WHEATLEY HOUSING GROUP LIMITED

BOARD MEETING

29 September 2021
10.30am at Wheatley House

AGENDA

1. Board and office bearer appointments
2. Declarations of Interest
3. Minutes of meeting held on 26 August 2021 and matters arising
4. Group CEO Update
5. 2022 RSL Rent Setting and Updated Financial Projections
6. Independent review of our pandemic response
7. NETs mobile working (Presentation)
8. Group Performance update
9. Group new build performance report
10. DGHP repairs subcontractors
11. AOCB

Date of next meeting
– Thursday 7th October at 14.00 (additional meeting)

Wheatley Group

Report

To: Wheatley Housing Group Board

By: Anthony Allison, Group Company Secretary

Subject: Board and office bearer appointments

Date of Meeting: 29 September 2021

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1. Purpose

1.1 To formally confirm:

- the appointment of the Group Chair and Group Vice-Chair; and
- ratify the appointment of Lindsey Cartwright, Eric Gibson and Mairi Martin as Subsidiary Chair Board Members.

2. Authorising and strategic context

2.1 Under the Articles of Association the Board are responsible for electing the Chair of the Board and the Vice-Chair. The Board are also responsible for appointing Board members, rather than via electing them at Annual General Meetings.

3. Risk Appetite and assessment

3.1 Our agreed risk appetite for governance is “cautious”. This level of risk tolerance is defined as a “preference for safe delivery options that have a low degree of inherent risk and have only limited potential for reward”.

3.2 The Board have already agreed to the appointment of the Group Chair and Vice-Chair as well as the new subsidiary Chairs joining the Board. This report seeks to formalise what the Board have agreed and therefore there are no material risks are identified.

4. Background

4.1 The Board have already agreed on the appointment of Jo Armstrong and Martin Kelso as Group Chair and Group Vice-Chair respectively. This report formalises these appointments and confirms today’s meeting as the start date of their terms of appointment.

4.2 The Group RAAG Committee has already agreed to the appointments of Lindsey Cartwright, Eric Gibson and Mairi Martin as the Chairs of Wheatley Care, Loretto Housing and Lowther Homes, and WLHP respectively. This report formalises their appointments as Subsidiary Chair Board Members and listed directors of the company.

5. Customer Engagement

5.1 As governance related matters, there is no direct customer engagement as part of the proposals.

6. Discussion

Group Chair

6.1 Under our Articles (59.7) the Chair must be elected from the Board members and be willing to act as the Chair until the end of their office term.

6.2 Under Article 59.5 the initial office term “shall commence on the date of the Chairperson's appointment and shall expire immediately prior to the next scheduled Board Meeting held after the expiry of three years from the date of the appointment”

6.3 The Board is asked to formally confirm the appointment of Jo Armstrong’s office term with immediate effect. Under the Articles (59.11) Jo may then be re-elected for a further two-year term.

Group Vice-Chair

6.4 Under Article 59.13 the Board may appoint a Vice-Chair. The Board have previously agreed they wish to appoint Martin Kelso as Vice-Chair until his retirement at the 2022 Annual General Meeting (“AGM”).

6.5 The Board is asked to formally confirm the appointment of Martin Kelso as Vice-Chair with immediate effect until the 2022 AGM.

Subsidiary Chairs

6.6 Under Article 39 (39.8-39.9), the Board are responsible for appointing Subsidiary Chair Board members. Any persons appointed as Subsidiary Board Members in terms of Article 39.9 must each be the Chair of a Subsidiary at the time of their appointment. Lindsey, Eric and Mairi have now been formally confirmed as Chairs by their respective individual Boards.

7. Digital transformation alignment

7.1 There are no digital transformation related activities within this report.

8. Financial and value for money implications

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

9. Legal, regulatory and charitable implications

9.1 The appointments are in line with our Articles of Association and in compliance with the Scottish Housing Regulator Regulatory Standards of Governance.

10. Equalities implications

10.1 There are no equalities implications associated with this report.

11. Environmental and sustainability implications

11.1 There are no environmental or sustainability implications associated with this report.

12. Recommendations

12.1 The Board is asked to:

1) Confirm the appointment of Jo Armstrong as Group Chair with immediate effect;
2) Confirm the appointment of Martin Kelso as Group Vice-Chair until the 2022 Annual General Meeting with immediate effect; and
3) Note that Lindsey Cartwright, Eric Gibson and Mairi Martin meet the criteria of Subsidiary Chair Board Members and approve their appointments as Subsidiary Chair Board Members with immediate effect; and
4) Note all appointments are under the terms of the governing body remuneration policy.

Report

To: **Wheatley Housing Group Board**

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

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

Subject: **2022 RSL Rent Setting and Updated Financial Projections**

Date of Meeting: **29 September 2021**

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1. Purpose

1.1 This report:

- Seeks agreement from the Board for the range of 2022/23 Registered Social Landlord (RSL) rent and general service charge increases for consultation;
- Sets out how we intend to consult tenants on these proposals; and
- Provides the Board with a mid-year update on the financial projections and key financial indicators for our RSLs.

2. Authorising and strategic context

2.1 Under the Group Authorising Framework, the Group Board is responsible for the Group rent setting framework. Subsidiary Boards approve their own rent increases within this framework.

3. Risk Appetite and assessment

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

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

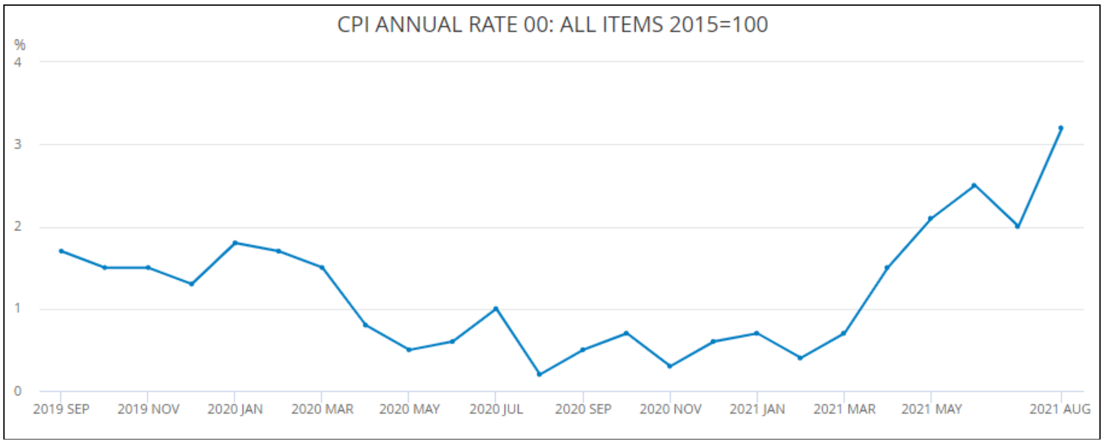
3.3 The decision on rent increases involves striking a balance between the need to continue our path into underlying surplus (as set out in our business plan), meeting our objective of borrowing only to invest in new homes, continuing to deliver services our customers tell us they want, and keeping rents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

4. Background

4.1 In March 2021 we proposed to the Board that rent increases for the next two years would be reduced from the assumptions in the approved 2021/22 Business Plan to 1.4% in the West RSLs and 1.0% in the East RSLs with previous ballot commitments being delivered for DGHP and former Cube and Barony tenants. This reduction from 2.4% and 2.9% in April 2022 and 2023 respectively was funded through savings in interest costs as a result of the breakage of £100m of interest rate swaps.

4.2 In recent months however, there has been a great deal of fluctuation in inflation (Chart 1 below) and rates have increased significantly. CPI has increased from 0.4% in February 2021 to 3.2% in August and RPI from 1.4% to 4.8% over the same period.

Chart 1: CPI trend for the period from September 2019 to August 2021



4.3 The expectation is that rates will increase further in the coming months as energy prices increase and demand rises with the easing of Covid restrictions in many countries. The latest forecast from the Bank of England monetary policy committee (Chart 2) is that rates may approach 4% by the end of 2021 before falling back to the target of 2% in around 2 years' time.

Chart 2: Forecast inflation per Monetary Policy Report (August 2021)

Classified as Public

4.4 In addition to general inflationary increases, supply constraints and excess demand for building materials are projected to result in further inflationary cost pressures which will impact us. UK Government figures show that construction material prices for repairs and maintenance rose by 23% between July 2020 and July 2021 and for new housing by 19.8% over the same period. The Office of National Statistics has projected that costs for certain materials, such as timber, are expected to more than double. The increase in national insurance to pay for social care will also increase costs across the group. In light of these factors, it is important that we re-assess our financial projections.

5. Customer Engagement

5.1 Addressed in paras 6.35 to 6.40 below.

6. Discussion

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

- Affordability;
- Comparability;
- Consultation with tenants and service users; and
- Financial viability

<u>Affordability</u>

6.2 Our average rents for 2020/21 are shown in table 1 below. This shows that weekly rents for Wheatley RSLs are generally close to the Scottish average. Dunedin Canmore rents are the highest in most categories, reflecting the legacy differences in rent structure in existence when it joined the Group. Loretto Housing also have higher rents particularly in smaller properties, this is due to the inclusion of service charges for the provision of housing support.

Table 1 : Group RSL average rents – March 2021 ARC return

RSL*	Average Weekly Rent					Total Units	Overall Average Rent
	1 Apt	2 Apt	3 Apt	4 Apt	5+ Apt		
Dunedin Canmore	£111.40	£95.48	£106.97	£116.89	£121.33	5,212	£102.27
Loretto HA	£113.05	£92.46	£93.42	£102.37	£118.55	2,360	£96.54
WLHP		£86.16	£92.80	£98.44	£106.85	725	£92.30
GHA	£72.54	£82.75	£88.21	£102.31	£112.03	42,409	£89.44
DGHP		£75.44	£82.42	£88.53	£96.17	9,978	£82.49
Wheatley Average	**£74.19**	**£84.40**	**£88.66**	**£99.97**	**£110.01**	**60,684**	**£89.71**
Scottish RSL Average	**£78.96**	**£85.59**	**£88.15**	**£97.46**	**£109.51**		**£89.74**
WHG vs RSL Ave (%)	-6.03%	-1.39%	0.57%	2.57%	0.46%		-0.03%

6.3 We do not have detailed data on our tenants' incomes, however there are several factors which we can take into account when considering affordability.

6.4 We engage directly with tenants regularly through our independently conducted tenant satisfaction surveys. In the most recent survey in 2019, the percentage of tenants that felt that our rents represent good value for money had increased in the majority of our partner RSLs compared with the previous year as shown in table 2 below.

Table 2: tenant survey scores on the value for money of rent

% of tenants who feel the rent for their property represents good value for money							
	GHA	**Cube**	**Loretto**	**DCH**	**WLHP**	**Barony**	**DGHP**
2019/20	79%	73%	77%	88%	89%	84%	90%
2018/19	76%	64%	81%	85%	84%	84%	83%

6.5 There are local factors influencing the survey results across individual RSLs, and different experiences of service quality and investment in customers' homes influence these scores. Rent levels are likely to play a part, and we have used the Scottish Federation of Housing Associations ("SFHA") Rent Affordability Tool to assess how affordable our rents are.

6.6 The UK minimum wage grew by 2.2% in April 2021, as well as continued public sector pay rises, such as the 3.3% general uplift for care workers and the final 3% of the COSLA deal for local government workers. Scottish Government tax policy over the same period has also favoured the lower-paid and increased their real incomes[1].

6.7 In response to the pandemic the UK government introduced a temporary increase to the in Universal Credit ("UC") payments of £20 per week. This is due to end in October 2021. However, for full UC claimants, the housing costs element of their UC will still increase to cover any increase in housing costs in full, subject to the benefits cap. This cap is £20,000 a year for a couple or single parent with children, and £13,400 for a single person, and our analysis shows that our rent proposals will still leave significant headroom to this cap for our customers. For example, a 2-bed rent of £400 per month, or £4800 per year, leaves a significant of headroom for other benefits and our customers do not hit this cap.

6.8 An in-depth affordability analysis of our social rents is set out in Appendix 1, using the SFHA's Tool. While the results are subject to the inherent limitations of the assumptions used in this Tool, and are necessarily generalised based on an assumption that no individual earns more than the UK government minimum wage, it provides a useful assessment of our position in each RSL and each part of the country.

6.9 Our analysis highlights that the vast majority (97%) of our rents consume less than one-third of average net estimated household income, which is often taken as an indicator of rent being affordable. Shelter (2015) cited in the recent Scottish Government literature review of rent affordability have quoted a figure of 35% of net household income[2] as an affordability threshold. A UK Affordable Housing Commission report from 2019 noted that if rent is higher than 40% of net income[3], then serious affordability issues may arise.

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[1] https://www.gov.scot/publications/scottish-income-tax-2020-2021/

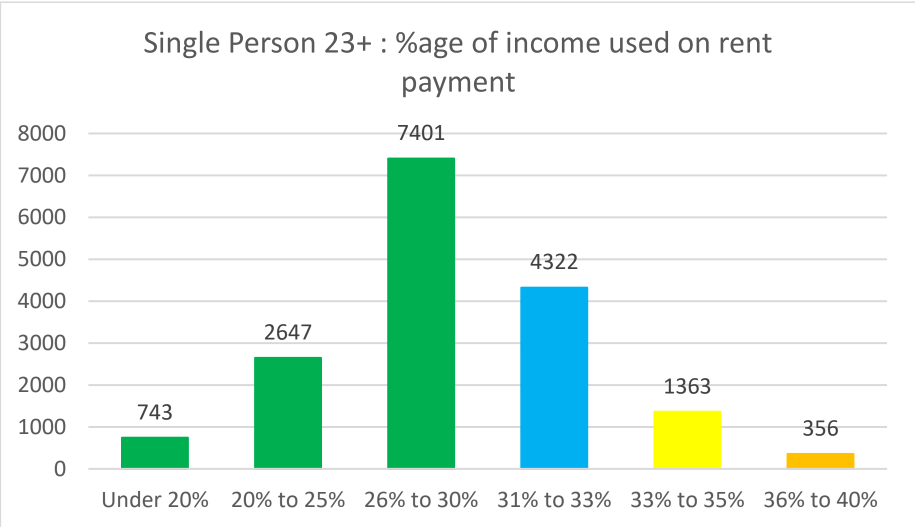
[2] https://www.gov.scot/publications/rent-affordability-affordable-housing-sector-literature-review/pages/4/

[3] https://static1.squarespace.com/static/5b9675fc1137a618f278542d/t/5cf55923f41ae70001170311/1559583017920/Defining+and+measuring+housing+affordability.pdf

6.10 As expected, our initial analysis showed that, consistent with previous years, bedsit (including supported communal living / hostel accommodation) and one bedroom properties where these are occupied by single people in Loretto and Dunedin Canmore appear have higher rent to income ratios. For many supported tenancies, this is because service charges are in place to fund the housing support costs. These are paid for in almost all cases by housing benefit.

6.11 Excluding supported-type accommodation, the 3% (c1750 homes) that are estimated to be at rent-to-income levels of above one-third are still almost all bedsits and one-bedroom properties. Of these properties, around 1500 are GHA and 220 are Dunedin Canmore. We have no general needs (non-supported) properties in the Group in the above-40% category. The chart below assumes that bedsits and one-bed properties are occupied by single people on the minimum wage to test affordability assumptions. As noted above, if the tenant is not working, our rents are at levels that will be fully covered by housing benefit or Universal Credit.

Chart 3: Rent to net minimum wage income percentages – assuming single person occupancy (bedsits and one-bedroom properties)



6.12 The properties in the categories above 33% in the west of Scotland are almost all Multi-Storey Flats in the west/central/south areas of Glasgow. This is a legacy of the deemed "amenity value" of these locations relative to the east and north of the city when rent structures for the GHA properties were originally set by Glasgow City Council.

6.13 In the east, rent levels tend to be higher in general, but smaller Dunedin Canmore flats (one-beds) built in the last 10-15 years and a number of Dunedin Canmore properties in West Lothian fall into the above one-third of income categories.

6.14 To put these figures in context, rent levels across these categories are typically in the range of £95-£105 per week. These rents compare to average private sector one-bedroom rents in 2020 of £605 per month in Greater Glasgow and £760 in the Lothian region[4]. The median rent for sharing a property where a bedroom is part of the rent in Glasgow was £410 per month, £325 in West Lothian and £375 in Glasgow.

6.15 We continue to offer a wide range of wraparound services and wider support to our customers who are experiencing financial hardship. This includes our Helping Hands Fund, fuel vouchers and EatWell packages. We have around £500k remaining in our Ofgem-supported Energy Crisis Fund and will be using this to support customers through the winter.

<u>Comparability</u>

(i) Glasgow position

6.16 Table 3 below shows the most recent available comparison of RSL rents in Glasgow City from the Scottish Housing Regulator's Annual Return on the Charter ("ARC") published data. Note that the latest SHR data available at Local Authority level is for 2019/20.

Table 3: Glasgow RSL average rents + service charges at March 2020 (Source ARC 2019-20)

Glasgow City >1000 homes	Rents					
Social Landlord	1 Apt	2 Apt	3 Apt (Rent)	4 Apt	5+ Apt	Overall Average Rent
Whiteinch and Scotstoun Housing Association	£ 81.22	£ 88.30	£ 95.52	£106.34	£118.85	£ 93.34
Southside Housing Association Ltd	£ 65.70	£ 85.55	£ 94.91	£104.11	£105.00	£ 91.54
Glasgow West Housing Association Ltd	£ 68.69	£ 83.67	£ 93.70	£102.92	£115.39	£ 88.07
Govanhill Housing Association Ltd	£ 71.60	£ 84.31	£ 92.62	£109.22	£122.91	£ 91.48
Sanctuary Scotland Housing Association Ltd	£ 53.19	£ 76.65	£ 92.48	£100.05	£ 99.30	£ 94.90
Glen Oaks Housing Association Ltd	£ -	£ 82.76	£ 87.57	£ 95.14	£117.51	£ 91.10
Thenue Housing Association Ltd	£ 67.54	£ 80.55	£ 86.84	£ 99.24	£105.58	£ 88.65
North Glasgow Housing Association Ltd	£ 70.61	£ 78.96	£ 86.06	£ 95.50	£105.91	£ 86.00
Partick Housing Association Ltd	£ 57.39	£ 76.02	£ 85.52	£100.87	£108.56	£ 82.20
Glasgow Housing Association Ltd, The	**£ 70.31**	**£ 80.11**	**£ 85.35**	**£ 98.98**	**£108.26**	**£ 86.54**
Parkhead Housing Association Ltd	£ 55.20	£ 68.50	£ 84.61	£ 93.64	£115.46	£ 81.29
Queens Cross Housing Association Ltd	£ 70.83	£ 80.30	£ 84.14	£ 93.33	£106.05	£ 83.10
New Gorbals Housing Association Ltd	£ 57.97	£ 72.56	£ 83.53	£ 94.65	£107.75	£ 81.41
West of Scotland Housing Association Ltd	£ -	£ 82.52	£ 83.10	£ 93.31	£ 99.93	£ 85.85
Maryhill Housing Association Ltd	£ 67.75	£ 78.27	£ 81.68	£ 85.90	£ 95.27	£ 80.69
Elderpark Housing Association Ltd	£ 66.97	£ 71.32	£ 79.79	£ 95.55	£112.71	£ 78.72
Rosehill Housing Co-operative Limited	£ 57.76	£ 68.77	£ 77.85	£ 77.13	£ 82.07	£ 76.96
Linthouse Housing Association Ltd	£ 54.91	£ 66.32	£ 77.44	£ 85.09	£103.92	£ 73.49
Shettleston Housing Association Ltd	£ 33.91	£ 69.44	£ 77.15	£ 87.27	£109.64	£ 75.72
Govan Housing Association Ltd	£ 69.89	£ 67.81	£ 76.05	£ 86.85	£103.99	£ 74.33
Tollcross Housing Association Ltd	£ -	£ 63.78	£ 71.74	£ 89.88	£100.52	£ 73.03
Milnbank Housing Association Ltd	£ 51.19	£ 58.38	£ 66.55	£ 77.00	£ 81.69	£ 65.01

6.17 GHA's average rents compare well with other large providers in Glasgow, particularly given its wider service offering and the prevalence of multi-story flats ("MSFs") with associated expense for 24/7 on-site presence (around ¼ of GHA stock). The figures for GHA have been adjusted to include properties transferred from Cube. Due to the legacy structural issue with higher rents in Cube it was agreed as part of the stock transfer that rent increases on these properties would be capped at 1% for three years.

[4] https://www.gov.scot/binaries/content/documents/govscot/publications/statistics/2020/11/private-sector-rent-statistics-scotland-2010-2020/documents/private-sector-rent-statistics-scotland-2010-2020/private-sector-rent-statistics-scotland-2010-2020/govscot%3Adocument/private-sector-rent-statistics-scotland-2010-2020.pdf

6.18 Loretto's figures are skewed by the levels of service charges for specialist supported accommodation and have therefore been excluded from the table above. When compared with other specialist RSL providers that focus on older people/supported housing such as Bield and Trust, particularly for one bedroom properties, Loretto compares favourably as shown in the table below.

