



**DUNEDIN CANMORE HOUSING**

**BOARD MEETING**

**Thursday 25 March 2021  
BY VIDEOCONFERENCE**

**AGENDA**

1. Apologies for Absence
2. Declarations of Interest
3. Minute of 11 February 2021 and matters arising

**Main Business Items**

4. Business update
5. 2021/22 UK and Scottish Government Budget update
6. Housing First update (presentation only)
7. Shared accommodation re-provisioning model (presentation only)
8. 2021 Customer Satisfaction Surveys
9. Approach to complaints handling
10. Group protection update (presentation only)

**Other Business Items**

11. a) 2021/22 Budget  
b) Finance Report for the period to 28 February 2021  
(to include approval for funding amendments required – removal of Cube)
12. a) Assurance update  
b) Internal Audit Approach and Plan 2020/21
13. Wheatley Solutions Services Agreement
14. AOCB

**Date of next meeting: 27 May 2021**

## Report

**To:** Dunedin Canmore Housing Board

**By:** Hazel Young, Managing Director

**Approved by:** Steven Henderson, Group Director of Finance

**Subject:** Business update

**Date:** 25 March 2021

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### 1. Purpose

- 1.1 This report provides an update on our response to the impact of the current Coronavirus crisis on our services, customers and communities.

### 2. Authorising context

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

### 3. Risk appetite and assessment

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

## 4. Background

- 4.1 This report provides a further update to Board members on our contingency operations to support both essential business and the issues faced by our business and customers. It outlines our current remobilisation status across key customer facing areas following the Scottish Government's move to tier 4 restrictions on 26 December and then to a lockdown from 5 January applying to the whole of the Scottish mainland. On Tuesday 16 March the Scottish Government provided some indication as to how they will ease the lockdown subject to continuing progress on reducing cases.
- 4.2 Some easing has already been experienced in terms of children returning to school. On 22 February children in Primary 1-3 returned and on 15 March they were joined by children in Primary 4-7. Secondary school children have also returned on a part-time basis and will continue to be supported with home schooling. A testing regime in schools has been introduced.
- 4.3 The Scottish Government have indicated that the stay at home restrictions will be lifted on 2 April with the aim being to return Scotland to the levels system from 26 April, by which time all 9 JCVI priority groups will have been offered the vaccine. Also on 26 April it is intended that:
- All restrictions on journeys in mainland Scotland will be lifted;
  - All retail premises and libraries will be able to open;
  - Up to 4 people from 2 households can socialise indoors in a public place;
  - 6 people from 3 households can meet outdoors; and
  - Non-essential work in people's homes can resume.
- On 17 May it is hoped that groups of 4 people from 2 households can socialise indoors in a private home, and that small scale outdoor and indoor events can restart with limits on capacity.
- 4.4 Maintaining service delivery in line with restrictions, ensuring safety and providing the best customer service possible remains a challenging operation. Rapid changes in Scottish Government guidance and in local situations means our service planning and our staff have to be highly agile. We continually review our services in the light of guidance but also from our own learning, seeking to ensure that our approach and processes remain the best they can be.
- 4.5 Staff and customer communication is at the heart of this approach to ensure that they understand what we are doing, why and to be reassured that our processes keep them safe. Despite these challenges we have continued to meet the targets we have set for our remobilisation plans.

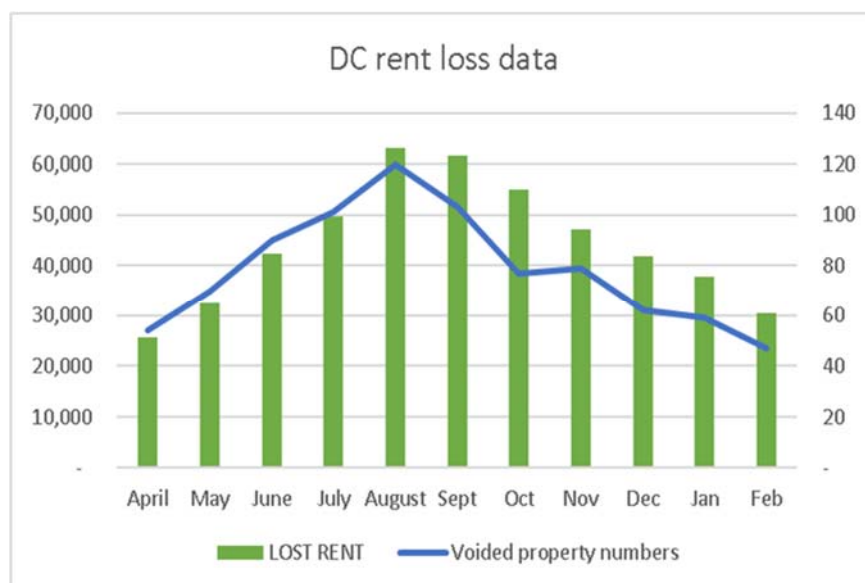
## 5. Discussion

- 5.1 Our agility and rapid ability to scale up services has allowed us to create a much stronger position going into 2021 than would otherwise have been the case. However, the lockdown for the Scottish mainland means that we have had to review and amend our services in line with new restrictions. We have strong planning mechanisms to help us consider service areas and move quickly to alternative models. We are following the Scottish Government guidance closely and are considering how we will be able to ease restrictions and reintroduce full services for customers.

### *Letting*

- 5.2 We have been able to continue what is effectively a business as usual position of letting homes in line with our remobilisation plans. This means that we are focussed on letting our homes to those in housing need – most often homeless households but also others who are in need due to medical priority or other issues. This level of letting has allowed us to recover from the increase in voids over Christmas and the later part of February into March has seen improved performance around our letting times which we expect to continue. Figure 1 shows how the position with voids and rent loss has improved from August onwards, and we expect March to show a similar improving trend.

