delivery of desktop and application services to new partners, and improved flexibility for the delivery of capacity increases
 - Improved operational management across technical teams and a reduction in end-user support tasks, issues and incidents

We explored several options as outlined below:

Option:	Action	Pros	Cons
Option 1	Do Nothing	<ul style="list-style-type: none"> Existing services maintained and continue to be used as far as possible 	<ul style="list-style-type: none"> 300 staff impacted by loss of desktop capacity All staff impacted by continued access to an aged desktop platform (increased support costs and calls, reducing user experience and impact to efficiency) Ongoing costs to maintain the present configuration would be high and continue to increase year on year (e.g. for security patching of Windows OS, other support)
Option 2	Physical-only replacement of desktop services	<ul style="list-style-type: none"> Dedicated device, access to local hardware/services Improved/available offline services Wide range of devices available 	<ul style="list-style-type: none"> Additional desk-based office deployments would be contrary to current strategy Increased staffing levels to manage and resolve break-fix scenarios (including at branch/home locations) Limited suitability for key use cases (3rd parties, contractors, stakeholders, temporary staff) Additional remote data access services still required (CSC, Power Users) Offline operations still limited
Option 3	WVD/Cloud PC approach	<ul style="list-style-type: none"> Cloud-only service provision Flexible capacity management Innovative desktop service approach (however still early stage technology) IT management "light touch" Pay per use model 	<ul style="list-style-type: none"> Technology is at an early stage of evolution Management and build/deployment options limited Configuration and customisations limited (e.g. for key user roles) Cost-control can be challenging (pay per use model) and overall costs remain high compared with other cloud computing services Additional investment in end point connections for staff and users Offline services not available
Option 4	VDI Private Cloud/DAAS (Desktop as a Service)	<ul style="list-style-type: none"> Service improvements available to staff through improved application access and compatibility; performance of platform; reduced support requirements/incidents; Modern platform offering current and future working enhancements: common user experience, lower training and learning effort; productivity enhancements for users (faster completion of tasks, improved web browser and Internet services); improved utilities across voice, image, notifications; improved Office application integration and optimisation (Word/Excel/Outlook/Sharepoint/Teams) Minimum end-user changes (training/experience) 	<ul style="list-style-type: none"> Solutions can be complex (however specialist vendor support is available) Offline services not available Additional consideration of DR service required

		<ul style="list-style-type: none">▪ Security and Compliance benefits▪ It Operations improvements across management, configuration and end-user technical support	
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- 5.2 We consider that the only viable option in light of our proposed future operating model is **Option 4**, providing a replacement platform under a 'Desktop-As-A-Service' contract. The status quo would involve our current desktops becoming increasingly outdated and make it impossible to migrate DGHP onto a common platform. Other options are either insufficiently proven at this stage or involve a major investment in office-based physical desktop terminals, at a time when we are significantly reducing our office presence. We have worked with our current data centre partner, Iomart Group PLC, who are able to provide a new desktop service hosted within our primary data centre.
- 5.3 Iomart's VDI service can be procured in a legally compliant way via direct award via the Scottish Government Cloud Services Framework, representing the most effective, efficient route to market and securing attractive commercial rates for the Group. This will also provide public sector agreed terms and conditions that will ensure this contract delivers the commercial and service assurances required for such a critical end-user platform.
- 5.4 The Iomart Group PLC provide a range of data centre and hosting services to Group, including co-location and infrastructure as current service offerings. Additionally Iomart Group PLC:
- Understand our complex needs and have knowledge of our specific service requirements across the group and are presently providing 24-hour technology hosting services across data centre and infrastructure;
 - Satisfaction levels in relation to their services provided is high, across technology, operations and service delivery;
 - They maintain existing service delivery arrangements with Group key technology partners (Virgin Media, Microsoft, Dell, VMWare, Trend Micro);
 - They have experience of design and operations of complex VDI solutions to a number of large organisations, including dedicated VDI delivery resource alongside their wider technology partners;
 - They provide value for money when market tested with alternative providers – we estimate that bringing in a new provider would cost around £400k more in terms of set up costs than linking in with our existing data centre provider. We have also compared annual unit prices for equipment (storage, memory capacity, racks, etc) with other suppliers, with Iomart's costs being lower than all others we assessed.
- 5.5 Iomart have already developed detailed IT system architecture necessary to implement the new platform, meaning we can move quickly to implementation without a lengthy process of scoping as would be required with any new supplier. This reduces any risk to the effective functioning of our desktop operations, which is particularly crucial given the scale of remote working taking place at present. Service Level Agreements for core service support and wider platform operations have been proposed, including 24-hour support, incident management, and monitoring.
- 5.6 As a hosted platform managed and securely delivered within Group data centre environment, the initial build to user deployment plan will ensure accelerated project delivery. Desktop service improvements across performance, experience, features, security and future capacity will therefore be delivered within a 6-9 month planning window.