Table 4: Specialist provider average rents + service charges at March 2020 (Source ARC 2019-20)

Supported	Rents					
Social Landlord	1 Apt	2 Apt	3 Apt (Rent)	4 Apt	5+ Apt	Overall Average Rent
Bield Housing & Care	£137.23	£142.55	£135.27	£118.95	£ -	£141.03
Hanover (Scotland) Housing Association Ltd	**£103.95**	**£117.49**	**£118.16**	**£116.35**	**£113.12**	**£117.50**
Viewpoint Housing Association Ltd	£ 95.95	£108.56	£112.19	£121.50	£ -	£108.67
Ark Housing Association Ltd	£ 87.67	£ 99.24	£110.36	£102.70	£106.13	£103.60
Trust Housing Association Ltd	£129.33	£119.70	£ 93.11	£ 94.34	£ 92.14	£113.34
Loretto Housing Association	£108.93	£ 91.36	£ 90.35	£ 99.03	£114.66	£ 93.16

(ii) Edinburgh, the Lothians and Fife

6.19 Dunedin Canmore's rents reflect the higher rent profile of the Edinburgh market, and are around the median for social landlords in the city.

Table 5: Dunedin Canmore rents + service charges compared to other large Edinburgh Social Landlords (March 20 – Source ARC 2019-20)

City of Edinburgh	Rents					
Social Landlord	1 Apt	2 Apt	3 Apt (Rent)	4 Apt	5+ Apt	Overall Average Rent
Viewpoint Housing Association Ltd	£ 95.86	£108.70	£114.36	£121.50	£ -	£109.00
Hillcrest Homes (Scotland) Limited	£ 76.84	£ 92.05	£109.69	£121.48	£140.38	£103.99
Home in Scotland Ltd	£ -	£ 97.01	£102.56	£111.54	£ -	£102.53
Port of Leith Housing Association Ltd	£ 73.84	£ 91.16	£102.49	£112.94	£124.31	£ 97.55
City of Edinburgh Council	£ 78.62	£ 89.07	£101.68	£117.07	£126.18	£101.23
Dunedin Canmore Housing Limited	**£ 84.05**	**£ 91.46**	**£100.67**	**£110.60**	**£117.74**	**£ 97.26**
Castle Rock Edinvar Housing Association Ltd	£ 71.42	£ 83.04	£ 96.43	£107.62	£128.38	£ 92.30
Manor Estates Housing Association Ltd	£ -	£104.75	£ 95.89	£ 98.33	£120.78	£ 99.68
Link Group Ltd	£ 68.71	£ 81.80	£ 92.76	£103.08	£113.65	£ 87.80
Prospect Community Housing	£ -	£ 79.29	£ 86.49	£ 99.72	£114.56	£ 92.20
Muirhouse Housing Association Ltd	£ -	£ 72.57	£ 85.49	£ 96.32	£109.91	£ 87.33
West Granton Housing Co-operative Ltd	£ -	£ 71.37	£ 81.87	£ 92.52	£112.71	£ 84.74

6.20 In West Lothian rents for WLHP are broadly in line with other local operators in the area. Dunedin Canmore's stock in West Lothian has higher rents than other RSLs in the council area.

Table 6: Dunedin Canmore and WLHP rents in West Lothian

West Lothian	Rents					
Social Landlord	1 Apt	2 Apt	3 Apt (Rent)	4 Apt	5+ Apt	Overall Average Rent
Dunedin Canmore Housing Limited	£ 94.97	£ 92.86	£100.07	£111.55	£ -	£ 95.99
Castle Rock Edinvar Housing Association Ltd	£ -	£ 76.79	£ 96.83	£107.11	£115.29	£ 94.84
West Lothian Housing Partnership Ltd	**£ -**	**£ 80.66**	**£ 88.09**	**£ 94.98**	**£103.34**	**£ 88.88**
Almond Housing Association Ltd	£ 55.85	£ 73.21	£ 82.08	£ 92.46	£105.19	£ 86.36
Weslo Housing Management	£ 61.06	£ 74.51	£ 80.01	£ 87.42	£ 97.77	£ 83.24
West Lothian Council	£ 63.95	£ 69.71	£ 73.76	£ 78.16	£ 83.73	£ 74.80

Dumfries & Galloway position

6.21 DGHP rents are compared with the other local operators below. They are significantly below the averages for other RSLs operating in the region, particularly for 3 Apartment (2 bedroom) homes. The comparator figures are based on the whole stock base for those landlords, as rents analysed by local authority are not made public.

Table 7: DGHP rents in Dumfries & Galloway

Dumfries & Galloway	Rents					
Social Landlord	1 Apt	2 Apt	3 Apt (Rent)	4 Apt	5+ Apt	Overall Average Rent
Cunninghame Housing Association Ltd	£ -	£ 80.23	£ 99.53	£107.98	£115.97	£102.00
Home in Scotland Ltd	£ -	£ 87.52	£ 89.23	£ 88.58	£108.37	£ 88.91
Loreburn Housing Association Ltd	£ 73.52	£ 83.11	£ 89.15	£108.89	£106.33	£ 90.64
Irvine Housing Association Ltd	£ -	£ 74.55	£ 82.35	£ 90.38	£103.12	£ 83.97
Dumfries and Galloway Housing Partnership	**£ -**	**£ 73.98**	**£ 80.83**	**£ 86.82**	**£ 94.34**	**£ 80.89**

6.22 We will not know the increases proposed by other RSLs until later in the year, so we cannot compare relative increases at this stage. However, a number of organisations still operate on the basis of linking rent increases to published inflation indices such as RPI and CPI, usually taken around November.

Financial viability

6.23 The Board received an update to the business plan in March of this year to seek approval of the hedge breakage in the RSL borrower group. The RSL Borrowing Group and DGHP have different funding, loan covenant and business plan structures at present so are considered separately below.

6.24 In the **RSL Borrowing Group**, we have updated the financial projections presented in March 2021 for the following changes:

(i) **Unbudgeted cost pressures**

- An additional £0.7m of costs have been included each year from April 2022 in respect of the recently-announced increase in employer's National Insurance; note that this is equivalent to 0.3% of our rental base

- Assumed pay inflation has been increased from 1.5% in each of the next two years to 3% in 2022 and 2% in 2023 in recognition of the higher CPI.

(ii) **Business resilience provisions**

- As we embed the new operating model, provision has been made for an increase in staff capacity at Customer First Centre at a cost of £1.7m per annum. This is a prudent provision and staffing capacity may be subject to further revision in future, but in the initial period of the new model, we propose to ensure a strong level of resource capacity to deal with customer enquiries "right first time".

- We will still deliver a £1m employee cost saving this year, but defer further savings of £2.5m to provide greater stability for a period after the transition to the new operating model. Savings of £1.5m and £1m are now assumed in 2025/26 and 2027/28 respectively.

- A provision for early retirement / voluntary redundancy payments of £0.5m per annum has been retained to deliver limited restructuring and local changes.

- Contingency of £0.5m per annum created to provide for any additional costs that may arise from the new operating model. Given we do not have experience of full operation of the new model yet, an extra provision has been made (eg for increased travel costs as our staff spend more time out and about visiting customers rather than in offices); this will be subject to review and may be reduced or removed depending on the level of costs incurred.

(i) **Funding changes**

- The Dunedin Canmore loan from THFC which was due to move to a variable rate in October 2021 has been re-fixed at a rate of 1.25% resulting in savings in interest costs versus our previous projections.

- £100m of floating rate borrowings are assumed to be fixed at 3% from April 2022; this will be reviewed nearer the time.

- Variable interest rates have been reprofiled to show a more gradual rise than previously assumed to 5% by 2026/27, one year later than previously assumed. This reflects the current low rates while still maintaining significant prudence relative to independent forecasts.

(ii) **Development programme**

- The development programme has been reprofiled to reflect the latest forecast spend and completions, taking into consideration the expected impact of supply issues. This results in a slowing of the programme, with c620 completions this year, but around 500 in each of the next two years, down by 300 over a three-year period from previous assumptions.

  - [redacted]

(iii) **Investment programme**

- Anticipated savings of £3m as a result of the VAT shelter have been reflected in the current financial year, now that we have comfort at the half-year these will crystalise.

- We have assumed some limited deferral of investment works will be necessary based on current delays in material supply and uneconomic prices being quoted for certain items. We have reduced current year spend by £3m in the RSL borrowing group (equivalent to 5% of the capital budget) and £2m in 2022/23 on the assumption these issues continue into next year. We will continue to review the position and update the Board as part of the next revision of the business plan for February.

(vi) **Updates for latest actual income and expenditure**

- The previous forecasts have been updated to reflect the latest in-year position and forecast for the remainder of the current year, as well as the final audited outturn from 2020/21 in our statutory accounts following completion of the external audit.

(vii) **Rents**

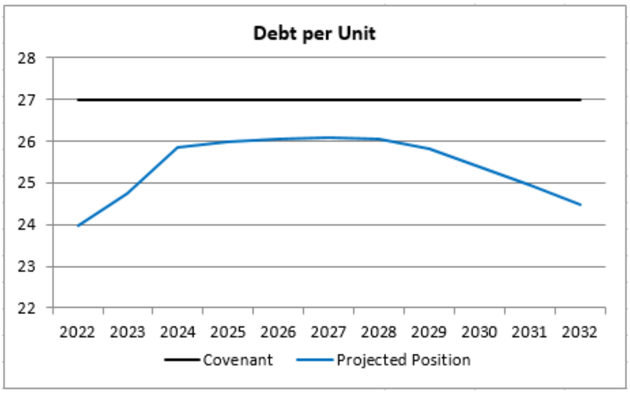
- While we have taken account of the pressure on household incomes, the challenges presented by increasing prices will require us to increase rents by more than assumed in March, although still below the assumptions made in the business plan considered by the Board in February this year. It is proposed that our base rent increases in April 2022 are as follows:

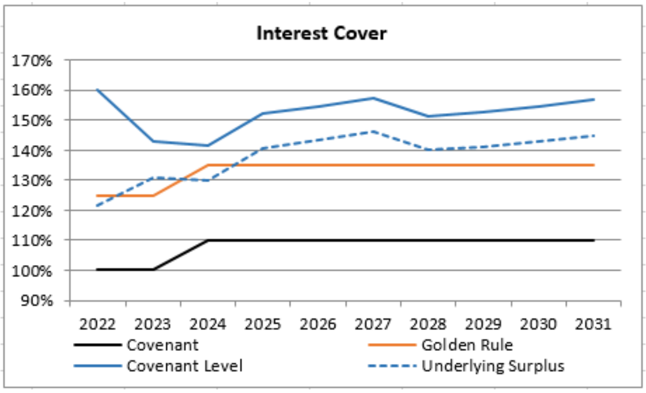
  a. **GHA, Loretto, West Lothian Housing Partnership and Dunedin Canmore - 1.9% (with options presented to tenants for 2.4% and 2.9%)**

  b. **Ex-Cube stock – 1% in line with the specific ballot outcome from earlier this year (no options for higher increases)**

  c. **DGHP and Ex-Barony stock – 2% in line with specific ballot proposals previous voted on by tenants (no options for higher increases)**

6.25 The impact of these changes, using the base rent assumption, creates a balanced business plan that meets our minimum financial policy requirements for the RSL Borrowing Group. The position on two of these policies (or “Golden Rules”) is shown below:





6.26 The charts show that minimum headroom is maintained in line with our Golden Rules of 25% to the interest cover covenant and £50m to the debt per unit limit. The dashed line on the interest cover chart shows the position were all capitalised spend on fixed asset additions (other than off-the-shelf acquisitions of homes) to be included. This is the key measure of underlying break-even, and shows we continue to improve over the life of the new strategy.

6.27 The figures highlight that we would not be able to meet our debt per unit Golden Rule if we increased spending or reduced income relative to the assumptions noted above.

6.28 This updated plan assumes no new external borrowing facilities would need to be put in place until 2023/24, when we would require to raise in the region of £150m. This will however be heavily influenced by the speed of delivery of our new build programme and will be kept under review.

6.29 In **DGHP**, the approved projections have been updated to reflect:

(i) The final audited results for 2020/21;
(ii) The latest forecast spend and completions for the development programme
(iii) Per the RSL borrower group above, an increase in assumed pay rises from 1.5% to 2.5% in the next two years and an allowance for increase National Insurance costs from April 2022

6.30 At the end of August, spend on the DGHP investment programme was £8m vs £13m budget, in the context of a full year budget of £33m. There is a risk that some of this investment budget may have to be rolled forward into next financial year. We have assessed various scenarios for this and the impact on loan covenants. Under these scenarios, the updated financial projections show DGHP can continue to meet covenants.

6.31 Service charges would be increased in line with rent, except where different pricing adjustments are required based on specific service cost changes. Any such differential service charge increases would be subject to specific consultation with tenants.

6.32 Where an RSL proposes potential options for increments of 0.5% and 1% over the base increase level, we propose that the extra funds would be used to deliver increased investment through local “You Choose Challenge” funds.

6.33 RSL partner Boards would consider their own increases at their next meetings, and then the feedback from the consultation process at their February meetings. If a majority of tenants are prepared to pay the higher rent increase in exchange for increased local investment, then the RSL boards may consider that an increase higher than the base level should be implemented. The final proposals from each RSL, within the proposed parameters, would be presented to the Group Board in February 2022 for final approval.

6.34 We are required under statute to consult with tenants on proposed rent and service charge increases. Our proposal for how we will engage with customers is set out below.

Consultation process

Part 1 - initial and in-depth consultation

6.35 The easing of restrictions, coupled with the advancements of digital platforms and increased customer appetite to engage digitally allow us to reintroduce focus groups to our consultation process. The focus groups have previously provided deeper customer insight than the formal consultation process. They also fit with our new engagement framework, and provide a good opportunity for recruitment of tenants to our new engagement structures.

6.36 It is proposed that we hold circa 40 focus groups, which will be independently facilitated by BMG. With 6-8 attendees at each, we expect to engage over 250 tenants across the Group.

6.37 The focus groups will be a mix of in-person and digital. As with previous years, focus groups will be RSL based. We will also seek to engage a diverse range of tenants.

6.38 The focus groups will be provided with a copy of the draft rent setting booklet in advance and the sessions will be broadly structured as follows:

Introduction (Opening presentation)
- Opening address from MD or Head of Housing/Locality Director
- Overview of what service and investment customers have received in the previous year
- What can be achieved for the year ahead based on the rent proposals
- MD leaves –Independent facilitator takes over

Discussion
- What do people think in general?
- What might they pay more for? –more investment?
- Highlight 'you choose challenge' approach for greater participation in local spending – what do they think of this model?
- Stronger voices, increasing engagement –what do they think about more flexible opportunities to stay involved?

Closing
- MD returns in case any questions need answered
- Share feedback from discussion/suggestions for brochure and content
- Explain next steps for rent consultation

6.39 The focus groups will be held from mid-November to early December, after our partner RSL Boards formally approve their respective rent increases and brochures in early November.

6.40 Given the scale of focus groups we wish to hold, recruitment for the focus groups will begin in October to ensure we are in a position to commence as soon as possible following Board approvals.

Formal consultation

6.41 We will issue a formal letter to all tenants with a rent consultation booklet and response form. The exceptions to this will be where a previously voted-on ballot promise exists, such as for ex-Cube and Barony tenants, and in DGHP. A draft consultation booklet for Dunedin Canmore Housing is attached at Appendix 2 by way of example.

6.42 Following the focus groups, each individual RSL Chair will be briefed on the key messages and agree any changes to the consultation booklet based on focus group feedback.

6.43 We propose to engage Civica Election Services ("Civica") to operate the formal consultation on our behalf. We have used Civica for all our tenant ballots and they will provide additional independence to the process. As with the ballots, Civica would issue the consultation documents and provide us with independently verified results.

6.44 The consultation process will run for 6 weeks from 13 December to 28 January. Following this, formal proposals will be brought to Boards in February, which will take account of both the focus group feedback and the consultation responses.

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1 As set out above.

9. Legal, regulatory and charitable implications

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

10. Equalities implications

10.1 No implications noted.

11. Environmental and sustainability implications

11.1 No implications noted.

12. Recommendations

12.1 The Board is asked to:

1) Agree that the proposed range of rent and service charge increases for 2022/23 as set out in paragraph 6.25 be presented to partner RSL Boards as the basis for tenant consultation; and
2) Approve the approach to rent consultation set out in this report and note that the results of consultation will be presented to the Board in February 2022 to enable final rent decisions to be made.

LIST OF APPENDICES:-

Appendix 1 – Affordability assessment using SFHA rent affordability tool.
Appendix 2 – Draft Dunedin Canmore consultation booklet

Group Rents Overview

Affordability Assessment

August 2021

Background

In June 2019, the Scottish Government published "Rent Affordability in the Affordable Housing Sector[5]", a literature and evidence review into the current state of affairs in Scotland.

The document cites rent affordability as increasingly an issue in housing, which is at the centre of several Scottish Government strategies, such as the Tackling Child Poverty Delivery Plan and Housing Beyond 2021.

This research highlights that there are many different measures and approaches to assessing rent affordability. These range from average rent-to-income ratios, to more complex estimation techniques that aim to target minimum disposable income levels for different household groupings after allowing for housing costs. The Scottish Federation of Housing Associations ("SFHA") developed an affordability tool in conjunction with Housemark to recognise this, which calculates a number of indicators of affordability for a given rent. We have used the rent-to-income percentage calculated by this tool in our board reports in recent years as part of our affordability assessment.

Using the SFHA Tool, we have established a base income position for a range of customers groups assuming pay rates at the UK government's national minimum wage. The percentage of income required by each of these customer groups to pay rent is then assessed to determine affordability.

59,380 properties included in the analysis. The remaining 2,326 properties are a combination of Living Well, Over 55 & Amenity, Support Providers or Supported Accommodation – these units are excluded as these are client group specific and potentially subject to variable rents or enhanced service charges, usually covered by housing benefit, to reflect housing support provision.

Customer Groups & Income

Income levels are based on full time work (unless otherwise stated below) using the national minimum (Living) wage for 2021, which was £8.91 per hour, less tax.

Customer Group	Income
Single Person	£ 282.94
Couple 1 PT 1 FT	£ 424.41
Couple 2 FT	£ 565.88
Single Parent (1 Child)	£ 367.82
Single parent (2 Children)	£ 452.70
Small Family (2 Children)	£ 594.17
Large Family (3 Children)	£ 679.06

House Size by Customer Group

For the purposes of the analysis customer groups have been suited to house sizes. No assumptions on either under or over occupation have been included in the analysis.

		House Size				
Customer Group	Income	1 Apt	2 Apt	3 Apt	4 Apt	5+ Apt
Single Person	£ 282.94	✔	✔			
Couple 1 PT 1 FT	£ 424.41		✔			
Couple 2 FT	£ 565.88		✔			
Single Parent (1 Child)	£ 367.82		✔	✔		
Single parent (2 Children)	£ 452.70			✔	✔	
Small Family (2 Children)	£ 594.17			✔	✔	
Large Family (3 Children)	£ 679.06				✔	✔

Affordable Rent

Our rents for 2019/20 (in order to be consistent with the wage assumptions built into the SFHA Tool) have been assessed against income levels across each of these customer groups to establish affordability.