**Figure 1**



- 5.3 Letting continues to take place using safe working procedures for viewings and sign ups which means there is more delay built into the processes than pre-Covid. We are currently reviewing appropriate targets for reletting in 2021/22 and this will be brought to Board for consideration at the May meeting. We continue to postpone applications to undertake mutual exchanges which are not essential in line with current Scottish Government guidance.

### *Repairs*

- 5.4 During the lockdown period we have reverted to “Safety First” repairs only. Guidance has been issued to all staff so that they are clear on what repairs can be done. Housing Officers and call centre staff can also use their own judgement to categorise something as essential based on customer circumstances, particularly where the customer is vulnerable.

- 5.5 We have contacted all customers who had reported a repair prior to this lockdown which will now not be done due to restrictions to explain the situation. They will be kept updated by text throughout lockdown where they have this facility. Customers will not have to report the repair again at the end of the lockdown – we will process and book in repairs as soon as we are able to do so. Our intention is to be very pro-active in relation to customer communications around remobilisation as we are aware that customers have been experiencing a restricted service for some time and will have outstanding repairs which they are anxious to have addressed. We are looking at the possibility of a dedicated repairs hot-line which customers can contact, and we will create a dedicated team in DCPS who will focus on the postponed repairs. Assuming we can start this on 26 April then we hope to have all delayed repairs addressed by mid-June.
- 5.6 Board should be aware that some work will continue to be restricted beyond the end of April due to the requirement for safe working practices and social distancing for operatives. This will affect some major works and work within confined spaces. We expect this to affect a small minority of repairs.
- 5.7 In line with Scottish Government guidance that only essential repairs should be carried out inside someone's home, internal capital investment work has been put on hold. Customers who had a planned date for work to start were contacted and informed of the situation. This mainly affects planned bathroom upgrade work which we had hoped to start in January. External investment works continue with appropriate safety procedures in place and we will engage with customers to restart this programme once it is safe to do so.
- 5.8 We continue to monitor our supply chain for repairs and investment following Brexit. So far there have been no major issues but there remains the potential for disruption, particularly around engineered parts which mostly come from Europe.
- 5.9 In relation to medical adaptations, prior to undertaking work, we contact customers to assess with them whether it is appropriate to do the work at this time. This decision will depend on the urgency of the requirement and the ability to do the work while maintaining safe distancing. Some adaptations are crucial in enabling hospital discharge or avoiding admission to care homes and where possible we will always seek to do these projects. Where a customer does not wish the work to be done at this stage we will contact them again as restrictions ease to plan the work.
- 5.10 Repairs to voids continue with safe working practices in place. This supports our letting to households in need in line with the Scottish Government guidance that house moves, while allowed, should only be undertaken where essential. Void work will continue as the restrictions are eased. Gas safety compliance has been consistently 100% since September 2020 and will continue to be a priority.

- 5.11 In February 2020 the Wheatley Group Board approved the award of a contract to Saint Gobain (parent company of Jewson Ltd) for the supply of Group trade materials. This appointment was to allow for the creation of the DGHP repairs team with a view to wider Group usage as appropriate. We currently have a contract with Jewson, via Scotland Excel, which expires on the 31<sup>st</sup> March 2021. Upon expiry, we will migrate to the Group contract with Saint Gobain which will deliver a 5% saving on all materials bought at Jewson. Since materials will continue to be supplied through Jewson, this will have no impact to the current supply or delivery arrangements. We currently spend approximately £1.8m per annum on the purchase of trade materials and foresee this to increase in line with the growth in housing stock. As added value, there will be access to a designated Saint Gobian contract manager and enhanced material usage information via the online ordering portal. This contract has been compliantly procured via the Cirrus Framework and is in line with all legislative and Group procurement requirements.

#### *Rental income*

- 5.12 Maintaining our rental income to fund our services and supporting our customers to pay their rent have been key priorities through the pandemic. Housing Officers continue to successfully operate our virtual model of support through telephone and digital contact. This has enabled us to provide support and advice to customers at the point they need it most. It has been backed up by easy digital methods to pay which avoid unnecessary contact, with Housing Officers again providing support to help customers through the process.
- 5.13 Home visits for rent issues have been suspended in line with lockdown restrictions. However, our Housing Officers continue to use all other methods to support our customers and collect income. Visits to customers only take place where there are acute welfare concerns. As the restrictions ease we will remobilise our Housing Officers to be out on their patches.
- 5.14 The 6-month notice period for Notice of Proceedings and evictions in relation to rent arrears has been extended by the Scottish Government until September 2021. We will continue with our revised escalation process which includes the potential to escalate to Notice of Proceedings where we are satisfied that the household 'won't pay' rather than 'can't pay'. This will only be done following a review of each individual case, including an assessment of any Covid-19 impact and any potential vulnerabilities.
- 5.15 The escalation process includes clear messaging for customers, stakeholders and staff. This will make it clear that only customers who repeatedly will not pay rent, have defaulted on an agreed repayment plan and repeatedly failed to engage with us would receive a letter about further action being taken. We will not evict anyone who falls into difficulty as a result of the impact of Covid-19. However, it is important that those who purposely avoid paying their rent understand they are in breach of their tenancy conditions and the consequences of this. We need customers to get in touch with us as quickly as they can so that we can help before the issue gets less manageable.

- 5.16 We have had one eviction granted recently at Edinburgh Sheriff Court, however given the decision to extend the ban on evictions we will not be enforcing this at this time.