Improved Desktop Technology For all Staff

5.7 Alongside a core technology refresh and upgrade, the technology improvements will include:

- **Key user experience and productivity improvements**

- Improved integration of new collaboration software and services across MS OneDrive, Sharepoint integration and Teams, with audio services integrated.
- Improved performance, stability of desktop services, web browser and Office integration allowing tasks and activities to be completed more quickly and easily, with enhancements across Office and application access and compatibility
- Improved voice services, video and image handling and processing, print and scan services. Improved support for multiple displays and complex image handling and video
- Improved remote access support across a wider range of devices. Support for existing office devices and services (equipment deployed in offices and staff homes).
- Familiar experience of Windows/Office reducing learning and instruction and significantly easing user adoption and migration

- **Improved resilience, capacity and security**

- Desktop platform has been sized to accommodate current Group staffing profiles and future extensions for DGHP integration and wider operating model changes. Fixed price capacity uplifts have been agreed for up to 200 additional users per uplift
- Technology support across all services improved, including 24 hour technical support, management, and pro-active monitoring
- Improved desktop hosting to offer simplification of desktop application delivery, builds and deployments.
- Updates, patches and configuration changes available to desktops with limited interruptions, outages and loss of productivity across staff
- Improved security of the platform and the services delivered to staff, to significantly reduce risk of account compromise and unauthorised access and monthly security updates across all desktops and services
- Delivery will be maintained on premise, with controlled devices and virtual desktops, providing secure, remote access to all staff from home/office/hybrid working locations.
- Integration with existing security and authentication platforms, providing single sign on for staff and 3rd parties

5.8 These improvements will support the Digital Workplace ambition of Group and current and future flexible working approaches, with the compliance, governance and security benefits delivered through virtual desktop infrastructure.

5.9 We are reviewing the recommended Windows 10 and Office 2019 user migration and learning support for staff, however note that Windows 7/Office 2010 & 2016 are broadly similar in user interface and experience and intend to

deliver online training and conversion courses to staff 2-4 weeks prior to their desktop migration.

- 5.10 An awareness and communication plan will be designed and delivered to staff across the project (due to commence in September 2020), and will target role-based groups of managers, staff and teams, with migration and onboarding generally covering 50-100 staff per migration. Due to the widespread nature of staff working from home, dedicated Helpdesk support (dedicated contact number, processes and online self-service portal) will be established across the user migrations to minimise business impact to staff across migrations.
- 5.11 Immediately following project completion, a review of desktop and user support processes and staffing will be conducted. Desktop management and support tasks are expected to be simplified, quicker to deliver overall, with a reduction in the volume and complexity of user support calls. FTE savings that may arise from this review have not been included in any financial or cost implications. The service review is expected to be completed by November 2021.