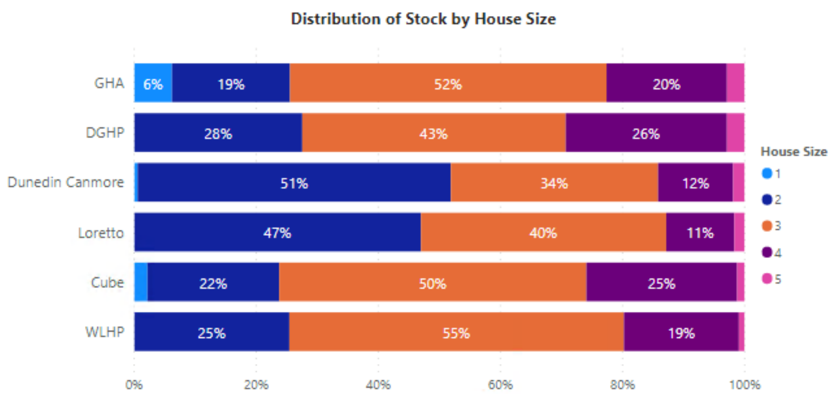
2019/20 Average Rents and Units by Subsidiary

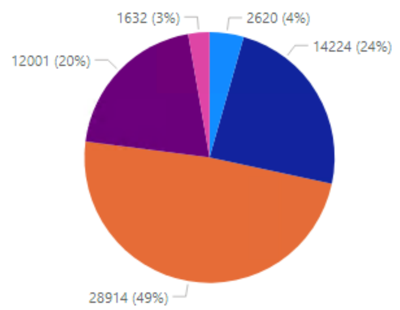
Average Rents by RSL

RSL	1 Apt		2 Apt		3 Apt		4 Apt		5+ Apt		Total	Overall
	Ave Rent	Units	Ave Rent	Units	Ave Rent	Units	Ave Rent	Units	Ave Rent	Units	Units	Average
Dumfries & Galloway HP		0	£73.98	2,780	£80.83	4,334	£86.82	2,604	£94.34	302	10,020	£80.89
Dunedin Canmore	£85.61	28	£91.30	2,776	£100.62	1,607	£110.76	587	£117.74	118	5,116	£97.04
GHA	£70.31	2,962	£80.11	8,476	£85.35	21,384	£98.98	8,104	£108.26	1,253	42,179	£86.54
Loretto HA	£108.93	89	£91.36	922	£90.35	927	£99.03	359	£114.66	35	2,332	£93.16
WLHP		0	£80.66	81	£88.09	300	£94.98	131	£103.34	7	519	£88.88
	£71.57	3,079	£81.74	15,035	£85.71	28,552	£96.84	11,785	£106.57	1,715	60,166	£86.77

Source: Scottish Housing Regulator: Stock data - All social landlord dataset : Lettable Stock and weekly rent data

Stock Distribution by House Size





Affordability Assessment

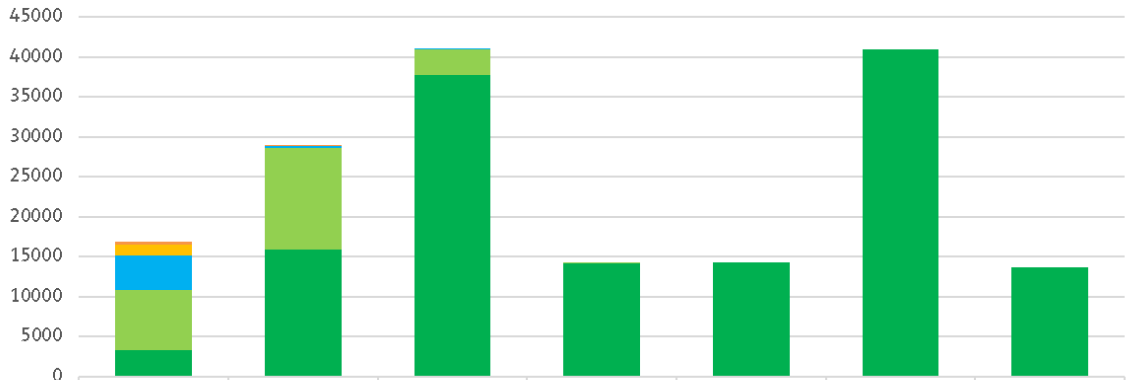
A range of indicators have been applied to our rents for each RSL associated with the customer group income based on national living wage.

There is no nationally agreed maximum affordability ratio for rent, but most research on the subject aligns with the findings of the UK Affordable Housing Commission (2019), which cites rent to income ratios of below one-third of income as traditional indicators of rent being affordable, with “serious affordability difficulties” being experienced at a ratio of over 40%[6].

Shelter suggests that any household that spends more than 35% of its net household income on rent (and service charges) may experience a disproportionate impact from housing costs. For the purposes of our analysis, the indicative threshold at which rent starts to become less affordable has been assumed at one third (33%) of disposable income.

The overall position indicates some rent charges for single people and single parents exceed this level. Rent charges for couples with and without children are typically below 25% of disposable income, based on the assumptions in the SFHA Tool.

Rent Affordability : %age of disposable income required for rent payment *(all applicable house sizes)*



	23+ Single Person	Single Parent (1 Child)	Single Parent (2 Children)	Couple 1 PT 1 FT	Couple 2 FT	Small family (2 Children)	Large Family (3 Children)
35% to 40%	356	4	0	0	0	0	0
33% to 35%	1364	25	0	0	0	0	0
30% to 33%	4322	295	14	0	0	0	0
25% to 30%	7401	12684	3185	35	0	0	0
20% to 25%	2647	14679	20225	5832	9	1439	51
Less Than 20%	743	1227	17491	8357	14215	39476	13582

6 https://static1.squarespace.com/static/5b9675fc1137a618f278542d/t/5cf55923f41ae70001170311/1559583017920/Defining+and+measuring+housing+affordability.pdf

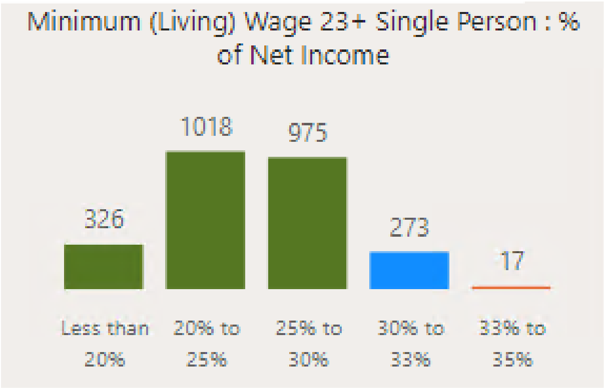
Affordability by Customer Group

Single People (23+) and Single Parents with one child are the only customer groups where the percentage of income for rent exceeds 30%

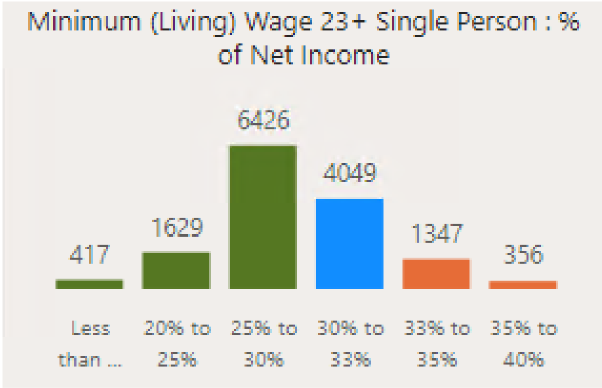
Single People 23 and over

- 90% of 1 and 2 apartment rents are under 33% of assumed income

1 Apartment

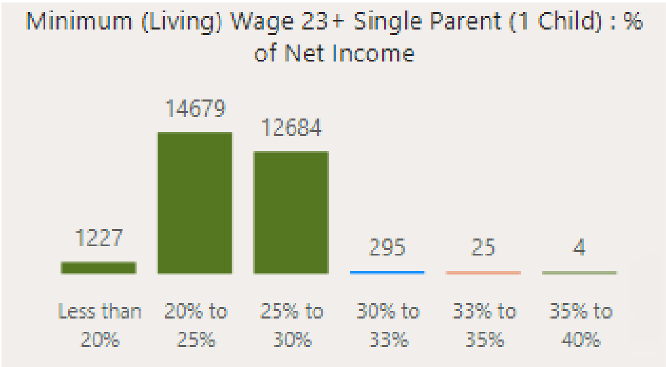


2 Apartment



Single Person 23 and over with 1 child

- 99% of 3 apartment rents are under 33% of assumed income (the 1 property over 40% is supported so excluded from the rent limit proposals)



For a single person 23 and over with 2 children, 99% of 3 apartment rents are shown as being under 33% of assumed income by the SFHA Tool's calculations. For couples with or without children, all rents are below 30% of disposable income.

Report

To: **Wheatley Housing Group Board**

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

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

Subject: **Independent review of our pandemic response**

Date of Meeting: **29 September 2021**

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1. Purpose

1.1 To provide the Board with the independent review of our response to the pandemic.

2. Authorising and strategic context

2.1 The pandemic struck as we were in the final stages of launching our 2020-2025 strategy. The Board spent considerable time discussing the implications of the pandemic for our strategy and subsequently agreed the revised 2021-26 strategy.

2.2 In addition to this, we agreed to commission an independent report on our response to the pandemic.

3. Risk Appetite and assessment

3.1 Our strategic risk register contains the risk of the "Ongoing threat of future waves of COVID-19 and / or another pandemic". Our mitigation to this risk is that we learn lessons from the Covid pandemic and factor these into our future strategy.

3.2 We have already updated our strategy to factor in lessons learned from the pandemic as well as accelerate a range of activities. Our annual renew/refresh strategy process embeds the flexibility to continue to take into account the future impact of the pandemic, for example on the economy.

4. Background

4.1 We have regularly updated this Board and partner Boards throughout the Group on the impact of the pandemic.

5. Customer Engagement

5.1 As part of the review, Campbell Tickell both engaged directly with customers from across the Group as well as reviewed directly customer feedback we have received during the pandemic.

6. Discussion

6.1. We commissioned Campbell Tickell to both independently review our response to and throughout the pandemic and capture our organisational journey.

6.2. Campbell Tickell's methodology incorporated a combination of the following:

- Group Covid data (non-personal data) including reporting and dashboards
- Desktop document review of a wide range of documents including Board papers and staff briefings and communications
- Interviews with a wide range of Board members, staff, Trade Unions and customers
- Engagement with key stakeholders such as Local Authorities and the Scottish Government

6.3. The methodology was designed to capture as wide a range of views and perspectives on our response and experience as possible. The Board received some initial feedback from Campbell Tickell on the review at its strategy workshop on 26 August, with James's concluding remarks being:

"The culture was strong, the leadership effective, the systems worked, focus on customers and their needs was real

A success story – pride is in order"

6.4. The draft Campbell Tickell report attached at Appendix 1. The report draws heavily on the feedback from interviews to tell our story through the words of our Boards, staff, trade unions and customers. It should be noted that the feedback was corroborated and reinforced by the extensive documents review.

6.5. The sections below draw out some of the key parts of the report and changes we already have or plan to make.

<u>Initial response and operating context</u>

6.6. The report, as expected, reiterates that the pandemic was unprecedented and as such organisations and Governments did not have ready-made business continuity plans.

6.7. It also frames the additional context for us as a Group. DGHP, then an organisation requiring significant transformation, had just joined the Group and we had just completed the creation of a single care vehicle in Wheatley Care.

6.8. The report acknowledges that we "*recognised in covid-19 a clear risk that business might not continue as usual*" and that as a result of this when the lockdown was announced "*the Wheatley Group was several steps ahead*".

Lockdown preparations

6.9. The early recognition of the risk, immediate and thorough contingency planning and our decisive organisational response are recognised throughout the report. In terms of our lockdown preparations specifically, the report notes that "*In every corner of the Wheatley Group detailed planning began in earnest in February*" and that "*an air of urgency had already overtaken Wheatley*". The first lockdown was announced in late March.

6.10. Our early preparations were critical in allowing us to establish supply chains for essential supplies, such as laptops and Personal Protective Equipment ("PPE"). This is recognised in the characterisation of our shift to home working as a "smooth transition". This included the establishment of a Virtual Call Centre in a very short space of time.

6.11. In addition to this, our established Business Continuity Planning arrangements meant that we had an existing structure and hierarchy which we were able to quickly mobilise.

Lessons learned and business changes

6.12. We have taken the lessons learned and our experience of working in lockdown to make important business changes. Having proven that our IT platforms can robustly support it and heard from our staff they want to retain an element of home working the Board agreed that our 2021-26 strategy would accelerate our new operating model.

6.13. Our first new Centre of Excellence, Wheatley House, is now operational and staff are currently being introduced to it through our Wheatley Way sessions.

6.14. We never faced any shortages of PPE throughout the pandemic due to our robust oversight of supply levels and strong supply chain relationships. A key element of our success was establishing our supply chains very early and keeping high levels of stock on hand. We have further extended our stock levels of PPE from 16 week's worth of supply to 36 week's worth. This ensures that we continue to reduce any risk associated with supply chain issues and provide reassurance to staff. This approach will remain for the foreseeable future.

6.15. Similarly, we did not experience any shortage of core IT equipment during the pandemic. As with PPE, we have created forward stocks of key IT equipment. We have also more fundamentally redesigned our IT support model to reflect our new hybrid working model. This includes: a dedicated support hub in the new Wheatley House Centre of Excellence; additional resources in the IT help desk in terms of both numbers and skills and expertise; and changes to operating hours to reflect staff working more flexible hours.

Protecting our customers

6.16. Our organisational ethos and values have always focussed on delivering for our customers. Our size and scale are a means to do more for our customers, with patch sizes at 1-200 amongst the very lowest in the UK. We pride ourselves on our high customer satisfaction levels in housing and care.

6.17. The review corroborates that our values remained evident during the pandemic, stating that "*Wheatley's service is anything but impersonal".* This is underlined by the report identifying that '*Communicating with customers came first*".

6.18. The Group CEO letter to every tenant and the fact it was our early focus on outbound welfare calls that identified hardship in our communities are referenced as key examples of our focus on communicating with customers.

6.19. The importance of the proactive welfare calls, in excess of 100,000, can not be understated. It was through these calls that we uncovered the scale of the issue in relation to access to food, with some customers having not eaten for days. The importance of these calls in maintaining a direct, personal engagement without customers and communities is reiterated throughout the report.

6.20. The sheer scale of the challenge in terms of hunger is captured in the report, noting that demand quadrupled from 1,000 in the first three weeks to 4,000 at the peak. This was through a combination of financial hardship, the requirement to shield and customers, understandably, being very hesitant to risk their personal safety going to shops.

6.21. As is recognised, we redeployed our own NETs staff to create the infrastructure needed to handle this volume whilst securing, very publicly announced by the First Minister, £350,000 is matched funding from the Scottish Government. A further £100,000 was also secured from Barclays.

6.22. The significance of our response is captured in the direct customer and stakeholder feedback captured in the report:

"I've just had my first meal in three days…………It's all thanks to Sharlene from the Mosspark – GHA tenant

"Wheatley group were at the forefront of the response across Glasgow" – Fare Scotland CEO

6.23. Whilst food poverty was a significant challenge, the report recognises that for many of our customers "*lockdown was piling on their deprivations*". Our response to this was the creation of an Emergency Response Fund as well as, again, leveraging in Scottish Government funding of some £330,000.

6.24. As is narrated in the report, the use of the Emergency Response Fund ranged widely. From making sure that customers had gas and electricity, to nappies for new born children, to our £20 Christmas voucher for every child. Although of themselves small things, within the context of the pandemic we know for our customers these were the difference between attending the funerals of loved ones and having cooking facilities.

Lessons learned and business changes

6.25. As indicated, being close to our customers and understanding the key issues in communities was our ethos pre-pandemic. The pandemic reiterated the value of this. The pandemic did however highlight the issue of social isolation, the networks people have in times of crisis and resilience in our communities more generally.

6.26. As part of our 2021-26 strategy, we prioritised the implementation of our new engagement framework. A key element of this will be Digital Neighbourhoods, which will allow customers, who are increasingly open to digital engagement, to support each other and their community more widely. This will support enhanced community resilience.

Homelessness

6.27. The report narrates the "*widespread public concern early in lockdown over the plight of Scotland's homeless people*". Our organisational response was immediate, in late March offering empty homes to Local Authorities.

6.28. The report also recognises the joint working in place within the Group, particularly the expertise of Wheatley Care who "*rose to the challenge*". This included Wheatley Care successfully taking over and managing the transition of the Bellgrove Hotel.

Lessons learned and business changes

6.29. Our contribution to homelessness has always been very high. The Board recognised the pandemic provided a once in a lifetime opportunity to end rough sleeping in Scotland.

6.30. In response to this, we further strengthened our commitment to being a key national partner in our 2021-26 strategy. This included a new commitment to house 10,000 households over the life of the strategy.

6.31. This commitment was codified through our new Group homelessness policy which increased the proportion of lets to homelessness. In Glasgow and Edinburgh we are now targeting 65% of lets to homelessness.

High Rise safety

6.32. During the pandemic, high rise properties were at heightened risk of transmission by the nature of their communal living. The report acknowledged the wide range of extra health and safety protocols we put in place whilst still delivering over 5,000 new high grade fire doors.

6.33. We know that our staff remained focus on making tenants feel safe in their homes. This was characterised by the feedback from our GMB Branch Secretary's feedback:

'I got calls from some of my members saying: "This housing association's sending the men away home.". I said what about the health and safety of the tenants in the multi-storey flats if no one is inspecting the buildings all the time? This is not just about a virus, we've also got to look after our customers' health and safety.'

Staff wellbeing and morale

6.34. Along with protecting our customers, our staff wellbeing was a key priority throughout the pandemic. The report sets out in further detail the challenges we faced in terms of health and safety protocols and securing PPE in a rapidly changing operating environment.

6.35. Our response reiterates the importance of our organisational foresight, agility and early planning. Examples include:

- Changing our finance procedures to ensure we secured rare PPE equipment
- Repurposing our offices to act as storage and distribution facilities for PPE
- 14 week supply lines for PPE

6.36. Our support for staff went significantly beyond the physical. The pandemic has impacted the mental health and wellbeing of individual's, ranging from social isolation to the devastating loss of loved ones.

6.37. We rapidly expanded our range of wellbeing support, including influencing external agencies such as the NHS. The welfare calls so vital with our customers were replicated with staff. This meant that we were able to offer support to staff in acute, and at time immediate, need.

6.38. The pivotal role of the Family Hub in not just supporting staff but retaining our connection with furloughed staff is highlighted in the report. Engagement through the Family Hub was high throughout the pandemic.

6.39. Our wellbeing activity was supported by the deployment of a bespoke communications strategy, including a significant increase in the level of communication as well as a whole new type of content. This included a host of new features, including:

- Weekly update to all staff and Boards from the Group Chief Executive
- 'A day in the life of' blogs
- '15 minutes with' blogs
- Daily Uplifts

6.40. The report observes that "*the response from frontline and support staff was unprecedented……….knowing they were not alone helped, but so too discharging their small successes*"

6.41. As part of the process, Campbell Tickell interviewed our two main Trade Union Branch Secretary's about our response to the pandemic and support for staff. The Trade Unions were not only very positive about our response, but offer a sharp parallel about the response outwith the Group.

Lessons learned and business changes

6.42. As we transition to our new operating model, we are or have already mainstreamed many of the internal communication and wellbeing approaches that have proven so popular. The range of new internal communications listed at 6.39 are now permanent features.

6.43. Our new Operating Model reflects staff feedback that flexibility in our blended working model allows them to achieve a better work life balance. This is also reflected in our new Wheatley House Centre of Excellence, which has a dedicated wellbeing area. We also continue to heavily promote our wellbeing support to staff.

6.44. We recognised from the pandemic that different styles of leadership are required in a home and blended working environment. We have already developed a new Leadership Development programme that will focus on equipping staff to lead in a blended model. We have also expanded the number of staff who will participate in our Leading in a Digital Era programme.

6.45. As already indicated, we have expanded our stock levels of PPE from 16 to 36 weeks.

Against all odds

DGHP

6.46. The significance of integrating DGHP, an organisation then subject to regulatory intervention, during a pandemic is acknowledged within the report. Having only joined in December 2019 we had only just agreed a transformation programme when it was overtaken by the pandemic.

6.47. The report sets out the scale of the challenge

- A new Managing Director who had three weeks of business as normal
- Only 28 of the 52 Housing Officer posts in the new operating model filled
- Bringing a repairs service in house
- Reassuring staff during a period of change exasperated by the pandemic

6.48. Just some of what has been achieved are captured in the report, including DGHP's first 5 year strategy and completing our first new builds. More pertinent is the testimony of a DGHP tenant Board member and the Leader of the Dumfries and Galloway Council:

"'We're getting a lot of refurbishment done to our properties and they need it badly and the Wheatley Foundation is doing a great job. We advertised jobs ….. there are two or three from around my area who've been taken on.'
DGHP tenant Board member

"Since the start of the coronavirus pandemic, the support provided by DGHP has been vital and we welcome the increased resources they have channelled into schemes to help vulnerable residents………. As Council Leader, I look forward to continuing this strong partnership working, particularly projects like Lochside Collaborative Regeneration, to achieve shared priorities and deliver positive outcomes for local people."
Cllr Elaine Murray, leader of Dumfries & Galloway Council

Care and support

6.49. The most vulnerable in society during the pandemic have been residents in care homes and who need day to day home support. The report underlines a relentless focus on protecting the People We Work For, digital agility and innovation, and standing firm with Commissioners and Local Authorities.

6.50. The commitment of staff in care is recognised, with the willingness of staff to change roles, spending less time with their own families to protect customers, and travelling by any means necessary to provide vital support.

6.51. A particular highlight is our refusal to accept anyone being discharged from hospital without a negative covid test case. This caution is reflected in the remarkable achievement of no deaths in regulated care. This is in stark contrast with the national picture.

Lessons learned and business changes

6.52. The pandemic has shown that appetite for digital engagement amongst the People We Work For is higher than might have been expected. As part of our strategy we have now included plans to have at least 20% of outreach services delivered through a blend of face to face and digital over the next 2 years.

Welfare support

6.53. At the start of the pandemic, a major risk identified was an increase in rent arrears as customers faced unprecedented financial challenges. This included a huge increase in customers having to access Universal Credit, many for the first time.

6.54. Our existing infrastructure, including a dedicated Universal Credit team, a secondment from the DWP and data management and reporting, were in place well before the pandemic struck.