*Stair cleaning and environmental services*

- 5.17 The decision was made to suspend stair cleaning at the beginning of January. This was done in the light of Scottish Government guidance, the confined space available within stairs which makes it very difficult to distance if anyone needs to pass and the information on the increased transmissibility of the new Covid variant. Customers were advised of the decision and the reasons for this. In the light of the latest Government statements we are reviewing how soon we can restart the stair cleaning service.
- 5.18 Wider environmental services continue as normal and we have started our grass cutting service from 22 March. We have been carrying out winter maintenance and lifting of abandoned items over the past few months.

*Fire safety, anti-social behaviour, Group Protection*

- 5.19 Across the Group, the number of accidental dwelling fires is down from last year's levels. This is despite the fact that lockdowns and restrictions mean many people are spending more time at home. Over the last two years the team has visited over 1,000 priority customers across the Group providing fire safety products, advice and services and these have played an important role in reducing fires. Visits will continue for our vulnerable households during the current lockdown.
- 5.20 Our fire safety team are continuing to undertake fire risk assessments for our care properties. The addition of two new members of staff in February into the Group team has increased our capacity and resilience in this area.
- 5.21 The Group Protection Team continues its work broadly as normal except that contact with relevant agencies is digital. This ensures that we can deliver preventative and support services for our customers who are victims of domestic abuse. We work extensively through our partnership arrangements, participating in Multi Agency Risk Assessment Conferences (MARAC), Multi Agency Tasking and Co-ordination forums (MATAC) and Disclosure Scheme for Domestic Abuse Scotland (DSDAS) across a variety of Local Authority Areas. Our work with partner agencies also includes ensuring the appropriate action is taken against perpetrators; this includes delivering preventative and educational services with the aim of stopping the offending behaviour. In some instances, we can move the perpetrator so that the victim can remain in their own home avoiding further disruption.

- 5.22 There is particular concern for the victims of domestic abuse during lockdowns - they may be confined to a home that is not safe, and may have less opportunity to seek out support. Our staff across Dunedin Canmore and Wheatley Group are well trained on domestic abuse, having been provided with the opportunity to participate in bespoke training developed and delivered jointly by Wheatley Group and National Domestic Abuse Charity Safe Lives. This allows them the knowledge, skills and experience to best support victims and their families, and connect them with our internal Wheatley wraparound support services, or signpost to tailored bespoke Domestic Abuse advocacy support with partners such as Women's Aid. The Group Protection team possess a specialist level of knowledge on domestic abuse through their work on the operational forums, and are able to guide and assist our staff dealing with complex cases, to work towards achieving the best available options and outcomes for any customer affected and impacted.
- 5.23 Our Housing officers and the Group anti-social behaviour team continue their work through our adapted service model which uses telephone and digital methods of contact wherever possible. This is supplemented by the use of home visits where these are essential. We continue to see an increase in cases recorded. Most are in relation to low level noise and neighbour disturbance that are likely to be directly related to lockdown circumstances. Police Scotland has noted a similar trend in their figures.

#### *Dunedin Harbour*

- 5.24 The team at Dunedin Harbour has continued their proactive response to the pandemic in line with Scottish Government guidance with the management team attending Wheatley Care's bi weekly Covid Strategic Response Managers meetings. Again, to date no individuals supported within the Hostel has tested positive for Coronavirus. Staff testing has commenced using Lateral Flow Devices (LFDs) as an additional layer of protection.
- 5.25 Improvement works in relation to fire safety are continuing.
- 5.26 A number of development days have been held virtually via Zoom in February to inform the service's improvement plan for 21/22. These have been well received by frontline staff who are looking forward to easing out of restrictions and developing the service further.
- 5.27 The Executive Team have approved a variation to contract which will see the service move to City of Edinburgh Council's Rapid Access Accommodation Framework (RAAF) for the hostel. This framework will result in the Hostel receiving a higher rate of payment than the current General Homeless Accommodation with Support Framework and is reflective of the often complex needs of individuals referred to the service. Discussions will now take place to conclude this variation which will apply only to the hostel element of the service, the resettlement flats will remain on the current framework.



### *Other service highlights*

- 5.28 Board are aware of our pre-1919 tenement strategy which seeks to rationalise our dispersed stock within tenement stairs to create or increase our majority within stairs to improve our ability to manage and maintain the stock. We have recently agreed to purchase 5 flats within 3 separate stairs from the City of Edinburgh Council at Lower Granton Road under this strategy. The Council has agreed to sell those to us at the valuation price. Currently we own 73 flats at Lower Granton Road.
- 5.29 The Wheatley emergency response fund continues to help customers in crisis situations. As with EatWell, numbers are reduced but the help we are able to give is often crucial to the receiving households. Housing officers are also often crucial in picking up where households are struggling and in marshalling the right services to support them.
- 5.30 An example of how we are able to support our customers is a case of one of our customers who has always struggled financially and more so recently after being furloughed. The Housing Officer has been assisting the customer throughout the pandemic with fuel top ups and supermarket vouchers as she has been struggling to make ends meet. The customer started a new job last week and Wheatley Foundation through the emergency response fund agreed to sending her bus tickets so she could get to her new job as a home help/carer. She has also been working with Wheatley 360 welfare rights and Money Matters. The customer was in receipt of partial housing benefit, so the Housing Officer made an application to the Council's discretionary housing payment fund. The request was successful, awarding the customer £2500. This success has reduced the customers rent arrears from over 3k to just over £800 which is a huge weight off her shoulders. The customer is now working with the Housing Officer towards being free from housing debt on the remaining outstanding balance.
- 5.31 In terms of our work with other partners helping to support vulnerable homeless customers, one of our Housing Officers has been working with a Housing First customer who was almost ready to give up on being supported by the Housing First consortium; he had been feeling very overwhelmed with procedural requirements and dealing with professionals. The Housing Officer took the time to go through all options ensuring the customer was fully informed of all the benefits that could come from starting a tenancy and engaging with agencies that can help him. The Consortium Manager, Jackie MacKinnon for Housing First Edinburgh got in touch with the Housing Officer to say: *"I just wanted to send another big thank you for all of your efforts involving S.... in the past few weeks – it really goes above and beyond, and I can't express what a difference it makes to our clients to have someone like yourself put so much thought and care into working with them"*.
- 5.32 A couple and their 2 children who have been living in temporary accommodation for the past couple of years were signed up for a permanent tenancy in early March. The Housing Officer had the pleasure of assisting the family who were so excited to have a permanent home that they could call theirs and make a future for their children. When the Housing Officer asked their 2-year-old daughter what she thought of her new house, she said that it was "awesome".