6. Key issues and conclusions

- 6.1 We have benefitted from the delivery of VDI services for the last 10 years and the end of life platforms require a planned technology refresh. The VDI DaaS approach minimises the complexity of delivering an upgrade to how our staff access their computer desktops. The security, performance and management improvements alongside enhanced user experience (specifically enterprise applications, MS Office applications including Sharepoint, Teams and collaboration software) will ensure that staff have access to modern technology platforms that support their business service delivery.
- 6.2 The preferred option is to contract with Iomart Group PLC to deliver a co-managed desktop hosting platform. The proposed contract is for a four-year term.
- 6.3 We have reviewed the credit standing and financial position of the proposed supplier. Iomart Group Plc is a Glasgow-headquartered information technology firm. It was founded in 1998 and was listed on AIM in 2000. Current market capitalisation is £370m. As at March 2019, the most recent available statutory accounts, the company has Net Assets of £104.4m, Revenues of £103.7m and Gross Profit £66.7m (Margin 64.3%). It has an Equifax rating of 'A' (defined as Excellent), and recommended as suitable for credit of up to £3m. Their clients include the NHS, Joseph Rowntree Foundation, Pernod Ricard and the British Red Cross. The full Equifax report can be provided to Board members on request.

7. Value for money implications

- 7.1 The Framework Agreement operates with a fixed pricing mechanism held for a period of four years across the contract. Future capacity uplifts, if required, are also offered on a fixed price basis.

8. Impact on financial projections

- 8.1 A capital budget for the project is allocated for the current financial year, and up-front capital project costs are projected to deliver within this budget of £650k.
- 8.2 The platform hosting and running costs per year thereafter are forecast to be £435k per annum, with a reduction in costs in specific areas of current delivery (across data centre hosting costs, software licensing costs and wider delivery costs) forecast at £150k per annum. Last year, an additional £500k per year

revenue costs was added into the business plan for IT, taking the annual budget to £4.1m.

8.3 The net cost of £285k per year can be accommodated within this budget. As we look to move more services to digital platforms, it is likely that the business plan provision will need to increase – but any such proposals will be subject to individual business cases.

8.4 We have not included DR (Disaster Recovery) costs within the contract or project, as a separate technology project is in late stages of delivery assessing a lightweight and more cost-effective DR solution than is available via VDI or other virtualisation technologies. Additionally, over 1800 mobile devices (including laptops, tablets, smartphones) are currently deployed and in use across Group and have access to email, collaboration and content services through Office 365. DR services are currently under review and likely to be recommended to core/key staff comprising 4-600 roles.

9. Legal, regulatory and charitable implications

9.1 Iomart Group PLC will be procured through a fully compliant OJEU framework in line with all relevant legislation.

10. Partnership implications

10.1 This contract will be created as a service for all group subsidiaries, with capacity and future growth (if required) targeted at DGHP integration and business/partnership growth across 2021-24. The service has the potential to be extended to meet the needs of future growth through the allocation of fixed price capacity increases (tiered at 200 user uplifts). This contract offers a future proofed service to both existing and any new partners within Wheatley Group, demonstrating the value of economies of scale and leverage from a large and growing group and the consolidation of Group enterprise technology. Additional savings on current partner delivery costs are expected through service consolidation and decommissioning of new subsidiary desktop and remote access services.

11. Implementation and Deployment

11.1 Following agreement to proceed with the project and contract, a Project Board will be established to manage delivery of the project technology and business engagement.

11.2 Project delivery will be supported by Group IT staff from Network, Infrastructure and Desktop engineering roles with the core architecture and platform technical build managed via Iomart Group PLC. Implementation will include migration of users, as well as user learning and training delivery (anticipated across late February and early March for the initial user migration).

11.3 We intend to migrate all staff within 12 months of project initiation, specifically from March – August 2021; migrations are expected to be handled seamlessly and out of hours for all staff (minimising disruption and user issues), whilst ensuring that staff have a common experience and business technology support model as soon as possible.

12. Equalities impact

12.1 There are no equalities impacts to be noted.

13. Recommendations

13.1 The Board is asked to:

- 1) Approve the award of the Group contract for the provision of desktop hosting services to Iomart Group PLC for a period of 4 years;
- 2) Delegate authority to the Group Director of Finance to execute the contract agreements; and
- 3) Note that a Group technology plan will be brought to the December Board as part of our new operating model proposals.