6.55. The value of this support to senior staff and their staff supporting our customers is evident in their accounts in the report. This translates into what is described as "*At a more fundamental level, Wheatley housing officers are all now experts in helping tenants newly unemployed or in changed circumstances to claim universal credit*".

Lessons learned and business changes

6.56. We recognise that supporting our customers back into work will be increasingly important, with the labour market also likely to change post pandemic. As part of our 2021-26 strategy we have committed to increasing the level of support for customers, including employment support and the expansion of Wheatley Works.

New ways of working

6.57. As the report concludes in recognising we are already well advanced in grasping the lessons learned from the pandemic. This ranges from mainstreaming innovations such as virtual lettings to our new Ways of Working

6.58. The opening of our first Centre of Excellence in Wheatley House will underpin the transition to our hybrid working model. We are in the process of formally consulting tenants on our new ways of working which include significant changes to the Customer First Centre, the way we engage and, in some cases, our physical footprint.

7. Digital transformation alignment

7.1 As is recognised in the report, our digital transformation programme has played an important role in our response to the pandemic.

8. Financial and value for money implications

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

9. Legal, regulatory and charitable implications

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

10. Equalities implications

10.1 There are no equalities implications associated with this report.

11. Environmental and sustainability implications

11.1 As is recognised in the report, our new ways of working and increased use of technology will support us reducing our carbon footprint, particularly in relation to travel.

12. Recommendations

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

LIST OF APPENDICES:

Appendix 1 -Nobody Left behind – Wheatley through the pandemic and beyond [redacted]

Report

To:	**Wheatley Group Housing Board**
Report by:	**Steven Henderson, Group Director of Finance**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**Group Performance Update**
Date of Meeting:	**29 September 2021**

1. Purpose

1.1 This report presents the Board with an update on performance delivering the targets in the Group Performance Framework and strategic projects for 2021/22 as of the end of August.

1.2 Dashboards with the measures included in all three sub-sections for the five themes are attached as appendices. A summary of progress delivering the strategic projects is presented as a separate section and the dashboard is Appendix 3.

2. Authorising and Strategic Context

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

3. Risk Appetite and Assessment

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

4. Background

4.1 Cube’s properties migrated to GHA in April and to Loretto at the end of July. To reflect the differing rent billing cycles for Cube customers, for financial rent-based measures we report GHA A and GHA B to distinguish those previous Cube customers whose rent is billed differently. The same approach is now being used for Loretto.

5. Customer Engagement

5.1 We will present a summary of Regulator-validated 2020/21 performance against our key Charter measures to the Tenant Scrutiny Panel in October, along with an update on performance in the first part of 2021/22.

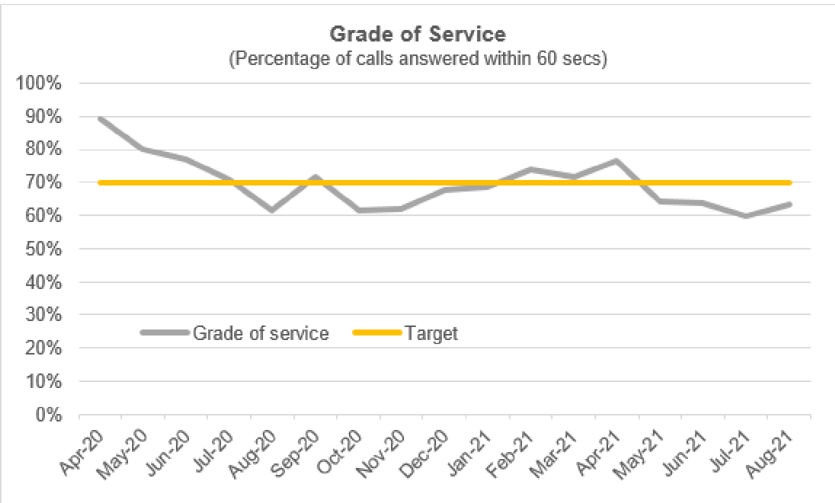
5.2 We also consulted the Tenant Scrutiny Panel on the new customer value approach that underpins the current Performance Framework. As noted last month, we are working with a provider to implement a suitable platform to gather more frequent customer feedback on the five customer service areas identified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

6. Discussion

Delivering Exceptional Customer Experience

6.1 Customer First Centre - Grade of Service

6.1.1 Between April and August, we answered 65.8% of calls within 60 seconds against our target of 70%. This grade of service was lowest in July, at 59.9% in-month, but has since increased to 63.3% in August. We are responding to high call volumes — 74k in August compared to 58.8k in April— as we deal with customer requests for repairs following the change in Scottish Government legislation which allowed us to fully remobilise the service.



6.1.2 In terms of demand:

- new repair demand is up by approximately 29% on our April figures
- existing repair demand is up by approximately 56% on our April figures
- Lowther demand is up by approximately 18%, relating to billing for repairs and environmental services.

6.1.3 We are working through a detailed action plan to complete all repairs requests; the spike was anticipated following remobilisation and is discussed further at 6.8 below.

6.1.4 As part of the creation of the Customer First Centre, we are increasing staffing resources. This includes specialist housing and commercial teams to increase the rate of first-time call resolution. The recent recruitment has also seen us reshape our staff contracts and bring into effect new shift patterns that will enable flexibility to meet peaks in demand.

6.2 Repairs Satisfaction

6.2.1 This Charter satisfaction measure is based on a very small census size; this measure covers a rolling twelve-month period, and the current volume of surveys reflects the restricted service delivered during the pandemic. We received 847 completed surveys in the last 12 months, which is less than 10% of the volume in 2019/20 and less than 0.5% of the jobs completed. The results are slightly above target.

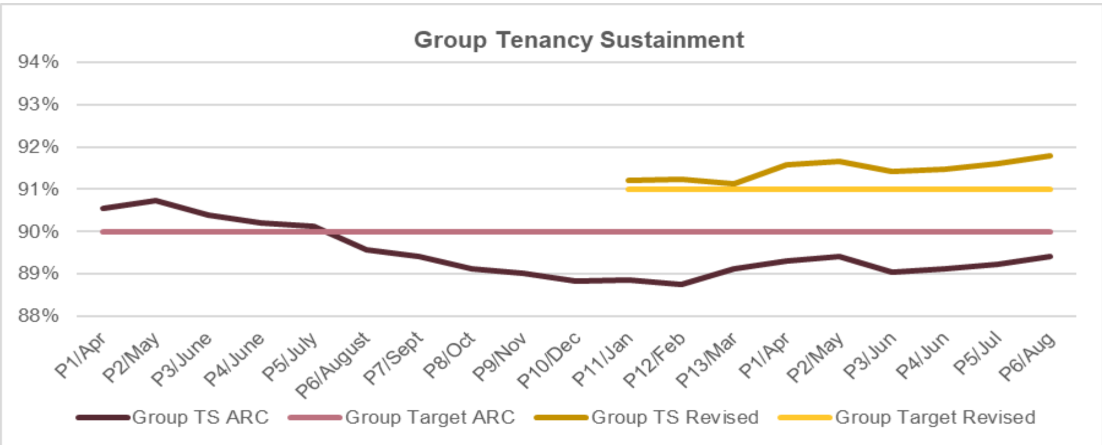
RSL		Number of Surveys	2021/22 Target	Current Value
West	GHA	532	87%	88.7%
	Loretto	39	87%	89.7%
East	DC	114	87%	89.5%
	WLHP	6	87%	83.3%
South	DGHP	156	87%	90.4%
Group		**847**	**87%**	**89.1% (+ or – 5%)**

6.3 Tenancy Sustainment

6.3.1 The percentage of new tenancies sustained for more than a year across the Group has shown consistent improvement over the last three months for both the Charter defined measure and our adjusted measure that excludes tenants who deceased or who transferred within Group.

6.3.2 We continue to achieve the 91% target with our revised tenancy sustainment indicator and are only 22 of 3,664 lets short of the 90% target for the Charter measure.

6.3.3 DGHP tenancy sustainment excluding deaths and transfers has been reviewed and re-calculated to align with the rest of the Group's approach. It now demonstrates an improvement compared to the Charter result, in line with the other RSLs.

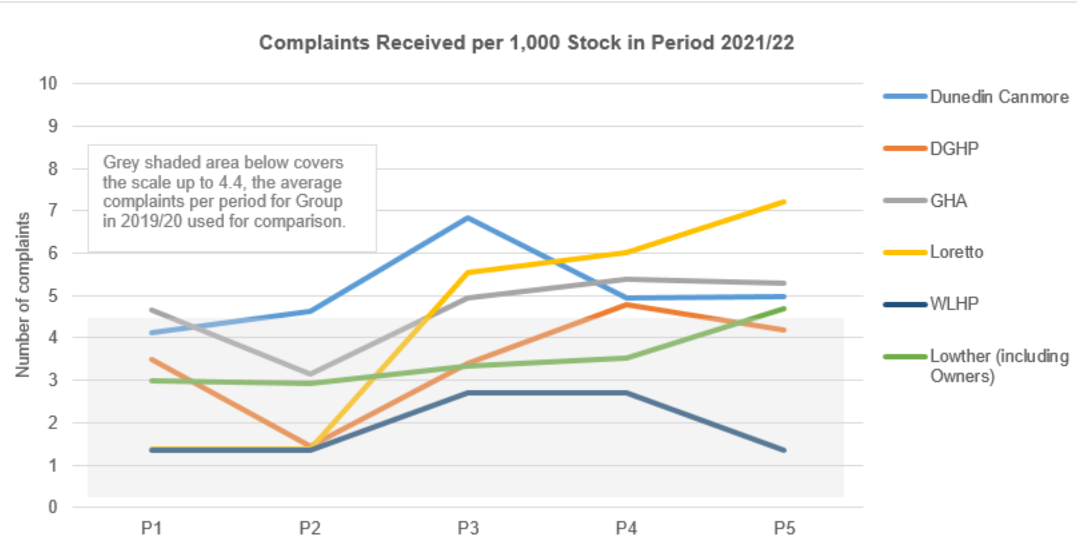


6.3.4 The table below provides tenancy sustainment breakdown at RSL level. GHA achieved the 90% target for the Charter measure for the first time since period 5 last year.

RSL	Tenancy Sustainment Charter	Tenancy Sustainment Excl. deceased / transfers
Dunedin Canmore	91.51%	93.77%
DGHP	85.60%	87.93%
GHA	90.21%	92.35%
Loretto	89.86%	94.97%
WLHP	91.96%	94.39%
Group	**89.41%**	**91.78%**

6.4 Complaints Handling

6.4.1 The number of complaints we are receiving has remained relatively consistent in recent months for our largest subsidiary, GHA, with some monthly volatility in our other partner organisation, as would be expected as services remobilise. This should be viewed in context with the volume of calls being received and handled by the Customer First Centre, which remain higher than usual.



6.4.2 The single largest category of complaints is repairs, for example, 33% of complaints to GHA and 20% made to Dunedin Canmore. However, in August, the number of complaints about repairs reduced as we worked through a detailed action plan to complete all outstanding jobs.

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

Percentage of complaints responded to in SPSO timescales	Stage 1		Stage 2	
	Complaints received	Percentage within 5 working days	Complaints received	Percentage within 20 working days
Dunedin Canmore	137	93.8%	23	85.2%
DGHP	121	82.3%	7	77.8%
GHA	517	95.9%	67	93.1%
Loretto	36	97.3%	6	100.0%
WLHP	4	100.0%	0	N/A
Lowther (including owners)	398	97.3%	81	86.2%

Making the Most of Our Homes and Assets

6.5 New Build Programme

6.5.1 The Group aim is to deliver 5,500 new homes over the course of the strategy. Our business plan target is to deliver 675 homes in 2021/22, of which 123 have been handed over as of the end of August. This is an increase of four since we last reported to the Board and is below our target of 166 by 43 units (below target by 21 for mid-market rental properties and below by 22 social housing properties). The following table shows the variance against targeted progress. We provide a more detailed update on the new build programme as a separate report on the agenda.

Project	Actual	Target	Variance	Comment
Auchinlea	23	23	0	Complete.
Bellrock	19	0	19	Delayed from 2020/21.
Kennishead	39	48	-9	Completed early September.
Main Street	37	12	25	25 had been expected last financial year.
South Gilmerton	0	20	-20	Due to material shortages, contractor expects first completions in December.
St Medans	5	5	0	Complete.
Queensbury Sq, Sanqhuar	0	12	-12	Project completed ahead of schedule in 2021.
Watson St Ph2	0	46	-46	Programming issues on site mean we now expect only 12 units by March 2022.
Total	**123**	**166**	**-43**	

6.6 Planned to Reactive Repairs

6.6.1 We have set a Strategic Result to achieve a ratio of planned to reactive repairs spend of 60%:40%. Spend figures are subject to investment programme profiling throughout the year. The ratio by RSL at end of August is shown in the table below. Spend figures are subject to investment programme profiling throughout the year.

6.6.2 Underspend on planned work for Dunedin Canmore and WLHP is resulting in an unfavourable ratio reported at end of August. The delay to Windows and Kitchen replacement programmes, which were pushed back to October to meet with RSBI manufacturing schedules, has also affected the current profile of planned to reactive spend.

Percentage Spend 2021/22		Planned	Reactive
West	GHA	60%	40%
	Cube (2021/22 prior to transfer)	61%	39%
	Loretto	53%	47%
East	DC	52%	48%
	WLHP	56%	44%
South	DGHP	59%	41%
Group total		**58%**	**42%**
		£23,309,208	**£16,590,401**

6.7 Volume of Emergency Repairs

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

Area	Completed Repairs					
	Emergency			Non-emergency		
	YTD August 2019/20	YTD August 2021/22	Variance	YTD August 2019/20	YTD August 2021/22	Variance
West	27,406	29.752	8.6%	48,384	41,808	-13.6%
East	2,766	3,428	23.9%	7,310	7,904	8.1%
South	4,259	5,274	23.8%	9,736	8,000	-17.8%
Total for Group	**34,431**	**38,454**	**11.7%**	**65,430**	**57,712**	**-11.8%**

6.8 Repairs Timescales and Right First Time

6.8.1 The average time taken to complete emergency and non-emergency repairs is detailed in the table below. We are seeing high levels of demand in our Customer First Centre, which are mostly customers requesting repairs following the change in legislation which allowed us to offer a full service again. We (and City Building) are also seeing some delays in receiving materials such as plasterboard, glazing and manufactured products like doors. As a result, our ability to complete non-emergency repairs to our target timescales is being adversely affected.

6.8.2 This spike in demand is reflected in there currently being 8,217 'live' responsive repairs at present in the west, 3,133 in the south and 1,176 in the east. Typically, we would expect levels around 5,000, 1,500 and 1,000 in the west, south and east respectively.

RSL		Emergency (hours)		Non-emergency (days)	
		Target	Current Value	Target	Current Value
West	GHA	3.00	3.00	5.50	6.97
	Loretto	3.00	3.06	5.50	5.90
East	Dunedin Canmore	3.00	3.77	5.50	5.62
	WLHP	3.00	2.81	5.50	5.86
South	DGHP	3.00	2.06	5.50	9.12

6.8.3 We have been working through a detailed action plan to complete these jobs, and this has included deploying extra trades resource (including additional subcontractors), offering overtime to all staff and procuring materials from alternative sources. We are seeing good progress from these actions and expect the situation to return to a normal operating position in the next 4 weeks.

6.8.4 The issues with material supply have also affected the right first time measures for each RSL, with only Loretto meeting target.

Percentage of repairs right first time (Charter)		2019/20	2021/22 YTD	Target
West	GHA	96.3%	94.8%	97.5%
	Loretto	96.4%	97.8%	97.0%
East	Dunedin Canmore	96.8%	94.5%	95.0%
	WLHP	96.4%	93.8%	95.0%
South	DGHP	83.5%	83.4%	92.0%

6.9 <u>Medical Adaptations</u>

6.9.1 Since April, we have completed the backlog of 201 cases that were outstanding and carried out 939 adaptations in total, a substantial increase from the 540 we reported last month. There are now 254 households waiting. We are receiving higher numbers of referrals than usual, as occupational therapy services resume more fully.

6.9.2 The average time to complete adaptations has improved for the Group, reducing from 47 to 42 days since last month. Given the low numbers of adaptations in Loretto, the average time to complete have been adversely affected by a small number of more complex cases that were on pause during lockdown.

6.9.3 The table below shows the number of households waiting, completions and the average time to complete adaptations by RSL.

Medical Adaptations	Current Households Waiting	Number Completed Year to Date	Average Days to Complete	Target
GHA	149	596	45.2 days	35.0
Loretto	9	66	72.1 days	35.0
Dunedin Canmore	4	52	9.0 days	35.0
WLHP	1	7	24.7 days	35.0
DGHP	91	218	32.4 days	35.0
Group	**254**	**939**	**41.9 days**	**35.0**

6.10 Gas Safety

6.10.1 We continue to be in a 100% compliant position for gas safety, with no further expired gas certificates. Current figures against the rolling 12-month Charter indicator are listed in the table below. The figures have reduced from 399 last month to six and will return to zero by the end of September.

Gas Safety	2020/21	YTD 2021/22
Cube	71	0
GHA	1,536	0
Loretto	114	1
Dunedin Canmore	122	0
WLHP	8	0
DGHP	298	5
Total	**2,149**	**6**

Changing Lives and Communities

6.11 Care Service Quality

6.11.1 Our Strategic Result is that 90% of Care services are graded five or above. However, no Wheatley Care service has had a formal inspection from the Care Inspectorate since December 2019 due to the pandemic.

6.11.2 The Care Inspectorate's focus remains on underperforming care homes with low grades and will continue to conduct inspections at these facilities, with a focus on quality indicators 1 (How well do we support people's wellbeing?) and 7 (How good is our care and support during the COVID-19 pandemic?). We are undertaking preparation for potential inspections, but there is no further update on last month's report to the Board.

6.12 Peaceful Neighbourhoods

6.12.1 The Group five-year strategic target is 70% of our tenancies are classed as "peaceful". The percentages of tenancies categorised as peaceful reduced slightly from 70.1% (62,827) in July to 69.7% (62,507) in August. Our CIP Police Information and Intelligence Team has identified the top repeat locations for all types of anti-social behaviour across the Group. There are 36 problem location work packages currently allocated to CIP officers for action. Our CIP Police Team focuses on working with the top repeat perpetrators, which the team believes has the biggest impact on the percentage of tenancies classified as peaceful.

Percentage of Wheatley Group tenancies classified as (year to date average):	2020/21		2021/22 YTD	
	No. of tenancies	%	No. of tenancies	%
Safe	6,529	7.3%	8,250	9.2%
Calm	20,931	23.3%	18,981	21.2%
Peaceful	62,279	69.4%	62,507	69.7%

6.13 Reducing Homelessness

6.13.1 The published ARC results for 2020/21 show that across the sector, 8,667 lets were made to applicants assessed as statutorily homeless. Wheatley Housing Group contributed 28% of this total—2,416 lets.

6.13.2 In the year to date, the Group has made 58.2% relevant lets to homeless applicants and remains on target. Most RSLs, apart from GHA and WLHP, are meeting their respective targets for the year.

6.13.3 GHA has achieved 60% against a target of 65% for the year, and this performance is related to Glasgow City Council returning properties unmatched. We are currently in discussions to resolve this matter. WLHP's result has been affected by West Lothian Council's stop on nominations during a review of allocations in the first quarter of this year. This has now resumed and WLHP has made100% of lets to homeless applicants in the previous two months.

6.13.4 We have let 1,116 homes to homeless applicants this year and well on track to deliver 2,000 by year end to contribute to the strategic result of 10,000 households over the next five years.

Percentage of lets to Homeless Applicants	Relevant lets only				Charter definition	
	2020/21	2021/22 YTD		Target	2020/21	2021/22 YTD
DGHP	51.8%	49.4%		45%	50.3%	47.2%
Dunedin Canmore	72.8%	69.2%		50%	61.6%	60.7%
GHA	65.7%	60.0%		65%	63.1%	56.1%
Loretto	57.1%	69.2%		50%	38.5%	45.2%
WLHP	69.7%	28.6%		50%	65.0%	26.1%
Group	**63.3%**	**58.2%**		**58%**	**59.7%**	**54.1%**

6.14 My Savings

6.14.1 Our Strategic Result is to have 60% of tenants with online accounts using the My Savings Rewards Gateway by 2026, with a target of 20% in year one of the strategy. As of the end of August, the percentage of customers who are registered with MySavings (5,203) has increased to 11.1% from 10.6% last month. Against our annual target of 5,000, the number of active users has declined over the year to date, from 923 in April to 292 in August.

6.14.2 Over the past month we have seen a reduction in the use of MySavings across our customer base. We can also see a considerable disparity between the number of customers with an online web self-service account and those using MySavings. We planned a promotion of MySavings to customers across our social media platforms, etc. as part of the re-introduction of web self-service for repairs but due to the delay in this we have been unable to progress with this work to date due to the pressures on the repairs and Customer First Centre call handling resulting from remobilisation.