- 5.33 Finally, our staff who have been juggling home schooling responsibilities with work have reported that matters are improving with the gradual return of children to schools. They have appreciated the flexible working arrangements in place which continue to help them through this period. The leadership and support we have been able to provide has been well received to enable our people to work through the temporary lockdown.

## **6. Value for money implications**

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

## **7. Impact on financial projections**

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

## **8. Legal, regulatory and charitable implications**

- 8.1 Through the Group, we have maintained regular dialogue with the Scottish Housing Regulator over recent weeks, and they have appreciated our role, for example, in the housing sector National Resilience Group along with Scottish Government and local authority representatives.

## **9. Partnership implications**

- 9.1 We continue to utilise our strong relationships with Scottish Government, local authorities and national agencies to support delivery during the crisis but also to influence planning to the benefit of our customers and services.

## **10. Implementation and deployment**

- 10.1 Co-ordination of all Group activity continues to be led by the Group CEO and Executive Team, and by the Managing Director within Dunedin Canmore.

## **11. Equalities impact**

- 11.1 None noted.

## **12. Recommendation**

- 12.1 The Board is asked to note this update.

## Report

**To:** Dunedin Canmore Housing Board

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

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

**Subject:** 2021/22 UK and Scottish Government Budget update

**Date of Meeting:** 25 March 2021

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### 1. Purpose

- 1.1 The purpose of this paper is to provide an update to the Board on the 2021/22 UK and Scottish Government Budget announcements and the implications for Dunedin Canmore.

### 2. Authorising context

- 2.1 This paper is provided for information only.

### 3. Risk appetite and assessment

- 3.1 The Board's agreed risk appetite for business planning and budgeting assumptions is "open". This level of risk tolerance is defined as "prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level".
- 3.2 Budget announcements by the UK and Scottish Governments can have a material impact on our activities, for example in relation to the welfare system, housing grant budgets and taxation. A number of the budget announcements provide greater certainty for us, in particular the Scottish housing capital budget, although at UK level risks remain, such as the uncertainty over the long term position for the £20 weekly Universal Credit increase and the impact this could have on customers.

### 4. Background

- 4.1 The Budget was delivered by the Chancellor of the Exchequer, Rishi Sunak, on 3 March 2021. It covered the current state of the UK economy and provided updates with respect to existing COVID-19 financial relief measures in place and the Government's plans address the longer term economic effects of the pandemic.

- 4.2 Certain fiscal powers are devolved to the Scottish Government and they released their draft budget in January 2021, prior to the UK Budget announcement. As part of the UK announcement, an additional £1.2 billion of funding was allocated to Scotland under the Barnett formula and a range of subsequent announcements were made by the Scottish Government on 8<sup>th</sup> March as part of agreeing a budget deal with the Green Party.
- 4.3 Following the Scottish Budget, the Scottish Government released their policy document “Housing to 2040”, which has a number of longer term budget implications. This is discussed in the business update paper on the agenda.

## **5. Key issues and conclusions**

### Extension of the Coronavirus Job Retention Scheme

- 5.1 The Budget confirmed an extension of the Coronavirus Job Retention Scheme (“CJRS”) more commonly known as the ‘Furlough Scheme’, for a further six months until September 2021. For the self-employed, the UK Government has also provided additional grant funding under the Self Employment Income Support Scheme (“SEISS”), capped at £7,500 per quarter for the next 6 months.
- 5.2 These measures provide some short term mitigation to the risks of unemployment increasing, but we will remain in close contact with our customers who we know to be furloughed or who have lost their jobs, to understand their financial situation and provide support where necessary. We continue to make conservative budget provision for increasing rent arrears in the context of the risks associated with the end of furlough.

### Universal Credit and Working Tax Credit

- 5.3 The UK Government increased Universal Credit, Working Tax Credits and expanded Statutory Sick Pay at the beginning of the pandemic. The standard rate of Universal Credit was increased by £20 per week for an initial one-year period from 6 April 2020 which provided up to £1,040 for claimants during the year. The 2021 Budget announced that this would continue for a further 6 months. The increase has been an important part of supporting our UC customers and we will continue to lobby DWP to make this permanent.
- 5.4 The UK Government also announced a one-off payment of £500 to new and existing Working Tax Credit recipients, which will provide additional income support over the next six months.

### Taxation

- 5.5 VAT is the most significant tax for us, since we are generally unable to reclaim this. No changes were made to VAT which would materially impact on our activities.
- 5.6 On corporation tax, the UK Government will increase the rate of corporation tax paid by businesses from 19% to 25%. This change will come into effect in April 2023 when, it is assumed, Covid-19 restrictions on trading and the economy will no longer be required.

- 5.7 While the Group's RSLs and charitable entities are exempt from paying corporation tax, this measure is of particular importance to Lowther Homes, which as a non-charitable, profit generating commercial entity is the only subsidiary in the Group projected to carry a corporation tax liability. From April 2023 corporation tax will be charged at 25% of profits after Lowther's planned gift aid payment to the Foundation. Over the first 5 years of the financial projections, Lowther will incur an additional £0.3m of corporation tax. This would have a direct impact on the level of Lowther's retained profits reducing them over the first five years from £5.7m to £5.4m. This may have some impact on its ability to provide gift aid to the Wheatley Foundation.

#### UK funding support

- 5.8 The UK budget stated that a £4.8 billion UK-wide Levelling Up Fund would be delivered, and local areas would be able to submit bids for the first round of funding starting in 21-22. This fund, as well as the previously announced UK Shared Prosperity Fund, involve the UK Government taking a role in directly funding Scottish projects, without a role for the Scottish Government.

#### Scottish Government Budget 2021/22

- 5.9 The Scottish Government budget and subsequent announcements provide for a total of £831.6m government grant on delivering new build affordable housing in Scotland in 2021/22, compared to the £843m allocation for the current financial year.
- 5.10 This funding is in the context of the Scottish Government's announcement that it will invest £3.5 billion in the Affordable Housing Supply Programme over five years if re-elected in May, and seek to deliver 100,000 homes by 2032.
- 5.11 Other funding announced for 2021/22 includes £81.6m for regeneration programmes, including £5m to regenerate Scotland's vacant and derelict land, and £150m for fuel poverty and energy efficiency measures. The detail of these funds and application processes is not yet clear, although we expect the majority to be administered via local authorities.
- 5.12 The Scottish budget included £15 million to establish the Apprenticeship Employer Grant and £30million to support the continuation of Foundation and Graduate Apprenticeships in Scotland. We will follow up on any opportunities to access this funding to support our apprenticeship programmes.
- 5.13 The application of the Barnett formula provides each of the devolved administrations with a share of UK central government funding to be allocated according to its own priorities. The UK Government Budget included an additional £2.4 billion to the devolved administrations through the Barnett formula, with the Scottish Government receiving £1.2billion extra.
- 5.14 The Scottish Government announced a range of measures with this funding, including Pandemic Support Payments of £130 to households receiving Council Tax Reduction and two payments of £100 to families of children qualifying for free school meals. This augments the Scottish Child Payment discussed at the last Board meeting.

**6. Value for money implications**

6.1 No implications.

**7. Impact on financial projections**

7.1 The changes set out above are do not materially change the assumptions in the financial projections considered by the Board at its last meeting.

**8. Legal, regulatory and charitable implications**

8.1 No implications.

**9. Equalities impact**

9.1 Not applicable.

**10. Recommendation**

10.1 The Board is requested to note the contents of this paper.

## Report

**To:** Dunedin Canmore Housing Board

**By:** Hazel Young, Managing Director

**Approved by:** Steven Henderson, Group Director of Finance

**Subject:** 2021 Customer Satisfaction Surveys

**Date of Meeting:** 25 March 2021

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### 1. Purpose

- 1.1 To seek Board approval for our approach to our customer satisfaction survey for 2021/22.

### 2. Authorising context

- 2.1 We ordinarily undertake an annual, independent tenant satisfaction survey. It was previously agreed by the Boards that we not undertake one in 2020, with a view to carrying out our own in-house survey.
- 2.2 It was subsequently agreed that the timing should be delayed from the initial assumption of October/November and considered in the early part of 2021.

### 3. Risk appetite and assessment

- 3.1. Our risk appetite in relation to regulatory matters is cautious. That is defined as "*Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward*". The current regulatory requirements for satisfaction surveys for Registered Social Landlords is that they are carried out under the full ARC question set triennially.
- 3.2. We last carried out a full survey in 2019, with the next one being required in 2022. There is therefore no risk that by undertaking a different approach this year we will not be meeting our regulatory requirements.
- 3.3. A full ARC-specification customer satisfaction survey is designed to gauge customer views in the context of normal operating conditions and service delivery arrangement. We recognised that undertaking this type of survey gave rise to a risk that we undertook a survey which produced results not reflective of our normal service levels.

#### **4. Background**

- 4.1 We agreed to delay the in house survey to take into account the wide range of engagement activity ongoing during November and December with staff and customers, including: the rent consultation; rent campaign; and the new operating model.

#### **5. Discussion**

- 5.1 As we consider our approach to undertaking our customer survey, there have been further developments to take into account, in particular:
- The increase of restrictions in January 2021 and impact on our service;
  - Vaccinations have been approved and are rolling out across Scotland; and
  - There is roadmap towards significant easing of restrictions by the summer.
- 5.2 Taking this into account, it is proposed that we undertake the previously planned in-house survey in mid-late summer 2021. By this time, it would be expected that customers will generally be benefiting from significantly eased restrictions. This will mean there will be greater clarity and certainty over how we either already have or plan to remobilise services.
- 5.3 As the standard tenant satisfaction survey (undertaken by BMG) would ordinarily then take place in August-November, it is proposed that this will not be undertaken for 2021 to avoid duplication and survey fatigue. This would also mean next undertaking the independent tenant satisfaction survey in 2022, which remains within the triennial requirement.
- 5.4 Additionally, given the questions in the tenant satisfaction survey (mandated via the SHR) focus on areas that will only have been recently remobilised, the results are likely to not reflect the experience of our actual service delivery model. This inherently limits the value they provide as the contributing factors will have been outwith our control. The results would require to be submitted as part of our Annual Return on the Charter.
- 5.5 We will adapt the question set to focus less on customers' experience during the pandemic, with the survey becoming more akin to an exit survey and customer insight gathering exercise. It would provide us with the opportunity to collect quantitative and qualitative insight into what has changed for customers as a result of the pandemic.
- 5.6 The survey was initially envisaged to focus on the following themes:
- Communication and engagement;
  - Customer Experience;
  - Accessing services digitally; and
  - Remobilisation.
- 5.7 This approach was reviewed and supported by the Group Scrutiny Panel during its development. It is proposed that these themes would broadly cover:



## Communication and engagement

- 5.8 The question set would be designed to understand the impact the pandemic has had on how customers access our communication and engage with us. We would ask questions which focus on seeking insight about:
- Where customers source their information about our services;
  - If/how the pandemic changed the way they access information e.g. more through digital channels);
  - If customers do not use digital methods, why not e.g. lack of suitable device and connection or prefer other methods; and
  - What would encourage customers to use digital communication platforms more.
- 5.9 This would give us actionable insight into what has changed during the pandemic as well as customer feedback to feed into how we implement our strategy in these areas.

## Customer Experience and support

- 5.10 Initially this would have focussed on the impact of the pandemic, including throughout the different stages. As the proposed timescale would be notionally post-pandemic it is proposed it focusses on the overall impact.
- 5.11 It is also proposed that we continue to ask tenants about their awareness of the range of our wraparound services and support available. The list in the question set would be expanded to reflect the reintroduction, or pending reintroduction, of services such as Home Comforts.
- 5.12 This would allow us as an opportunity to understand current awareness levels as well as raise awareness and promote our wraparound services and support available. An important element of this will be keeping a record of and following up with customers where we establish they have an interest in or could benefit from our wraparound service or support.

## Accessing services digitally

- 5.13 As with the communication and engagement element, the topic remains pertinent. It is proposed we focus on:
- Establish a baseline in terms of digital access and digital skills;
  - Establish where there is no access, the reason why;
  - Understand how the pandemic has changed usage and attitudes towards accessing services digitally e.g. more likely to use; and
  - Elicit feedback on attitudes toward and satisfaction with our online services.
- 5.14 It is proposed that as part of the discussions, where a customer indicated a willingness or desire to access more services digitally this would be recorded and followed up.

## Remobilisation and future services

- 5.15 Whilst the remobilisation element will depend on the position at the time we would seek to understand what customers would like us to change as a result of the pandemic. This would allow us to garner actionable insight on what our customers feel should be different in future and respond accordingly.

## **6. Key issues and conclusions**

- 6.1 By moving the survey to mid-late summer, we have an opportunity to gain valuable insight as we move into the early stages of implementing our strategy. We would plan to again engage the Group Scrutiny Panel on the final question set.
- 6.2 The insight we gain can be fed into a number of areas of our strategy implementation, including:
- Our future online and digital services offering;
  - Community Connection Plan;
  - Community Academy; and
  - Post pandemic training programmes.
- 6.3 Additionally, depending on timing there is an opportunity for the feedback from the survey to be an early focus for the Customer and Community Voices.

## **7. Value for money implications**

- 7.1 At a time when the pandemic is, and is expected to continue to, significantly impact our customers not undertaking a costly external survey which will provide limited value represents good value for money.
- 7.2 The findings from the survey will also provide us with insight for customer priorities, which in turn indicate what may be considered as good value for money.

## **8. Impact on financial projections**

- 8.1 The external survey costs approximately £150-200k per annum. This proposed approach would cost significantly less than this and allow the balance to be saved.

## **9. Legal, regulatory and charitable implications**

- 9.1 As indicated in the body of the report, we are required to undertake a survey every three years. The proposed approach would allow us to maintain compliance with this requirement.

## **10. Partnership implications**

- 10.1 There are no partnership implications arising from this report.

## **11. Implementation and deployment**

- 11.1 A detailed question set will be developed based on the themes set out in the report and we will engage the Group Scrutiny Panel on the content and approach.

## **12. Equalities impact**

- 12.1 It is proposed that the final question set be subject to an equalities impact review as part of the process.

## **13. Recommendation**

- 13.1 The Board is asked to agree the proposed approach to our customer survey for 2021/22.

## Report

**To:** Dunedin Canmore Housing Board

**By:** Hazel Young, Managing Director

**Approved by:** Steven Henderson, Group Director of Finance

**Subject:** Model Complaint Handling Procedure

**Date: -** 25 March 2021

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### 1. Purpose

- 1.1 The purpose of this report is to inform the Board of the new Model Complaint Handling Procedure published by the Scottish Public Services Ombudsman on 31 January 2020 and to highlight the key changes; and
- 1.2 Advise the Board how we will implement these key changes to the Model Complaint Handling Procedure, including the roll out of mandatory training for staff, changes required to our performance indicators and our IT system (ASTRA).

### 2. Authorising context

- 2.1 Under the Group Authorise/Manage/Monitor Matrix, it is for the Group Chief Executive and Senior Management to ensure they manage any specific regulatory requirements and performance, including in relation to existing policies.
- 2.2 Any changes to our Complaints Policy are subject to Board approval. There are no changes required to our current policy as a result on the updated guidance.

### 3. Risk appetite and assessment

- 3.1 The risk appetite for complaint handling is within the Board Governance risk area which is defined as 'cautious' in their tolerance assessment on 22 November 2016. Cautious is defined as 'Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward'.
- 3.2 To mitigate this risk the complaints performance and development work has been updated to ensure compliance with the Scottish Public Services Ombudsman ("SPSO") Model Complaint Handling Procedures.