6.14.3 We plan to run a short-term working group with customers to get their views on My Savings and to measure their awareness of the product. From this we will build an action plan to address any highlighted issues and develop targeted promotional activities.

Developing our Shared Capability

6.15 Sickness Absence

6.15.1 We have lost 3.47% of working time due to staff sickness absence in the year to date, compared to our target of 3%. There has been an increase since the beginning of the year and we are now reporting similar levels as in 2019/20.

6.15.2 Our top two reasons for absence across the Group continue to be stress/anxiety (32%), and minor illness (20%). Of the stress and anxiety cases, 21% of cases were related to work and the majority (79%) were due to employee's personal circumstances and coping through lockdown.

6.15.3 COVID-19 has created additional stress and anxiety in employees' personal lives, but also in their working lives as they adjust to working from home. Early in the first lockdown, we put in a place an increased level of welfare support to keep staff connected within the Group. We introduced flexible working to meet individual needs, for example changes to working hours, condensed hours, blended working and redeployment.

6.15.4 To address the anticipated increase in stress and anxiety, we also introduced enhanced counselling support for employees, their partners, and families. This new service gave us the flexibility to offer early interventions and avoid sickness absence. Any case identified as work-related stress requires a stress risk assessment process and we have improved the occupational health support to address work-related issues and allow us to implement changes to reduce stress and support staff. We have now seen work related stress stabilise with several cases remaining at work.

6.15.5 As part of our wider approach to absence management under the new operating model, we have also reviewed our absence management workshops, introduced process maps, and have readily available guidance on WE Connect. All related forms have been updated and we have introduced a 48-hour turnaround time to meet with any employee to identify the stresses and seek solutions. We are continuing to offer enhanced support through various wellbeing and learning programmes and will work closely with our occupational health provider and qualified therapists to make sure we have the maximum support mechanisms in place for our employees.

Enabling our Ambitions

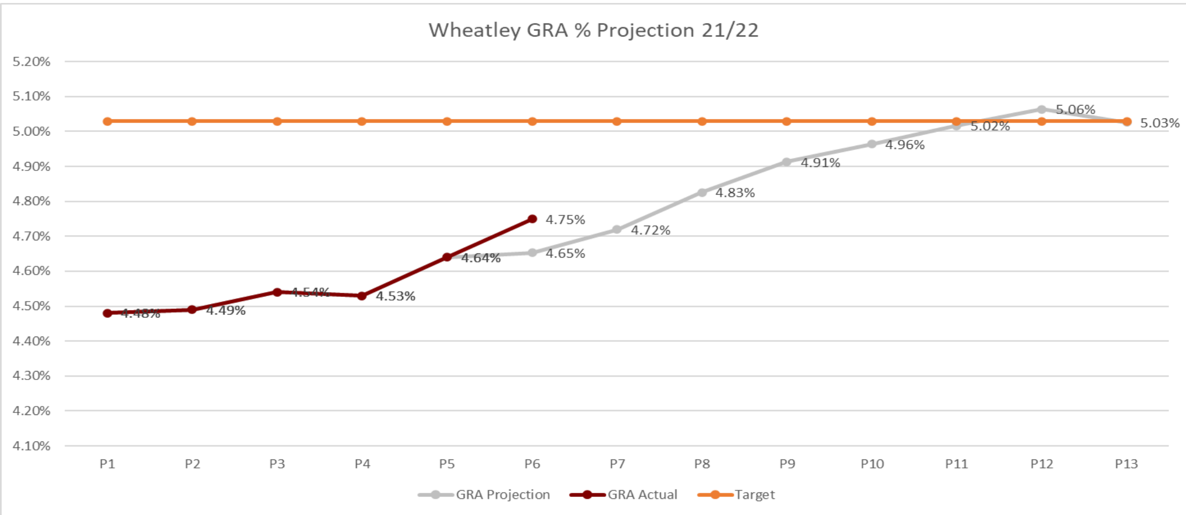
6.16 Gross Rent Arrears

6.16.1 Our strategic aim is to reduce arrears down to 4% by 2026. The support and wraparound services we provide to our customers continue to limit the impact of the pandemic on the rate of arrears, which remain under target and better than the national position despite an increase since the end of 2020/21. Our current Group average arrears increased by 0.11% this month to 4.75%. Our current annual target is 5.03%.

6.16.2 The Scottish Housing Regulator has now published 2020/21 ARC results for all landlords. Gross rent arrears for all landlords averaged at 6.1%, which is an increase from 5.8% in 2019/20. All our RSLs significantly surpassed this average. Segmentation by RSL and local authority shows an average of 4.3% and 8.2% respectively.

RSL	Current performance	Current target	Previous month	Variance	2020/21 Result
DC	3.96%	4.29%	3.91%	0.05	3.84%
DGHP	4.11%	4.57%	3.99%	0.12	3.86%
GHA A	5.14%	N/A	5.03%	0.11	4.78%
GHA B	5.08%	N/A	5.18%	-0.10	N/A
GHA Combined	5.13%	5.35%	5.04%	0.09	N/A
Loretto A	2.83%	N/A	2.69%	0.14	3.05%
Loretto B	3.56%	N/A	3.27%	0.29	N/A
Loretto Combined	3.18%	4.03%	2.97%	0.21	N/A
WLHP	3.18%	3.12%	3.02%	0.16	2.62%
Group	**4.75%**	**5.03%**	**4.64%**	**0.11**	**4.48%**

6.16.3 The following chart shows projected Group arrears to year end and shows an incremental increase to February, followed by a reduction to the Group annual target of 5.03% by March.



6.16.4 All RSLs except WLHP remain within target. WLHP anticipated an in-period increase of £2k from monthly direct debits not received in period and over £500 due to UC not received in period. It has also experienced an increase of over £1k due to a challenging case where the customer's finances are managed by Social Work.

6.16.5 At the RSL level, Loretto and Dunedin Canmore are better than current projections with DGHP, GHA and WLHP higher. An action plan is being developed for the latter and will cover areas such as increasing referrals to GDRT, revisiting arrears agreements, tackling non-engagement, four weekly meetings to discuss arrears and escalation of cases to court action. We are also currently developing our new Rent & Income Framework and reviewing the associated arrears processes to improve and refine the way we work on arrears cases.

6.17.6 There has been an increase of 2,302 customers on Universal Credit ("UC") compared to a business planning assumption of 3,289 new customers. There are currently around 27% of our customers on UC. With the end of furlough planned in September, the sector is preparing for an increase in arrears and UC, with an expected total of 35% of our customers (almost 22,000) expected to be on UC at the end of the financial year.

6.17.7 As reported last month, we currently have 222 customers who have been furloughed. We are in the process of contacting each of these customers to offer advice and assistance prior to furlough ending this month. We will also ensure these customers are contacted as part of our benefit uptake campaign.

6.17 [paragraphs 6.17.1 – 7.17.10 redacted]

6.18 Average Days to Re-Let

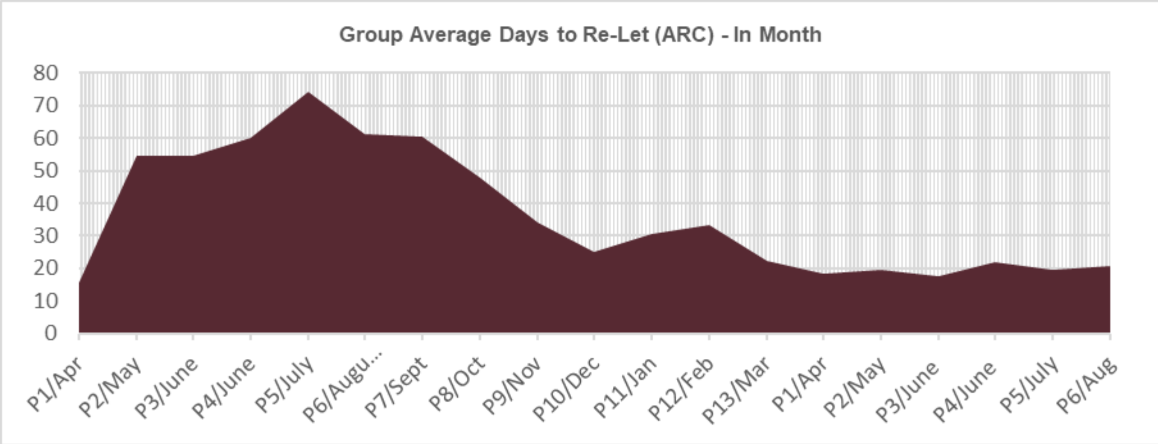
6.18.1 Our target for the year is for all RSLs to be under 20.0 days so that we are in a recovered position post-pandemic to achieve the strategic target of less than 14.0 days in year two of the Strategy. The year-to-date average position for the Group shows a marginal increase from 19.63 days in July to 19.83 in August. This remains within the current quarter target of 22 days.

6.18.2 The recently published ARC results show the impact of Covid on letting times, with the Scottish average at 56.3 days in 2020/21 compared to 31.5 days in 2019/20. Segmented by RSL and local authority, the recent year averages are 53.4 days and 59.4 days. The Group RSLs surpassed all averages and continue to improve letting times this year. The table below provides the year-to-date position for each RSL against their respective Q2 cumulative targets.

6.18.3 The Group has made 2,244 lets year to date, this includes properties leased to local authorities and new builds that are not included in the Regulator's ARC re-let indicator. Considering re-lets that are included in the ARC measure, the Group has made 1,958 lets year to date.

Average days to re-let (ARC)	In month - August	Current YTD	Current Target Q2	2020/21 Results
Dunedin Canmore	16.00	16.24	22.5	52.60
DGHP	13.04	15.33	21.1	37.26
GHA	23.78	21.87	22.7	40.96
Loretto	11.22	12.40	20.0	35.18
WLHP	7.33	6.52	15.0	19.78
Group	**20.69**	**19.83**	**22.0**	**40.87**

6.18.4 The following chart shows the in-month Group average days to let for 2020/21 into 2021/22. Dunedin Canmore, DGHP, and Loretto all improved in-month letting performance.



6.19 Care Services Breaking Even

6.19.1 Wheatley Care reports 91% of services are currently in surplus, up from 82% reported as of the end of June and above the 80% target. Care, overall, is outperforming its budget targets.

Indicator	Target	Current YTD Performance	Last year's YTD Performance
Proportion of Care services breaking even after management fee	80%	91%	81%
Proportion of Care services breaking even (before management fee	100%	100%	94%
Number of services in deficit for more than two years	0	0	New Measure

6.20 Online Transactions and Digital Shift

6.20.1 Our Strategic Result is that 50% of our customers actively use their online account to make transactions with us. As this is a new measure, we will develop reporting arrangements to determine "active" users within the system and establish a baseline this year. There is a total of 47,001 customers registered with online accounts across a customer base of 94,169, so 49.9% of our customer base is now registered.

6.20.2 As noted in the last report, we aim to increase online registrations as full range of online services resume for customers in the year ahead. The CSC is currently undertaking a project to update customer contact details and auto-registering them for online services, while promoting digital services—all of which we believe will increase overall registration numbers.

6.20.3 We have had 1,591 new registrations for web self-service so far this year and, in period, 264 against the target of 500.

Online Accounts as a Percentage of Customer Accounts	Current Performance YTD
GHA	55.8%
Loretto	54.5%
Dunedin Canmore	47.2%
WLHP	66.4%
Lowther Letting (Lowther letting has a strategic result to achieve 100% by 2026, and 65% in year 1)	53.7%
Lowther Factoring	42.5%

6.20.4 We recognise that year-to-date registrations are below the target and we will address this in full as part of our Group-wide customer data improvement project.

6.20.5 We anticipate a slight delay to an uptake on the use of online self-service due to the delay in switching this functionality back on for repairs. We are working with CBG colleagues to agree an action plan for the system upgrade that they are undertaking. Following this upgrade testing will be carried out and a final decision made on the timescale for switching online repairs self-service back on.

6.21 Summary of Strategic Project Delivery

6.21.1 The full list of our strategic projects is attached to this report as Appendix 3. Out of the 23 strategic projects we are delivering during 2021/22, the following three projects have been completed.

- Deliver a group-wide Antisocial Behaviour Prevention and Mitigation Framework that maps out our approach to preventing, managing and mitigating ASB. Group Board agreed the framework in June.
- Develop new leadership development programme is complete and we are now due to start delivery.
- The Commercial Properties Review was a project carried over from last year, which has now been completed.

6.21.2 There are 15 projects on track, three projects are slipping against the milestones and two are overdue.

Theme	Complete	On track	Slipping	Overdue
Customer Experience	0	5	0	0
Homes and Assets	0	4	1	1
Changing Lives and Communities	1	2	2	1
Developing our Shared Capability	1	1	0	0
Enabling our Ambitions	1	3	0	0
Total by status	**3**	**15**	**3**	**2**

6.21.3 Details of the two overdue projects are presented in the following table.

Project	Status	Update provided by Lead
Socio-economic research study linked to the cost of a home Project carried over from 2020/21	Overdue Milestone 03. Methodology, associated targets and implementation approach agreed by ET (due 31Jan 2021)	We now have a methodology agreed and validated with FAI for setting benchmark cost of running a home. The implementation approach is being updated to take into account our assumptions regarding EESSH 2, results of our pilot projects on energy efficiency and a refreshed approach to delivering customer savings. This will be considered by the ET by the end of quarter 2.
Develop pre-1919 strategic overview Project carried over from 2020/21	Overdue Milestone 03. Approval of approach (31 Dec 2020)	The approach was approved by ET in September. It will come for approval to relevant boards at the next meetings in November. Key focus is on the recommendation to have more targeted acquisitions strategy in Saltmarket/High Street with offer to purchase and to pursue equity release opportunity.

6.22 Conclusion

6.22.1 The first 5 months of 2021/22 have seen a continuation of the effects of the pandemic on operational delivery. Despite the challenges posed, there are areas of strong performance across the Group. In our core housing operations, average days to let have reduced and we continue to record arrears below target. We also continue to let more properties than we have give-ups.

6.22.2 However, our repairs services have also seen the impact of delays to materials and the requirement to operate in a socially distanced manner. This has affected the time to carry out repairs, as well as our ability to complete the repairs right first time. We are also seeing higher than usual call volumes relating to repairs requests and a continued effect of the pandemic on Lowther's financial indicators.

7 Digital transformation alignment

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

8 Financial and value for money implications

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

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

9 Legal, regulatory and charitable Implications

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

10 Equalities implications

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

11. Environmental and sustainability implications

11.1 As noted at the June Board meeting, we are developing further measures for environmental and carbon performance which will be brought back to the Board for consideration by the end of the financial year.

11 Recommendations

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

LIST OF APPENDICES: 1) Strategic Results Dashboard
2) Other KPIs Dashboard
3) Strategic Projects Dashboard [redacted]

Appendix 1
Group Housing Board Strategic Results 2021/22 to 2025/26

Delivering Exceptional Customer Experience

The Strategic Results the Group has set under this strategic theme are all reportable annually rather than by quarter. They are:

- Overall customer satisfaction is above 90%
- Over 90% of Care customers are satisfied with the overall service
- RSL tenant satisfaction with value for money increased to 85%
- Satisfaction with complaint handling increased by 10%
- Overall satisfaction among households with children improved to 90%
- Satisfaction with the process of getting a new home is improved by 10%
- 90% of customers feel they can participate in the landlord’s decision making
- 95 of customers actively engaged in shaping services feel they participate in decision making

The following two Strategic Results will be reported monthly, but are being developed:

- Implement “rate it” score from book it, track it, rate it repairs approach and aim to improve performance by 10% (being developed, will be reported monthly once in place)
- Net promoter score for Lowther increased to 60

Making the Most of Our Homes and Assets

Measure	2020/21	YTD 2021/22		
	Value	Value	Target	Status
New build completions (total for Group)	377	123	166	
GHA - Social Housing	227	81	71	
GHA - Mid-market	49	37	58	
Dunedin Canmore - Social Housing	58	0	20	
Dunedin Canmore - Mid-market	35	0	0	
WLHP - Social Housing	8	0	0	
WLHP – Mid-market	0	0	0	
DGHP - Social Housing (12 units completed early in 2020/21 which were included in this target)	0	5	17	
Achieve 60:40 ratio of planned to reactive repairs spending	2019/20 66% : 36% (£61.4m : £35.2m)	58% : 42% (£23.3m : £16.6m)	60% : 40%	
Reduce the volume of emergency repairs by 10% by 2025/26 (Group average) N.B. Current volume reduction is not linked to strategy delivery but the effect of supply delays and reduced resources on our ability to deliver to usual capacity.	April to August 19/20 – 34,431	38,454	+11.68%	N/A
GHA	April to August 19/20 – 26,405	28,189	+6.76%	
Loretto	April to August 19/20 - 1,001	1,563	+56.14%	
Dunedin Canmore	April to August 19/20 – 2,563	3,007	+17.32%	
WLHP	April to August 19/20 – 203	421	+107.39%	

Measure	2020/21	YTD 2021/22		
	Value	Value	Target	Status
DGHP	April to August 19/20 – 4,259	5,274	+23.83%	✓

The following additional Strategic Results under this strategic theme will be reported annually or are still under development:

- Achieve 95% customer satisfaction with their new build home (being developed as part of new survey approach/platform for customer value measures)
- Reduce the output of CO_2 emission from our homes by at least 4,000 tonnes per year
- Reduce our corporate carbon footprint to carbon neutral by 2026

Changing Lives and Communities

Measure	2020/21	YTD 2021/22		
	Value	Value	Target	Status
Percentage of Care services graded very good (5) or better by the Care Inspectorate (Note – no services have been inspected since Dec 19)	66.67%	68.18%	90%	
Over 70% of customers live in neighbourhoods categorised as peaceful by 2025/26 (Group average)	69.4%	69.7%	68.0%	
Number of accidental dwelling fires recorded by Scottish Fire and Rescue (Group RSLs)	Q1 20/21 - 71	61	-14.1%	
GHA	152	49	N/A	
Loretto	19	3	N/A	
Dunedin Canmore	9	3	N/A	
WLHP	0	0	N/A	
DGHP	23	6	N/A	
100% of relevant properties have a current fire risk assessment in place (Group)	100%	100%	100%	
The percentage of HMOs that have a current fire risk assessment in place (Group)	100%	100%	100%	
The percentage of non-relevant properties with current fire risk assessment in place (Group)	Programme started October 2020	32.6%	37% by end of Q2	
Percentage of relevant lets to homeless applicants	63.3%	58.2%	58%	
GHA	65.7%	60.0%	65%	
Loretto	57.1%	69.2%	50%	
Dunedin Canmore	72.8%	69.2%	50%	
WLHP	69.7%	28.6%	50%	

Measure	2020/21	YTD 2021/22		
	Value	Value	Target	Status
DGHP	51.8%	49.4%	45%	
Percentage of lets to homeless applicants (Charter)	59.7%	54.1%	N/A	
GHA	63.1%	56.1%	N/A	
Loretto	38.5%	45.2%	N/A	
Dunedin Canmore	61.6%	60.7%	N/A	
WLHP	65.0%	26.1%	N/A	
DGHP	50.3%	47.2%	N/A	
Number of lets to homeless applicants (10,000 for Group by 2025/26)	2,419	1,116	500	
GHA	1,561	824	N/A	
Loretto	42	19	N/A	
Dunedin Canmore	226	82	N/A	
WLHP	26	6	N/A	
DGHP	396	166	N/A	
4,000 jobs, training places or apprenticeships opportunities delivered	-	397	280	
GHA	-	155	135	
Loretto	-	4	3	
Dunedin Canmore	-	23	20	
WLHP	-	1	1	
DGHP	N/A	53	27	
Care	-	0	0	
Lowther	-	[redacted]	[redacted]	
Other	-	150	61	

Measure	2020/21	YTD 2021/22		
	Value	Value	Target	Status
10,000 vulnerable children benefit from targeted Foundation programmes (Group total)	New	1,198	850	✔
60% of tenants with online accounts are using the My Savings rewards gateway	New	11.1%	20.0% in year 1	⬣

The following Strategic Results under this strategic theme will be reported annually or are still being developed:

- Achieve 85% satisfaction with Wheatley Environmental Services (being developed as part of new survey approach/platform for customer value measures)
- 4,000 jobs, training and apprenticeship opportunities delivered
- 250 customers have been supported to attend higher education and university through Wheatley bursaries
- 10% reduction in the cost of running a home by 2026 (being developed with Fraser of Allander)

Developing our Shared Capability

Measure	2019/20	YTD 2021/22		
	Value	Value	Target	Status
Staff absence is maintained at 5% for Care services and 3% for all other parts of the business	3.47%	3.47%	3%	
GHA	3.03%	3.08%	3%	
Loretto	5.53%	3.10%	3%	
Dunedin Canmore	2.85%	3.32%	3%	
WLHP	0.27%	0.42%	3%	
DGHP	4.47%	2.63%	3%	
Lowther	[redacted]	[redacted]	[redacted]	
Care	5.26%	5.8%	5%	
Solutions	2.34%	1.81%	3%	
Wheatley 360	3.32%	3.27%	3%	

The following Strategic Results under this strategic theme will be reported annually or are still to be developed:

- Over 90% of staff say they feel appreciated for the work they do (annual)
- Over 80% of RSL customers self-report positive distance travelled towards "self-reliance" (approach to be implemented and measure to be developed)
- 250 young people provided with structured opportunities to build their skills within the business (annual)
- 50 graduates provided with opportunities to work and gain experience in our sectors (annual)
- Our workforce's demographic more closely resembles that of the communities in which we operate (measure to be developed by year 3)
- 40% of promoted posts are filled with internal candidates (annual)
- Staff voluntary turnover (i.e. resignations) remains at less than 7% (annual)

Enabling our Ambitions

Measure	2020/21	YTD 2021/22		
	Value	Value	Target	Status
Reduce gross rent arrears down to 4% by 2026 (Group average)	4.48%	4.75%	5.03%	
GHA A	4.78%	5.14%	N/A	
GHA B	N/A	5.08%	N/A	
GHA Combined	N/A	5.13%	5.35%	
Loretto A	3.05%	2.83%	N/A	
Loretto B	N/A	3.56%		
Loretto Combined	N/A	3.18%	4.03%	
Dunedin Canmore	3.84%	3.96%	4.29%	
WLHP	2.62%	3.18%	3.12%	
DGHP	3.86%	4.11%	4.57%	
Lowther Letting	[redacted]	[redacted]	[redacted]	
Average time to re-let properties (Group average)	40.87	19.83	22.0	
GHA	40.96	21.87	22.7	
Loretto	35.18	12.40	20.0	
Dunedin Canmore	52.60	16.24	22.5	
WLHP	19.78	6.52	15.0	
DGHP	37.26	15.33	21.1	
Proportion of Care services breaking even (after management fee)	80.65%	90.91%	80%	
Proportion of Care services breaking even (before management fee)	93.55%	100%	100%	
Number of services in deficit for more than two years	NEW	0	0	

Measure	2020/21	YTD 2021/22		
	Value	Value	Target	Status
Percentage of Lowther rental customers with an online account	NEW	[redacted]	[redacted]	

The following Strategic Results will be reported annually or are still in development:

- Limit annual RSL rent increases to 2.9% throughout the life of the strategy (annual)
- Maintain a strong investment credit rating of A+ stable (annual)
- £15m generated in Gift Aid to Wheatley Foundation and reinvested in communities (annual)
- Achieve management costs per unit that remain in the lower quartile among an independently selected UK and international benchmarking group (being developed with Housemark)
- Achieve a £10m real terms reduction in management costs (annual)
- Over 50% of our customers actively use their online account to make transactions with us (being developed, determination of active status in our systems required)
- Achieve our targets across the 7 domains of our digital maturity assessment (annual)

Appendix 2
Group Housing Board Other KPIs 2021/22 (includes Compliance)

Measure	2020/21	2021/22		
	Value	Value	Target	Status
Percentage of stage 1 complaints responded to within 5 working days (Group average)	96.18%	96.28%	100%	
Percentage of stage 2 complaints responded to within 20 working days (Group average)	99.64%	86.69%	100%	
Average time for full response to all complaints (Group RSL average, Charter)				
GHA	5.58	5.94	8	
Loretto	4.55	5.88	8	
Dunedin Canmore	4.8	6.13	8	
WLHP	2.94	4.5	8	
DGHP	4.86	5.26	8	
Percentage of new tenancies sustained for more than a year – overall (Group RSL average)	89.13%	89.41%	90%	
GHA	89.73%	90.21%	90%	
Loretto	90.27%	89.86%	90%	
Dunedin Canmore	92.51%	91.51%	90%	
WLHP	92.65%	91.96%	90%	
DGHP	84.98%	85.60%	87%	

Measure	2020/21	2021/22		
	Value	Value	Target	Status
Average time taken to complete emergency repairs (hours) – make safe (Group RSL average)	2.76	2.93	3	
GHA	2.96	3	3	
Loretto	2.95	3.06	3	
Dunedin Canmore	2.65	3.77	3	
WLHP	2.52	2.81	3	
DGHP	1.9	2.06	3	
Average time taken to complete non-emergency repairs (working days) (Group RSL average)	4.2	7.04	5.5	
GHA	4.09	6.97	5.5	
Loretto	4.60	5.90	5.5	
Dunedin Canmore	3.14	5.62	5.5	
WLHP	4.00	5.86	5.5	
DGHP	5.63	9.12	5.5	
Average time to complete approved applications for medical adaptations (calendar days) (Group average)	52.20	41.93	35.0	
GHA	66.7	45.17	35	
Loretto	119.39	72.08	35	
Dunedin Canmore	10.48	9.03	35	
WLHP	40.25	24.71	35	
DGHP	43.3	32.35	35	

Measure	2020/21 Value	2021/22 Value	2021/22 Target	Status
Percentage of reactive repairs completed right first time	95.90%	92.81%	95%	
GHA	96.28%	94.8%	97%	
Loretto	94.94%	97.76%	97%	
Dunedin Canmore	96.69%	94.47%	95%	
WLHP	97.16%	93.81%	95%	
DGHP	93.46%	83.36%	92%	
Number of times in the reporting year the RSL did not meet the statutory obligation to complete a gas safety check within 12 months of a gas appliance being fitted or its last check (Group RSL total)	2,149	6	0	
GHA	1,536	0	0	
Cube	71	0	0	
Loretto	114	1	0	
Dunedin Canmore	122	0	0	
WLHP	8	0	0	
DGHP	298	5	0	
Percentage of ASB incidents resolved:				
GHA	100%	99.04%	98%	
Loretto	100%	100%	98%	
Dunedin Canmore	100%	100%	98%	

Measure	2020/21 Value	2021/22 Value	2021/22 Target	Status
WLHP	100%	100%	98%	
DGHP	99.9%	98.24%	98%	
Percentage of court actions initiated which resulted in eviction:				
GHA	33%	No evictions	25%	
Loretto	100%	No evictions	25%	
Dunedin Canmore	No evictions	No evictions	33%	
WLHP	No evictions	No evictions	33%	
DGHP	No evictions	100%	25%	
Percentage of lettable homes that became vacant:				
GHA	7.21%	8.60%	8%	
Loretto	8.28%	6.68%	8%	
Dunedin Canmore	6.73%	6.91%	7.3%	
WLHP	5.10%	7.01%	5.6%	
DGHP	7.83%	9.28%	8%	
Number of accidental fires in workplace	New measure	1	0	
Number of RIDDOR incidents reported	7	2	22	
Number of Health and Safety Executive or local authority environmental team interventions	New measure	0	0	
Number of new employee liability claims received	New measure	0	0	

Measure	2020/21	2021/22		
	Value	Value	Target	Status
Number of open employee liability claims	New measure	9	N/A	
Number of days lost due to work related accidents	New measure	27	N/A	

Compliance Programme Delivery

	GHA	Loretto	DC	WLHP	DGHP
Fire Safety (smoke, heat, CO detectors / LD2) - percentage of properties on applicable servicing completed	100%	100%	100%	100%	100%
Fire Safety (smoke, heat, CO detectors / LD2) - percentage of properties on applicable installation/replacement programmes completed	64%	71.1%	83.6%	88.3%	93.8%
Legionella - percentage of applicable properties with a valid risk assessment in place	95.1%	100%	100%	100%	Start August 2021
Number of domestic stair and through floor lifts with a completed annual inspection and test against the number due to be completed	100%	100%	100%	100%	Start July 2021
Number of passenger lifts with a completed six-month inspection and test against the number due to be completed	100%	100%	100%	100%	100%
Percentage of electrical installation inspections completed	21.2%	47.9%	1.8%	5.2%	55.8%
Percentage of properties with an EICR certificate up to 5 years old	55.4%	68.2%	63.5%	90.2%	92.2%

Report

To: **Wheatley Housing Group Board**

By: **Tom Barclay, Group Director of Property and Development**

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

Subject: **Group new build performance report**

Date of Meeting: **29 September 2021**

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1. Purpose

1.1 The purpose of this report is to:

- provide Group Board with an overview of the Group new build programme performance to period 5, 31 August 2021; and
- update the Board on the current status of the Group's development programme.

2. Authorising and strategic context

2.1 Under the Group Standing Orders and Group Authorising Framework, g 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 approved Terms of Reference.

2.3 The delivery of the Group's development programme supports our on-going role as a key partner for the Scottish Government in their More Homes Scotland commitments and by the recently published Programme for Government commitment to deliver 110,000 new supply affordable homes.

2.4 The development programme requires on-going partnership working with the Local Authorities in our operational areas including those with Transfer of Management Development Funding ("TMDF") powers, namely Glasgow and Edinburgh. We additionally continue to be in contact with a broad range of private developers, housebuilders, and land agents to seek to put ourselves into a position to exploit any development opportunities as they may emerge.

3. Risk Appetite and assessment

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

3.2 The information provided in this report supports our management of risk in respect of the development programme by providing a robust performance management framework.

4. Background

Affordable Housing Supply Programme

4.1 The Scottish Government has confirmed funding for the Affordable Housing Investment Programme of £3.5Bn in the five year period from 2021/22. This announcement is one of the major pillars within the Housing to 2040 strategy launched by the Scottish Government in March 2021 and reaffirmed in the Programme for Government announced in September 2021. Speaking at our recent Group Board event on 26 August 2021, Shirley Laing, Director of Housing & Social Justice, Scottish Government, commented that the affordable housing budget would fall within the scope of the upcoming comprehensive spending review, the outcomes from which it is hoped will be announced later this calendar year.

4.2 The respective Resource Planning Assumptions for the local authorities in our operating areas have been confirmed for the five years from 2021/22, with £3.2Bn committed. The resource planning assumption from 2021/22 to 2025/26 for the City of Glasgow is £538m and the City of Edinburgh is £234m.

4.3 The Scottish Government, within the SNP-Green Party: Shared Policy Programme, has recently announced a revision to the affordable homes target, moving from 100,000 homes over the ten years to 2032, to now commit to deliver 110,000 affordable homes by 2032, at least 70% to be available for social rent.

Grant Benchmark Review

4.3 In March 2021 the Scottish Government established an Affordable Housing Investment working group to consider benchmark grant levels. This is a repeat of a process instigated by the Scottish Government in 2013 and in 2015.

4.4 We have been represented on the working group as one of the Scottish Federation of Housing Associations ("SFHA's") representatives. The group has been jointly Chaired by Scottish Government and Convention of Scottish Local Authorities ("COSLA"), with reps also attending from Association of Local Authority Chief Housing Officers ("ALACHO"), SOLACE, Local Authority Directors of Finance, SFHA and Glasgow West of Scotland Forum. The group's core purpose was to advise Scottish Ministers and COSLA on adjustments required to benchmark levels to provide confidence in the delivery of the More Homes Programme moving forward.

4.5 The working group met over the period March to July 2021 and a final report has now been prepared. The report was recently considered by the COSLA Leaders and is due to be considered by COSLA's Wellbeing Board on 17 September 2021. Thereafter, the report will be considered by the Cabinet Secretary for Social Justice, Housing and Local Government.

4.6 The headline proposals from the working group are summarised below:

- One of the key points identified in the final report is how benchmarks should be considered by applicants and interpreted by Scottish Government/TMDF authorities. Benchmark assumptions are not grant rates and have no role in shaping grant funding levels for any individual project.

- Projects that can be delivered with grant funding at or below the relevant benchmark assumption follow a streamlined application and approval process. Projects seeking grant funding in excess of the relevant benchmark follow a more detailed value for money assessment.

- It is proposed that baseline benchmark assumptions increase by:
    - between **£14,500 to £26,000** for a council social rented home;
    - between **£8,000 and £13,500** for an **RSL social** rented home; and
    - between **£9,500 to £14,500** for an **RSL mid-market** rented home.

This would result in the following set of baseline benchmarks:

	West Highland, Island authorities, and remote/ rural Argyll		Other rural		City Urban	
	Current	Proposed	Current	Proposed	Current	Proposed
RSL social rent	£82,000	£95,500	£72,000	**£83,000**	£70,000	**£78,000**
Council social rent	£57,000	£83,000	£57,000	£75,000	£57,000	£71,500
RSL MMR	£44,000	£58,500	£44,000	**£56,500**	£44,000	**£53,500**
Council MMR	£N/A	£53,000	£N/A	£51,500	£N/A	£49,000

In addition to the baseline benchmark a series of additional quality benchmarks (potentially up to a further **£17,300** in Grant) have been proposed:

Quality measure	**£**
Delivering homes to Section 7, Silver Level, of the 2019 Building Regulations in respect of Energy for Space Heating (that is, full Bronze Level plus Aspect 2 of Silver Level)	£2,000
Provision of balconies within flatted developments where the provision of private or communal outdoor space cannot otherwise be accommodated.	£4,000
Provision of space for home working or study – grant applicants would be expected to demonstrate that additional space is necessary to deliver this measure	£3,500
Ensuring that all new social and mid-market rented housing is digitally-enabled – when a tenant gets the keys to their home this would mean that they are able to arrange for an internet connection to 'go live'.	£300
Installation of ducting infrastructure for electric vehicle charge point connectors	£500
Installation of automatic fire suppression systems	£3,000
Installation of heating systems which produce zero direct emissions at the point of use	£4,000

4.7 To respond to concerns from members of the working group that several of the quality benchmarks above were too low, the Scottish Government has committed to closely monitoring these moving forward.

4.8 In addition, the grant differential between Councils and RSLs has reduced, from the current range of between £13,000 and £25,000 per unit to between £6,500 and £12,500 per unit. The Scottish Government opposed the case made by ALACHO to completely remove the differential, viewing that it could not be justified. COSLA leaders intend to pursue this position with the Cabinet Secretary to seek a justification for the differential and clarity on the funding arrangements to now deliver 110,000 affordable homes.

4.9 The benchmark assumptions will be reviewed each year to account for inflation. The Scottish Government has indicated that the Scottish Social Housing Tender Price Index will be used for this purpose.

4.10 In order to demonstrate improvement in quality and value for money over time, the Scottish Government plan the introduction of a consistent national programme of continuous improvement. No agreement could be reached on this within the working group. Both SFHA and the Glasgow West of Scotland Forum suggested that further sector engagement is needed to design a continuous improvement programme that is realistic, achievable and meaningful.

4.11 Following consideration and approval of the final report by Scottish Ministers, the Scottish Government will update its 'Affordable Housing Supply Programme: Process and procedures' guidance note, and thereafter the new benchmarks will come into force. We understand this is anticipated in October 2021.

5. Customer Engagement

5.1 We work closely with our internal customers in the planning and delivery of our Group Development Programme. The respective RSL housing Management Teams and Lowther Homes letting team are closely aligned to our programme.

5.2 Local communities are engaged in the Planning process at a neighbourhood level in all of our developments as part of the statutory consent process. Additionally, as the programme is delivered we undertake customer satisfaction surveys from our end customers across both social rent and mid-market rent tenures.

6. Discussion

6.1 Commentary on the development programme as at 31 August 2021, including highlights and exceptions, is provided in Table 1 below.

Table 1

Dashboard Indicators	Dashboard : Highlights & Exceptions
On site	▪ At period 5 (31 August 2021) we have 1,336 units (total development numbers) in the live programme across 27 sites. ▪ Our largest project is GHA's Sighthill project (198 units). ▪ Our smallest project is DC's Longniddry project (10 units).
Due on site	▪ We have 153 units due on site across three projects. This includes: DC Lanark Road and Wallyford Phase 2, and WLHP Winchburgh Plot BB (subject to re-presentation to Committee in November 2021, see para 6.3). ▪ This will bring our total development programme to 1,434 units.

2021/22 Budget v Actual spend	At Period 5 (31 August 2021) our spend across the Group was **£38m**, set against our budget of **£53.5m**. As previously reported, at the core of this movement of spend v budget is the later than planned start of a number of projects.
Completions to 31 August 2021	To 31 August 2021 we have completed **123** units. In the year to date we have completed three GHA projects at Bellrock, Auchinlea and Baillieston.
Engagement Status	We have 10 '**High Engagement**' projects on site. These projects mainly relate to scale of the project (over 70 units) or where the project involves complex ground conditions. All Engie projects remain high engagement.

Engie projects

6.2 Our development programme with Engie is now reaching its conclusion. The two GHA projects at Bellrock Street, Cranhill (53 units) and Auchinlea, Easterhouse (106 units, including 26 units for Provanhall Housing Association) have handed over in April and July 2021 respectively. Our final Engie project at GHA Kennishead (48 units), has seen the final three units hand over on 7 September 2021. External ground works remain to be concluded at Auchinlea and Kennishead. The construction standard is good and tenant feedback has been favourable. Final accounts for the Engie projects are close to being settled and we remain confident will be concluded within the agreed costs approved for the three projects.

Winchburgh BB, West Lothian

6.3 The Winchburgh Plot BB project, 85 units (51 social rent and 34 mid-market rent) planned to be delivered for WLHP by Allan Water Homes, was approved by the Group Development Committee in November 2020. In the months that followed the planning process for the development had initially been delayed, on the local authority side, and then successfully concluded with consent granted by West Lothian Council for 81 units, rather than the proposed 85 units.

[6.4 and 6.5 redacted]

Jarvey Street

6.6 Work continues with City Building Glasgow to complete the Jarvey Street, Bathgate project. The City Building programme identifies phased handovers commencing from October 2021 with project completion programmed for November 2021.

6.7 [redacted]

DGHP Programme

6.8 As previously reported, the first of our DGHP new build projects completed with the Queensberry Square, Sanquhar project (12 units) completing in March 2021.

6.9 The DGHP project at Monreith (5 units) completed in May 2021. The project at Nursery Avenue, Stranraer (19 units), after significant delays in securing statutory consents, started on site in May 2021. The handover of the 26 new build units at Lincluden was achieved on 8 September 2021. The final six units in the converted stables block at Lincluden are programmed to complete in February 2022.

7. Construction Material Supply issues

7.1 As Board members will be aware, over recent months there has been an escalating issue in the construction industry linked to construction material supply and skill shortages – resulting in lengthening supply times and steeply increasing prices. This is not unique to our own development programme and is being widely reported across the UK.

7.2 A combination of Brexit, Covid recovery (post cessation of construction works and manufacturing output) and a significant shift in Worldwide demand markets are all impacting on construction delivery times and costs.

7.3 We recently surveyed all the contractors/developers that the Group is in contract with on material supply issues. This was to test their current market experience and to consider any potential mitigations. We also commissioned a report from Professor Sean Smith, University of Edinburgh on the current material supply issues and a presentation from Professor Smith was made to the last Group Development Committee and will also be made at a future Group Board meeting.

8. Contractor Financial Exposure

8.1 Credit rating scores from Equifax are included within the new project reports as these are presented to Group Development Committee for approval. Equifax scores are monitored monthly for those companies we are in contract with, along with Companies House and London Gazette data. We have included the most up-to-date data in the table set out below and compared that to the most recently reported ratings.

[table redacted]

[8.2 to 8.10 redacted]

Sighthill TRA – Keepmoat Homes

8.11 Keepmoat Homes ("KMH") has written to advise of an upcoming change of ownership in their company. The present owners TDR and Sun Capital, after seven years of ownership, have agreed to sell the business to Aermont, an independent asset management business in the coming weeks. Aermont focuses on real estate and real estate related investments in Europe, with a diverse portfolio including: student accommodation, shopping centres, hotels and Pinewood Studios. This will be Aermont's first UK house building investment.

[8.12 to 8.15 redacted]

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9. External recognition – Development Awards/shortlisting

9.1 A number of our development projects have recently either won or been shortlisted for a number of prestigious national development awards, as summarised below:

Scottish Home Awards (16 September 2021)

- West Lothian Housing Partnership, Dixon Terrace, Whitburn – Affordable Housing Development of the Year

Herald Property Awards (30 September 2021)

- GHA/Lowther, Bell Street Stables – Best Renovation & Conversion

Homes for Scotland (11 November 2021)

- GHA/Lowther, Bell Street Stables – Development of the Year (Medium 26-99 units)
- Loretto, Buckley Street – Development of the Year (Medium 26-99 units)
- GHA/Lowther, Hinshelwood - Development of the Year (Large 100+ units)

Royal Incorporation of Architects in Scotland (RIAS)

- GHA/Lowther, Bell Street Stables – on 7 September 2021 Bell Street Stables was announced as the winner of Historic Environment Scotland's Conservation and Climate Change Award, a special category award of the Royal Incorporation of Architects in Scotland's (RIAS) Awards.

Saltire Housing Design Awards

- GHA/Lowther, Bell Street Stables – has been shortlisted for a Saltire Housing Design Award. The winners will be announced later in 2021 (date to be confirmed).