## 4 Background

- 4.1 The Group Complaints handling policy was refreshed in 2017 to include all subsidiaries including housing, care and commercial partners. The policy reflected the model complaint handling guidance published by the Scottish Public Services Ombudsman in 2012.

## 5. Discussion

- 5.1 On 31 January 2020, the SPSO issued their new Complaint Handling Procedure which all public services in Scotland have to adopt. The new model includes key changes to the complaint handling service and these are detailed below.

### Key Changes

- 5.2 There is no change to the two stage complaint process or the timelines for responding to complaints at Stage 1 or Stage 2. The changes outlined in the table below are applicable to all public sectors in Scotland, including Registered Social Landlords, and aimed to deliver consistency across all sectors in how we handle complaints. The new Model Complaint Handling Procedure must be adopted by no later than 1<sup>st</sup> April 2021.

	Key Change	Current Position
<b>Resolving Complaints</b>	<ul style="list-style-type: none"><li>Organisations may <b>resolve</b> a complaint by agreeing any action to be taken with the customer, without making a decision on whether to uphold / not uphold</li><li>There must be a clear record of the resolution agreed and signposting to next stage</li></ul>	<p>Complaints are currently closed as upheld or not upheld.</p> <p>As part of the pilot we have introduced a dissatisfaction code.</p> <p>In-house we will record these as dissatisfaction and resolved. We are waiting on information on how these will be recorded on ARC/SPSO returns. We will use these to improve performance</p>
<b>Agreeing complaint and outcome sought at Stage 2</b>	<ul style="list-style-type: none"><li>Organisations must agree the points of complaint and outcome sought with the complainant at the start of the Stage 2 investigation.</li><li>Where the points of complaint and outcome sought are clear, this can be done by setting these out in the complaint acknowledgement letter.</li></ul>	<p>Stage 2 complaints are acknowledged within 2 working days and confirm a response will be received within 20 working days. We already set out agreed points and outcome when responding to Stage 2 complaints.</p>

<b>Time limit for making complaints</b>	<ul style="list-style-type: none"> <li>▪ The six-month timeframe to make a complaint also now applies where the customer wishes to escalate to Stage 2 because they are unhappy with the Stage 1 response.</li> </ul>	Complaints about services we provide must be received within 6 months of the event itself or finding out you have a reason to complaint but no longer than 12 months after the event itself.
<b>Supporting staff</b>	<ul style="list-style-type: none"> <li>▪ Organisations must share relevant parts of the complaint and response with any staff members complained about</li> <li>▪ At Stage 2, staff members must be given information about the complaint process and support available, and kept updated on any timeframe extensions</li> </ul>	Staff are interviewed by line managers about complaints received about them. A record of the interview is recorded as part of the investigation process. Staff complaints are marked as sensitive to limit access to relevant staff.
<b>Equality and accessibility</b>	<ul style="list-style-type: none"> <li>▪ Organisations will customise section 11 – ‘Supporting the Customer’ to reflect local context and customers right to equal access to complaints procedure.</li> <li>▪ Organisations should set out what kind of actions staff may take to support equal access to the complaints process (including for vulnerable groups)</li> <li>▪ Particular mention of Mental Health</li> </ul>	<p>Information about our complaints process is available on our websites, leaflets provided in local housing offices and it is also published in our newsletters.</p> <p>Staff should proactively check whether our customers' who contact us require additional support to access our services</p> <p>Providing interpretation and/or translation services for British Sign Language users; and helping customers</p> <p>Training of staff to help vulnerable people complain</p> <p>Sign-posting to Independent Advocacy</p>

<b>Complaints on social media (and other digital platforms)</b>	<ul style="list-style-type: none"> <li>Organisations will customise section 20 to reflect local policy and approach to complaints received by social media / digital channels</li> <li>As a minimum, organisations must respond to complaints on their own social media channels by signposting to the complaints process and support available.</li> </ul>	Communications and Marketing Team manage our social media pages and will explain to customers how to make a complaint by visiting Group subsidiary websites or by calling the Customer Service Centre or contacting local housing staff.
<b>Contact from MPs / MSPs</b>	<ul style="list-style-type: none"> <li>Organisations can set out details of local procedures but must ensure they comply with relevant legislation.</li> <li>Where a complaint is brought by an MP / MSP, the organisation must handle it in line with the Complaint Handling Procedure and ensure they do not operate a two-tier system</li> </ul>	Our Member Services Team register enquiries received from Elected Members. These include general enquiries but also complaints about service received. Astra allows Elected Member details to be registered on the customers complaint records.
<b>Performance indicators</b>	<ul style="list-style-type: none"> <li>Organisations to report and publish on complaint statistics in line with performance indicators published by the SPSO</li> <li>These are currently being developed, and will include core performance indicators applicable to all sectors</li> <li>Additional performance indicators to support benchmarking are being developed for some sectors (including Local Authorities and Housing) in consultation with those sectors complaint handling networks.</li> </ul>	<p>Complaint performance information published quarterly on websites, annually in newsletters and ARC returns.</p> <p>Improve reporting information e.g. Power BI</p> <p>Be able to see what is reported about but also who is being reported about to pick up any early indicators or signs that a staff member requires help</p>

#### Implications of key changes

- 5.3 At their annual conference on 25 February 2020, further guidance was requested from the SPSO in relation to the 'resolved' complaint outcome. The existing SPSO guidance confirms *'a complaint can be resolved when both the organisation and the customer agree what action (if any) will be taken to provide full and final resolution for the customer, without making a decision about whether the complaint is upheld or not upheld'*.