10. Conclusions

10.1 The development programme in 2020/21 had been severely impacted by Covid-19. The programme in 2021/22 is now seeing those projects that had been expected to complete last year, now concluding. In line with the approved Business Plan our completions target for 2021/22 is 675 units.

10.2 Whilst we are currently on track to complete that target we are reviewing this position across the Group programme. This is to ensure we prudently reflect construction market risk in our mid year Business Plan review. Our assumed project completions and partial handovers currently assumed for 2021/22 may well be impacted in the second half of the financial year. As referenced earlier in this report there is significant risk in the construction market, both at present and we understand projected for a long period ahead, across skills/labour shortages and material supply issues. This will continue to be monitored closely as we move into Q3.

11. Digital transformation alignment

11.1 Our Group Strategy sets a clear direction for our new homes being digitally enabled to support home working and modern living. All of our new build homes as standard are now enabled by the provision of fibre to the home. This is free of charge to the end customer and included with the total development costs. The customer then has choice as to the internet provider they wish to use.

11.2 The digital enablement of affordable homes is one of the additional quality measures that the Scottish Government is assessing within the current grant benchmark review process that is underway.

12. Financial and value for money implications

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

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

12.3 The 2021/22 Business Plan includes a unit completion target of 675 for 2021/22. As indicated above, we are currently reviewing our forecast for 2021/22 completions to reflect construction market risk. We have refined our base Business Plan assumption to 621 units in 2021/22 and continue to review this position.
<u>Development Fund</u>

12.4 The 2021/22 Business Plan included an allocation to the development fund of £1.55m, available over the next four years.

12.5 To date nothing has been drawn from the development fund. We will continue to report to Group Development Committee on the proposed utilisation of the fund and as and when approval is given for use of the fund.

13. Legal, regulatory and charitable implications

13.1 The Scottish Housing Regulator seeks regular updates on our new build programme and funding position.

13.2 The in-house Property legal team undertakes title due diligence relative to all site acquisitions required to facilitate the development programmes along with preparation of documentation and due diligence associated with asset securitisation.

13.3 The legal team also assist with preparation of legal documents including Building Contracts and Development Agreements to safeguard our development operations.

14. Equalities implications

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

15. Environmental and sustainability implications

15.1 Our new build properties will be developed to meet Aspects 1 and 2 of the Silver Sustainability Standards which covers reduction in carbon dioxide emissions and energy use for space heating. This is in line with Grant condition requirements from the Scottish Government and the TMDF authorities in Glasgow and Edinburgh. Our new build homes meet EPC Band B.

15.2 A number of our larger development projects will also feature district heating solutions e.g Queens Quay and Calton Village, and increasingly we are moving to specify zero carbon ground source heat pump technology in our developments, as we move towards the national decarbonisation targets and gas free developments by 2024.

16. Recommendations

16.1 The Board is asked to note the report.

Appendices

Appendix 1 - Period 5 performance dashboard

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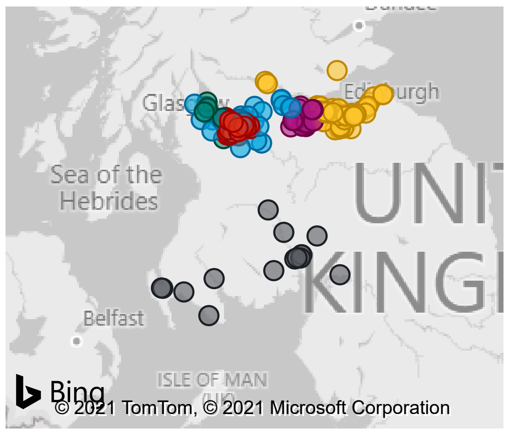
Local Authorities:
17
projects on site:
27
projects due on site:
3

largest project:
198
smallest project:
10
completed this FY:
123
anticipated this FY:
733



P5 Development Update

- Programme Overview
- Completions Summary
- 100% Completed
- Partial Completions
- On Site Projects
- Site Progress
- Board approved but not yet on site
- Contractor Exposure

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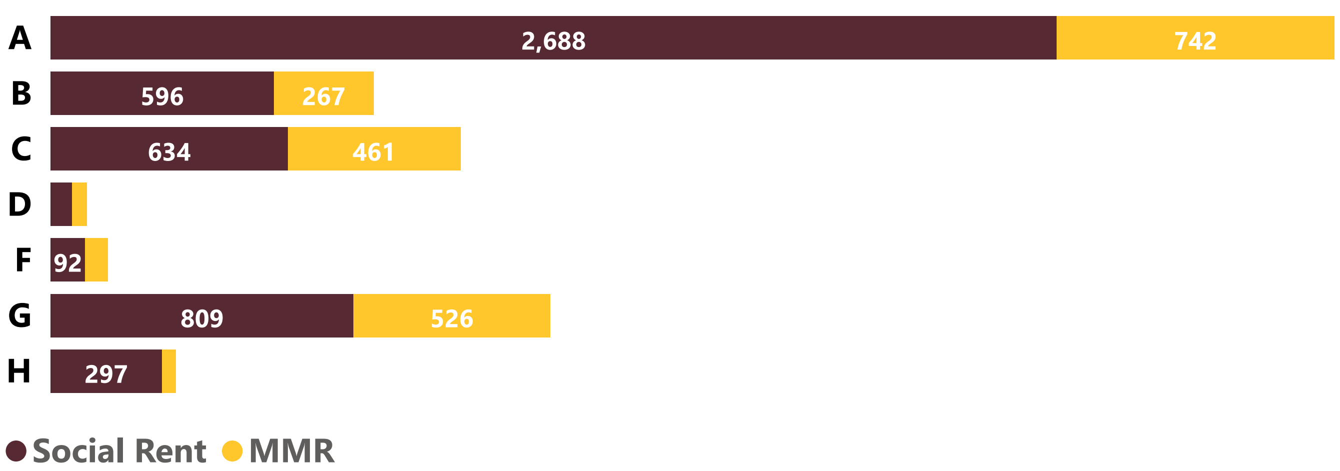
Programme Overview

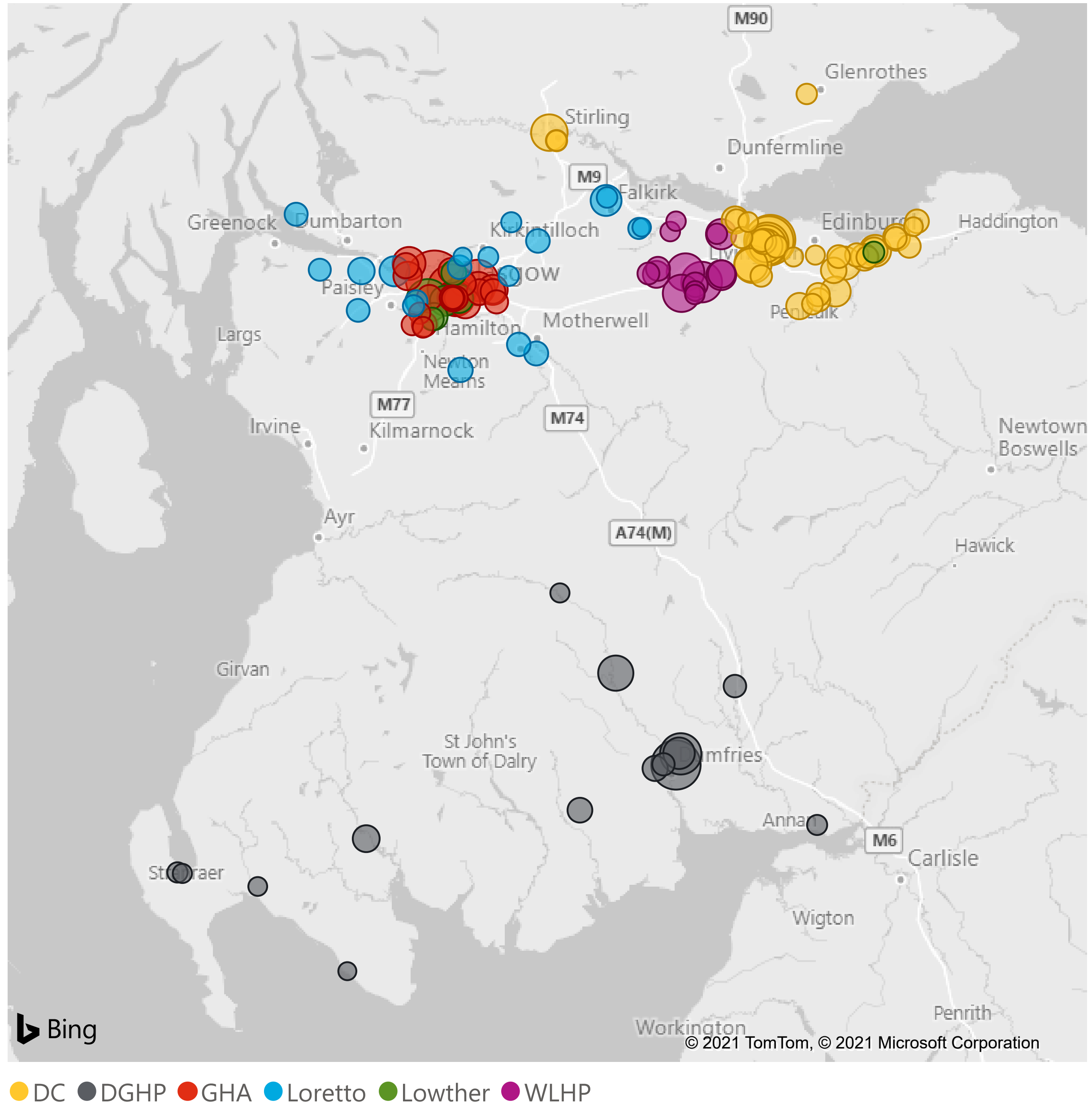
Current Programme

Projects per Status	DC	DGHP	GHA	Loretto	Lowther	WLHP	Total
A. Potential	23	4	8	9	1	7	**52**
B. Feasibility	3	3	2	3	2	4	**17**
C. Initial Design Agreed	2	1		2	1		**6**
C. Initial Design Stage	2	1	2	1	3		**9**
D. Contractor Appointed		1	2				**3**
F. Due on Site	2					1	**3**
G. On Site	7	3	8	5		4	**27**
H. Complete (Defects Period)		2	5				**7**
Total	**39**	**15**	**27**	**20**	**7**	**16**	**124**

Tenure Split & Units



Relative Project Size



Completions Summary

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Financial Year

2021/2022

Actual Completions

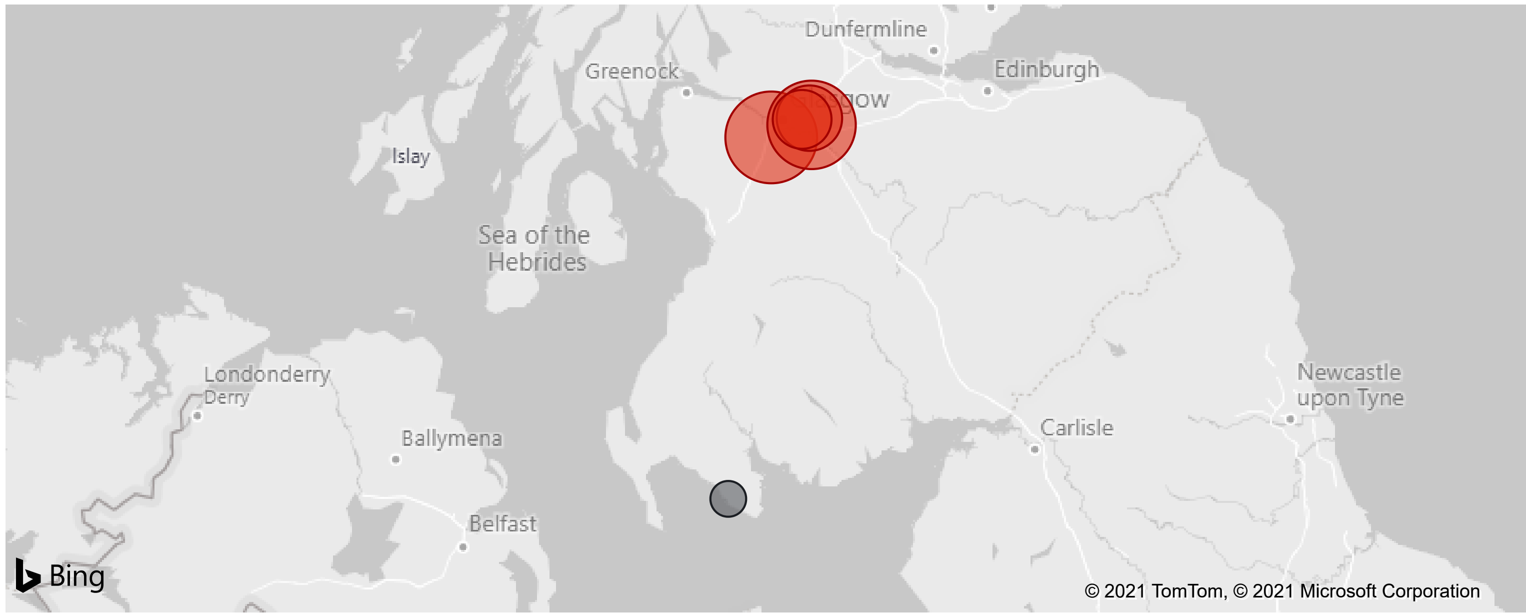
Sub	MMR	SR	Total
DGHP		5	5
GHA	37	81	118
Total	37	86	123

BP Projection to Year End

Sub	MMR	SR	Total
DC	25	54	79
DGHP		37	37
GHA	237	106	343
WLHP	26	136	162
Total	288	333	621

Variance against Target

Sub	BP Target	BP Projection	Variance
DC	79	79	0
DGHP	49	37	-12
GHA	385	343	-42
Loretto	0	0	0
WLHP	162	162	0
Total	675	621	-54



Completions this FY ● DC ● DGHP ● GHA

Projects 100% completed in this Financial Year

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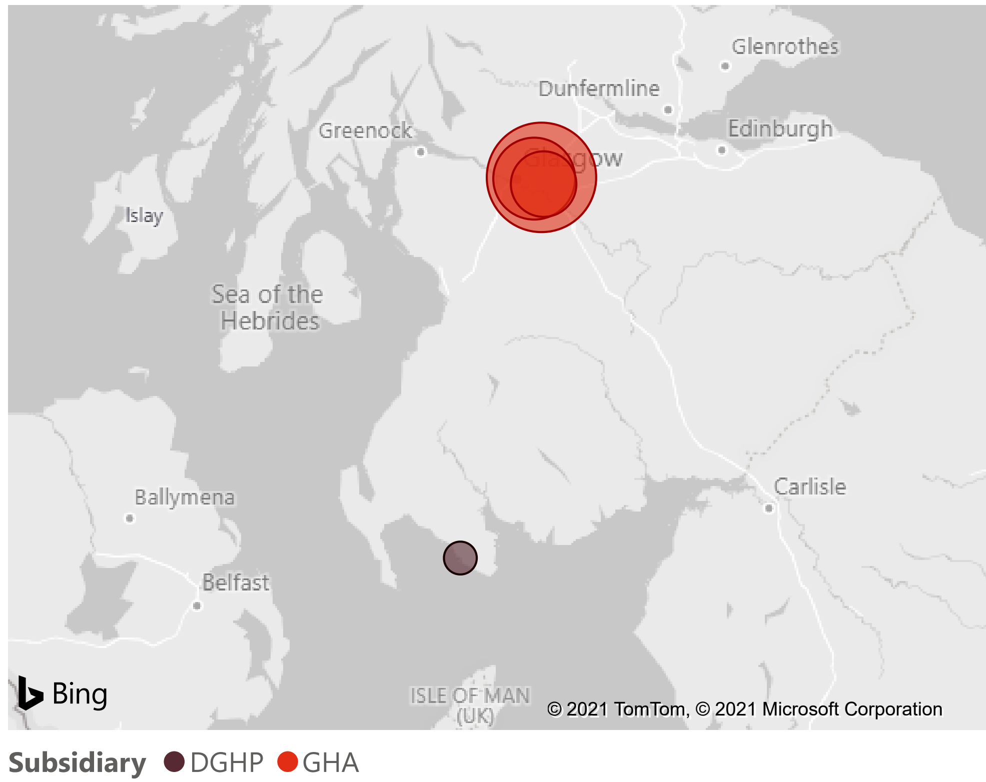
Project	2019/2020	2020/2021	2021/2022	Total
Auchinlea		57	23	**80**
Bellrock	7	27	19	**53**
Main Street, Baillieston			37	**37**
St Medans, Monreith			5	**5**
Total	**7**	**84**	**84**	**175**



Partial Completions on Active Sites

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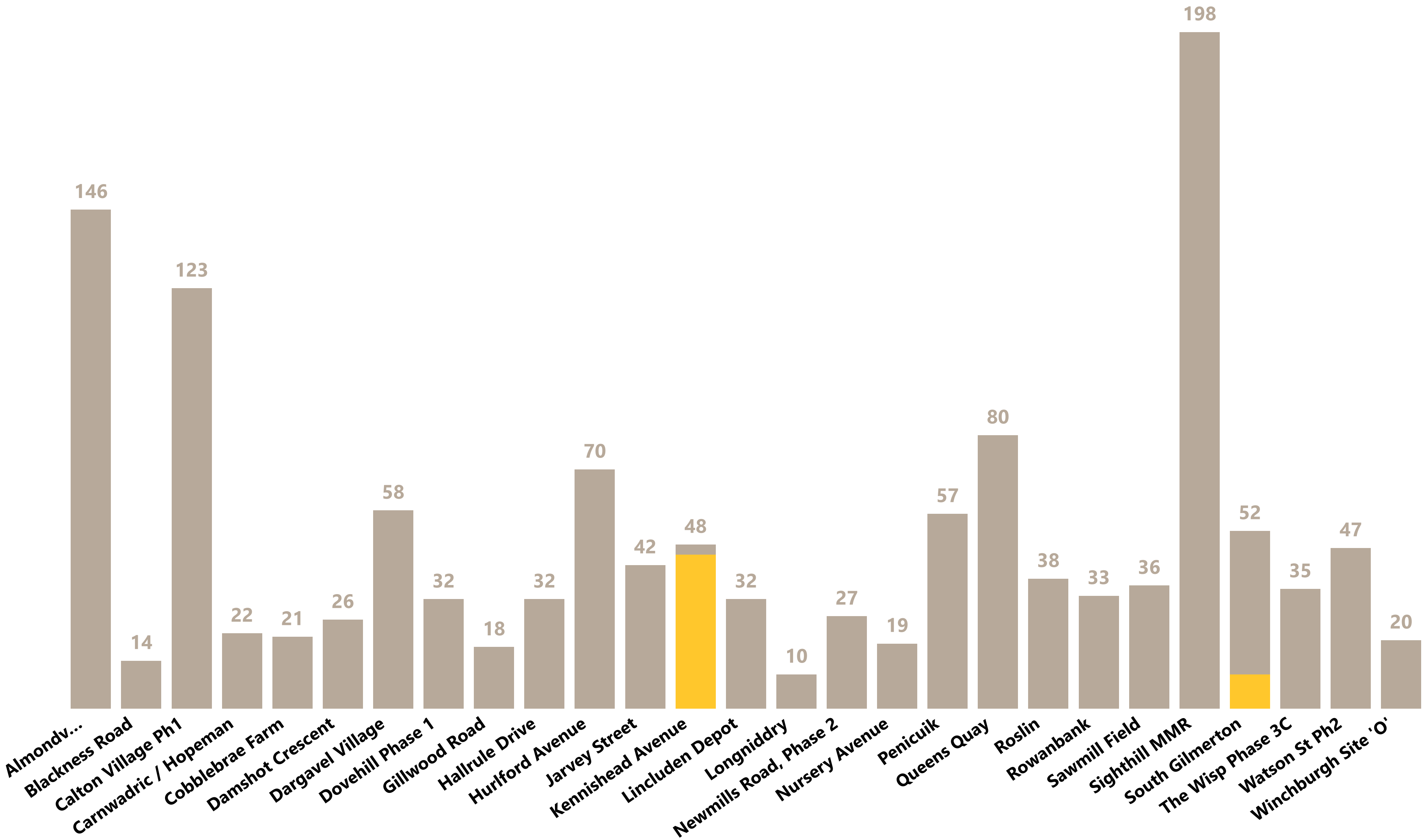


no. of projects
27

total units
1,336

completed to date
55

On Site

Subsidiary	Project	Total Units	Completed to Date	Actual Site Start	Contract Completion Date	Planned Site Completion
DC	Longniddry	10		July 2020	October 2021	October 2021
	Newmills Road, Phase 2	27		January 2020	March 2022	March 2022
	Penicuik	57		March 2021	July 2023	March 2023
	Roslin	38		April 2021	June 2023	June 2023
	Rowanbank	33		June 2021	August 2023	August 2023
	South Gilmerton	52	10	December 2019	June 2022	June 2022
	The Wisp Phase 3C	35		March 2020	August 2022	August 2022
DGHP	Gillwood Road	18		July 2021	April 2022	June 2022
	Lincluden Depot	32		March 2020	February 2022	February 2022
	Nursery Avenue	19		May 2021	September 2022	September 2022
GHA	Calton Village Ph1	123		August 2021	May 2024	May 2024
	Carnwadric / Hopeman	22		January 2021	January 2022	February 2022
	Damshot Crescent	26		March 2021	April 2022	April 2022
	Dovehill Phase 1	32		August 2020	July 2021	January 2022
	Hurlford Avenue	70		November 2020	February 2022	February 2022
	Kennishead Avenue	48	48	April 2019	June 2021	September 2021
	Sighthill MMR	198		November 2019	March 2023	April 2024
	Watson St Ph2	47		May 2019	January 2021	May 2022
Loretto	Cobblebrae Farm	21		November 2020	November 2021	January 2022
	Dargavel Village	58		February 2021	August 2022	August 2022
	Hallrule Drive	32		November 2020	November 2021	March 2022
	Queens Quay	80		February 2020	April 2022	April 2022
	Sawmill Field	36		July 2021	March 2023	January 2023
WLHP	Almondvale	146		June 2019	January 2022	January 2022
	Blackness Road	14		November 2020	November 2022	November 2022
	Jarvey Street	42		March 2017	December 2021	December 2021
	Winchburgh Site 'O'	20		October 2020	April 2022	February 2022

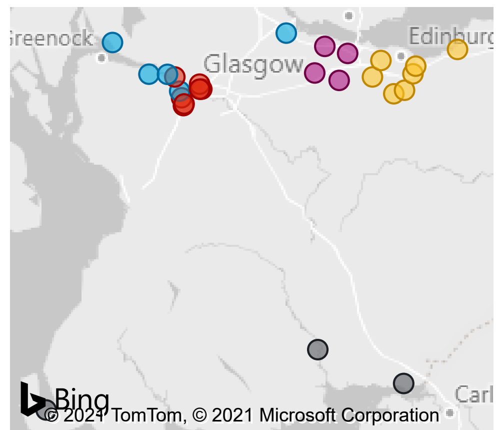
27
Projects on Site

1,336
Total Units

58
Completed Units

198
Largest Project

10
Smallest Project



Note: Contract Completion Dates may change subject to Extension of Time applications.

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Approved Projects, not yet on site

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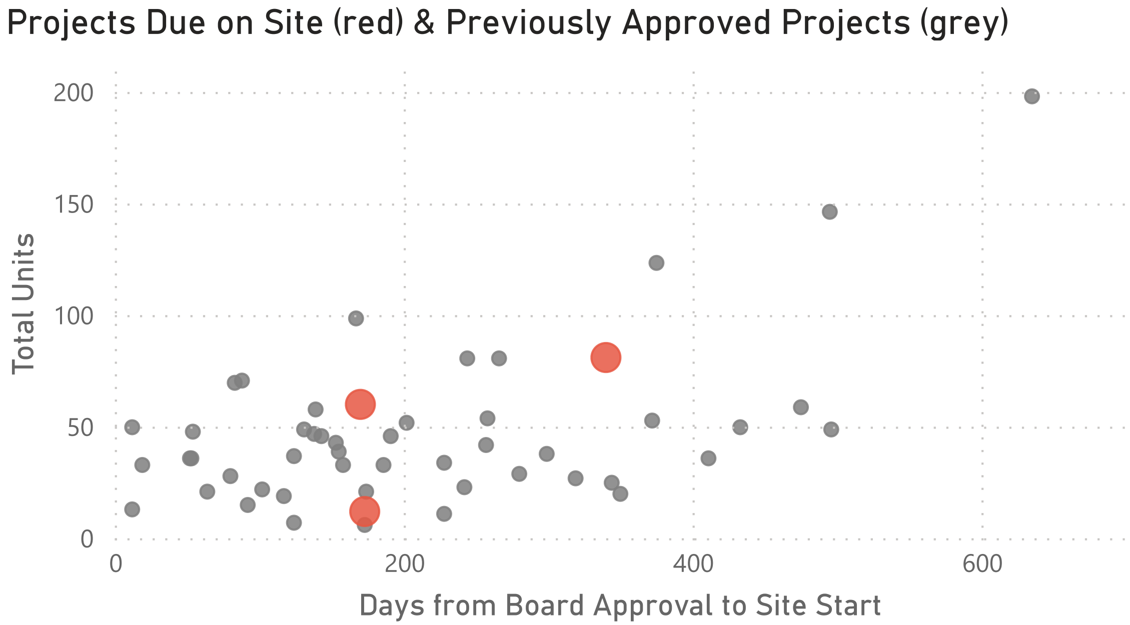
Subsidiary	Project	Procurement Route	Total Units	Board Approval Date	Planned Site Start	Grant	Planning	Building Warrant	RCC	Scottish Water	Stopping Up
DC	Lanark Road, Edinburgh	S75	12	March 2021	September 2021						
DC	Wallyford Area 7	S75	60	April 2021	October 2021						
WLHP	Winchburgh BB	S75	81	November 2020	October 2021						



Procurement Route filters

- Competitive
- Direct Award
- Partner/Developer led
- S75

Subsidiary DC WLHP

Contractor Exposure

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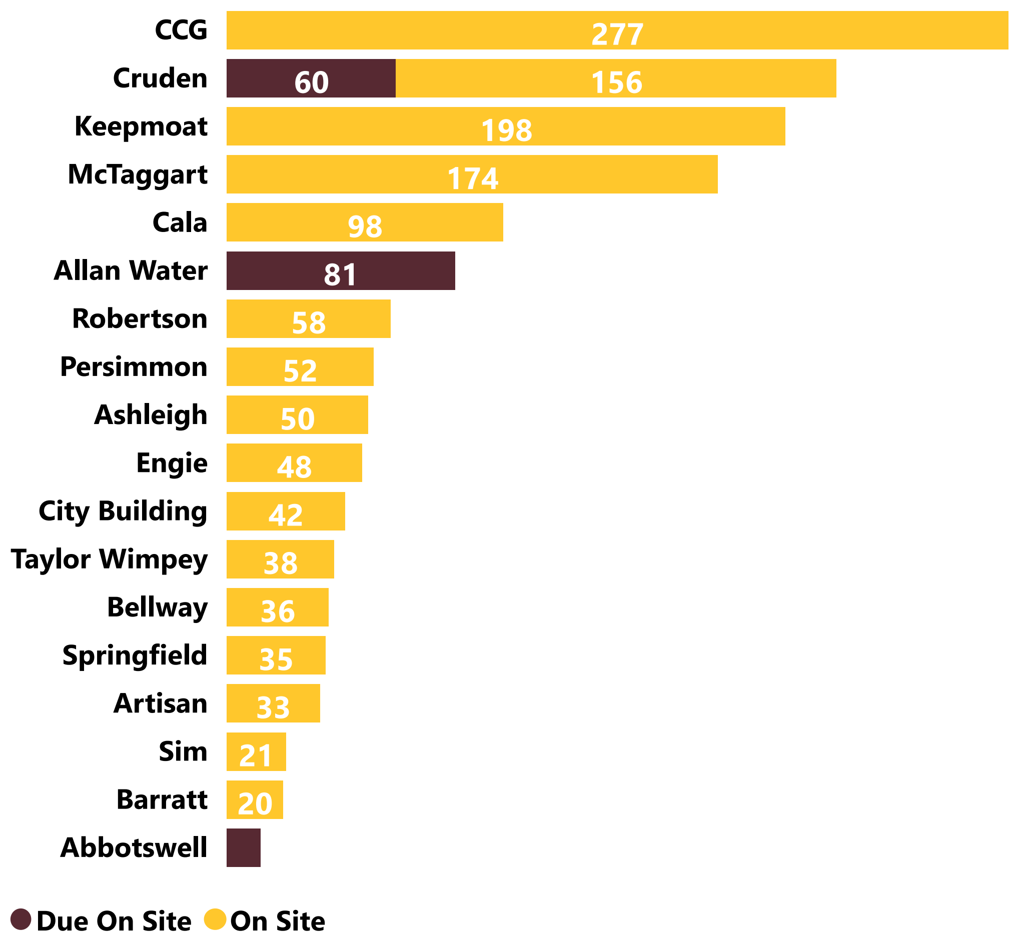
Status	Due On Site		On Site		Total	
Contractor	Projects	Total Cost	Projects	Total Cost	Projects	Total Cost
CCG			6	£51.657	6	£51.657
McTaggart			3	£35.593	3	£35.593
Cruden	1	£9.087	2	£19.038	3	£28.125
Keepmoat			1	£26.025	1	£26.025
Cala			3	£13.328	3	£13.328
Allan Water	1	£11.960			1	£11.960
Ashleigh			2	£10.526	2	£10.526
Robertson			1	£8.453	1	£8.453
Engie			1	£7.622	1	£7.622
Persimmon			1	£6.695	1	£6.695
Taylor Wimpey			1	£5.534	1	£5.534
Springfield			1	£5.078	1	£5.078
Artisan			1	£4.884	1	£4.884
Bellway			1	£4.583	1	£4.583
City Building			1	£4.137	1	£4.137
Sim			1	£3.229	1	£3.229
Barratt			1	£2.799	1	£2.799
Abbotswell	1	£1.524			1	£1.524
Total	**3**	**£22.571**	**27**	**£209.179**	**30**	**£231.750**

Units per Contractor



Report

To:	**Wheatley Housing Group Board**
By:	**Steven Henderson, Group Director of Finance**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**DGHP repairs subcontractors**
Date of Meeting:	**29 September 2021**

1. Purpose

1.1 The purpose of this report is to seek Group Board approval for the renewal of DGHP's In-House Repairs Trades Subcontractor Services contracts.

2. Authorising and strategic context

2.1 Under the Scheme of Financial Delegation and Group Standing Orders, the award of contracts is based on the financial value over the life of the contract. Under the Scheme, Group Board approval is required, in addition to individual partner Board, for contracts relating to revenue expenditure of over £1m.

2.2 The proposals in the report were reviewed and approved by the DGHP Board at its meeting on 22 September.

2.3 The estimated contract value is conservative on the basis that we now have an in-house repairs ("IHR") team that should carry out the majority of reactive and cyclical repair works. The actual spend may be below £6.2m and no work is guaranteed for any subcontractor.

2.4 Subcontractors may be required as back up if the internal resource is unavailable or cannot cover an area of Dumfries and Galloway. They may also provide specialist services that are not currently resourced by DGHP.

2.5 The contract duration provides flexibility to make informed decisions around the long-term need for some trades and it may be appropriate to seek to bring some additional trade resources in-house.

2.6 We will explore future opportunities to insource particular trades where these are not specialist and there is a business case for employing in-house staff. Over the next 12 months we will be focussing on the review of flooring, glazing and painting and decorating, in addition to reviewing the size of our current in house trades teams to ensure we are right-sized to deliver services based on projected customer demand.

3. Risk Appetite and assessment

3.1 The Group's risk appetite in respect of Laws, Regulations and Covenant Compliance is averse, i.e. avoidance of risk and uncertainty is a key organisational objective.

3.2 The award of this contract is fully compliant with all relevant procurement legislation and presents no increased risk to the Group.

4. Background

4.1 Sub-contractors historically supported the external lead repairs service provider to DGHP. Connaught (2008), Lovell (2013) and Morgan Sindall Property Services (2015) had a large sub-contracting element built into their service provision. This would be pre-determined and built into financial budgets.

4.2 Strada Environmental Ltd, Enviraz (Scotland) Ltd, Carters Cleaning Company, Cleanmaster, RB & S Peacock Cleaning Services, Stranraer Fencing & Services, SOS Drains Ltd, Bell Decorating Group Ltd, Derek Fitzgerald Landscapes, Roberts Carpet Supplies, Powermac Joinery Ltd, AJM Decorating Ltd, Mitie Property Services (UK) Ltd, Keith Logue & Sons Plasterers, William Duncan Roofing, Lee Glover Roofing Contractors Limited and William Dempster Roofing Ltd provided sub-contracting services to Morgan Sindall pre Wheatley creating the DGHP IHR Team in April 2020 and have established local workforces across Dumfries and Galloway to cover the service requirements of DGHP.

4.3 Dumbreck Decorators Ltd, OM Plastering and Starfish Construction Ltd were awarded direct contracts by DGHP pre-Group and were used from time to time to augment Morgan Sindall's (and their subcontractors') capacity.

4.4 Operational and financial due diligence checks were undertaken on each of the contractors in early 2020 as part of our risk mitigations.

4.5 Prior to the transfer of the in-house repairs team in April 2020, a decision was taken to award 12-month contracts to these subcontractors to allow service continuity whilst the new repairs service transferred. Procurement waivers were issued for all key subcontractors.

4.5 Two new trades were added to provide additional resource. These trades are flooring and fencing/grounds maintenance. These are seen as secondary services where DGHP staff are currently requesting quotes for this work or for fencing and grounds maintenance to provide services not covered by DGHP's Grounds Maintenance contract for the Wigtownshire area.

5. Customer Engagement

5.1 Engagement with tenants was not directly applicable to this tender. Internal customer engagement was carried out with DGHP's In-house Repairs Team to establish our future requirements per trade and geographical area. This included the possible onboarding of a broader range and increased numbers of subcontractors to provide wider coverage particularly in the west of the region and to provide a wider level of competition for some trades.

6. Discussion

6.1 The new contracts have been procured via Procurement for Housing's (PfH) Dynamic Purchasing Systems (DPS) for Capital Works, Compliance Services and Responsive & Voids, as per the table below. All tender packages were subject to a mini-competition tender process and Subcontractors were invited to participate based on anticipated need and existing contractors appointed to PfH's DPS could also participate.

Contract Requirements	DPS Solution	DPS Category
Asbestos	Compliance Services	Asbestos
Builders	Responsive & Voids	Specialist
Cleaning	Responsive & Voids	Specialist
Decoration	Capital Works	Cyclical Painting
Drainage	Responsive & Voids	Specialist
Fencing/Garden works	Responsive & Voids	Specialist
Flooring	Responsive & Voids	Specialist
Glazing	Responsive & Voids	Specialist
Joinery	Responsive & Voids	Specialist
Plastering	Responsive & Voids	Specialist
Roofing & Scaffold	Capital Works	Roofing

6.2 The tender process consisted of eleven mini-competition tender processes across the trades mentioned in the above table. To ensure that local small and medium enterprises could participate, each trade was sub-lotted into the four geographical areas. From a DGHP perspective, this approach was taken to maximise contract coverage.

6.3 At least one bid was received for all trades. The table below details the number of bids received per trade, the number of subcontractors appointed and reasons given for rejected tenders.

Trade	Bids Received	No of Contractors Appointed	No of Contractors Rejected
Asbestos	3	2	1
Builders	1	0	1
Cleaning	5	4	1
Painting & Decorating	5	3	2
Drainage	1	1	0
Fencing & Grounds Maintenance	3	3	0
Flooring	1	1	0
Glazing	1	1	0
Joinery	2	2	0
Plastering	2	2	0
Roofing & Scaffolding	4	4	0

In circumstances whereby we have four subcontractors appointed, this is due to the limited geographical areas covered by the subcontractors. There are also gaps in coverage, for example Drainage in Wigtownshire, Annandale & Eskdale and Nithsdale are not covered by subcontractors. DGHP staff will be required to seek best value quotation(s) for these trades/areas.

6.4 Tenders were evaluated based on three key elements:

- Tenderer's response to a Supplier Questionnaire, to ensure Due Diligence check could be carried out.
- Tenderer compliance with the industry standard trade specification included in the tender package.
- Prices submitted. Pricing was evaluated based on DGHP's Schedule of Rates (SOR) assessed on the basis of usage per trade since the inception of the In-House Repairs Team in April 2020. The quotes were also compared to previous prices from the same contractors.

Prices have generally increased per trade, except painting & decorating, as shown in the table below.

Trade	Variance +/(-)
Asbestos	5.44%
Cleaning	6.09%
Painting & Decorating	-5.58%
Drainage	22.49%
Fencing & Grounds Maintenance	N/A (new contractor)
Flooring	N/A (new contractor)
Glazing	20.40%
Joinery	15.93%
Plastering	17.09%
Roofing & Scaffolding	1.92%

6.5 Material price volatility has had a large bearing on price increases. Almost every trade material type has been subject to price increases as a consequence of both Brexit and the Covid-19 pandemic affecting supply chains.

6.6 The volatile nature of materials prices shall be monitored as part of quarterly contract management reviews to avoid significant issues from developing during this contract.

6.7 Due to the reactive nature of works and no guarantee given to subcontractors on the volume of works they may receive we were unable to include direct community benefit obligations on subcontractors. However, this will be reviewed as part of quarterly contract reviews with primary subcontractors during the contract as a voluntary consideration.

7. Digital transformation alignment

7.1 There are no implications to digital transformation alignment in this report.

8. Financial and value for money implications

8.1 The award of these new contracts enables DGHP IHR Team to call upon a secondary resource to facilitate a repairs service across the Dumfries and Galloway region.

8.2 The 2021/22 budget for repairs and maintenance in DGHP is based on experience of prior years' spend, outwith the pandemic. We will continue to closely monitor our repairs budgets during 2021/22 given the volatile nature of construction pricing at this time and use any insight gained to help shape the future business plans. No additional budget is required as part of this procurement exercise.

9. Legal, regulatory and charitable implications

9.1 PfH's procurement of the three Dynamic Purchasing Systems have been subject to a full OJEU process. The risk of a procurement challenge is considered low.

9.2 Financial performance will be routinely monitored via Equifax reporting where this is not available for the smaller sole traders, we will review financial accounts. Contract review meetings will be held monthly so that higher-risk contractors can be subjected to closer scrutiny. All works are paid for in arrears on satisfactory completion, limiting the risk.

10. Equalities implications

10.1 There are no equalities implications for this report.

11. Environmental and sustainability implications

11.1 As part of the Due Diligence aspect of this procurement process, tenderers were asked to confirm the nature of their environmental policies. The majority of our subcontractors confirmed that they had policies and submitted these as part of their tender bid. Where tenderers did not have these policies in place, they were asked to confirm that they would follow DGHP/Wheatley Group policies. Due to the relative size of some of our subcontractors, this could not be made a compulsory requirement.

11.2 Policies generally included the requirement for subcontractors to:

- Review environmental impacts pre-work.
- Consider the use of sustainable materials and resource management.
- Increase employee awareness and provide training opportunities.
- Protect natural resources, watercourses and forestation.
- Recycle and reuse material where possible and minimise waste
- The safe transportation and dispose of waste materials.

11.3 No subcontractors stated that they will not comply with environmental regulations or requirements placed on them by DGHP.

11.4 No specific environmental requirements were placed on subcontractors in respect of their fleet. This was due to the small stature of most of the subcontractors. However, where possible, DGHP staff will allocate jobs to minimise travel.

11.5 DGHP trade specifications included requirements for the use of sustainable materials such as timber to be used on IHR subcontractor contracts. This requirement includes provision in respect of any sub-subcontracting arrangements in place.

12. Recommendations

12.1 The Board is requested to :

1) Approve the appointment of the following Primary subcontractors based on a maximum contract value (inclusive of VAT) over a possible three year period:

Trade	Subcontractor	Contract Value
Painting & Decorating	Dumbreck Decorators Ltd	£1.08m
Drainage	SOS Drains Ltd	£360k
Glazing	Glass & Glazing (Dumfries) Ltd	£300k
Joinery	Powermac Joinery Ltd	£2.3m
Plastering	Keith Logue & Sons	£180k
Roofing	William Duncan Roofing	£1.2m
Asbestos Services	Strada Environmental Ltd	£300k
Flooring	Roberts Carpets	£180k
Fencing/ Grounds Maintenance (Wigtownshire area)	Stranraer Fencing and Services	£180k
	Total	**£6.08m**

2) Approve the appointment of the following secondary subcontractors based on a possible three-year period:

- Enviraz (Scotland) Ltd – Asbestos Services
- OM Plastering – Plastering
- AJM Decorating Ltd – Painting & Decorating
- Bell Decorating Group Limited – Joinery, Fencing & Grounds Maintenance and Painting & Decorating
- Mitie Property Services (UK) Ltd – Painting & Decorating
- Derek Fitzgerald Landscapes – Fencing & Grounds Maintenance
- Starfish Construction – Roofing & Scaffolding
- W Dempster Roofing Ltd – Roofing & Scaffolding
- Lee Glover Roofing Constructor Ltd – Roofing & Scaffolding

3) Approve the appointment of the following Primary subcontractors based on a maximum contract value (inclusive of VAT) over a possible two-year period:

Trade	Subcontractor(s)	Contract Value
Cleaning	Carters Cleaning Company, Cleanmaster and RB & S Peacock	£120k
	Total	**£120k**

4) Approve the appointment of the following secondary subcontractor based on a possible two-year period:

- Stranraer Fencing and Services – Cleaning