- 5.4 This approach has already been tested during our complaints pilot, where we introduced a 'Dissatisfaction' category that empowered staff to resolve the customer's complaint to their satisfaction, rather than raise a stage 1 complaint. We plan to update our recording system to include the 'resolved' outcome within the Dissatisfaction workflow. This will allow us to report the number of resolved cases annually to the SPSO.
- 5.5 In some circumstances, particularly at stage 1, it may be difficult to decide if a complaint is 'upheld' or resolved. The difference is:
- **Upheld** complaints are where we have found some failing by our organisation. For example:  
  
*A customer calls up angry, saying the workman did not turn up to fix their door. The staff member is unable to get a hold of the workman to confirm what has happened and has to rearrange the appointment. The staff member needs to investigate the complaint and discovers the workman had a car breakdown so missed the appointment. This complaint is **upheld** (and the staff member should also apologise and explain why the workman missed the appointment.)*
  - **Resolved** complaints are where we have taken action without reaching any conclusions about whether there were failings (for example, because we agree a solution before we look in to the problem). For example:  
  
*A customer calls up angry, saying the workman didn't turn up to fix their door. The staff member apologises and confirms there is a slot available that afternoon and offers this. The customer is happy with this, and does not want to pursue the complaint further. This complaint is **resolved**.*
- 5.6 If we know our services have fallen short of our expected standards, we should always uphold (or partly uphold) the complaint, and apologise to the customer.
- 5.7 The new Model Complaint Handling guidance will be available to all staff and will include the above examples on using 'resolve'. In addition, that training and support will be provided jointly by Locality Housing Directors/Heads of Housing and the Group Complaints Team for frontline officers and Customer Service Advisors.
- 5.8 The 'resolved' outcome needs to be introduced by April 2021, the date all public sectors must comply with the SPSO Model Complaint Handling guidance. Introducing this category prior to April 2021 would impact reporting and performance indicators for the ARC return for year 2020 / 21.
- 5.9 Complaints about service raised by Elected Members on behalf of their constituents are handled by the Member Services Team. These will now be logged as complaints (if it is a complaint) and will be required to respond within the five and 20 days' timelines. This will include Elected Member letters addressed directly to the Executive Team.



- 5.10 The 5 working day timeline for Stage 1 complaints can be extended to 10 working days but must be agreed and confirmed with the customer. Stage 1 Complaints extended beyond the 5 working days will be reported as a breach of the SPSO timelines and complaints not closed within 10 working days will escalate to Stage 2.

## **6. Performance indicators**

- 6.1 The SPSO are currently developing additional complaint handling performance indicators to support benchmarking for the Housing sector. In their draft model complaint handling procedure, the SPSO published 6 Performance Indicators; the first 4 indicators are mandatory and indicators 5 and 6 are recommended. Complaint performance indicators are currently recorded and reported internally every month and to the Board linked to performance reports. Senior Managers are provided with details of the monthly complaints performance information, this is also confirmed in the ARC performance information.
- 6.2 We are required to report quarterly and publish annually their Complaint Performance Indicators. It is good practice to set key performance targets each year and report performance against these targets.
- 6.3 *Indicator One – Learning from complaints.* We are required to provide a statement outlining changes or improvements to services or procedures as a result of complaints received. This should include complaint trends and examples to demonstrate how complaints have helped improve services. We currently publish complaint information quarterly on our website, annually in newsletters and via the ARC return.
- 6.4 *Indicator Two – The total number of complaints received.* This includes a change to current complaint reports. Each complaint will only be counted once, regardless of whether it is considered at Stage One, Stage Two or both.
- 6.5 *Indicator Three – Complaint Outcomes.* The outcomes will include the option to close a complaint as upheld, partially upheld and not upheld. The current ARC return does not include a partially upheld indicator and our complaints register does not currently include the option to partially uphold complaints. It is also worth noting that the SPSO have not included the 'Resolved' outcome.
- 6.6 *Indicator Four – Percentage of complaints at each stage which were closed in full within the set timescales of five and 20 working days.* There is no change to how we currently report this indicator.
- 6.7 *Indicator Five (recommended) – Raising Awareness.* A statement to be published reporting actions taken to identify vulnerable and underrepresented groups and raise awareness of, and access to, the complaints handling process with them. The SPSO have suggested some activities we can undertake under this indicator.

- 6.8 *Indicator Six (recommended) – Staff training in complaint handling.* A statement to be published reporting levels of staff awareness and training. This may also cover those staff that have been trained in mediation. This should include the number of staff, including managers and senior managers to complete mandatory or bespoke training. The statement should also include the number of staff who are undertaking or have completed a recognised professional qualification in a relevant field.
- 6.9 The Scottish Housing Regulator has not provided any guidance on the change to the ARC indicators.
- 6.10 We plan to adopt all 6 Performance Indicators. Changes will be required to our existing performance reports. These changes will need to be applied by April 2021.

## **7. Value for money implications**

- 7.1 Presently we are unable to determine the true cost of complaints to our Group. In 2021/22 it is our ambition is to build a new service that incorporates the end to end cost of complaints to our business. We anticipate that this will include using existing reports to collate staff time, costs of making good any remedial works, arranging resolutions such as mediation appointments or wrap around services and gestures of goodwill offered as part of the complaint resolution.

## **8. Impact on financial projections**

- 8.1 We envisage some spend next year to improve reporting to evidence our ARC performance reports including new charter indicators as detailed in section 6 above. In addition, Elected Member enquiries will be captured within the new reports and we expect to meet the costs of this within existing budgets.

## **9. Legal, regulatory and charitable implications**

- 9.1 There are no legal, regulatory and charitable implications beyond those covered in the body of the report.

## **10. Partnership implications**

- 10.1 There are no known partnership implications.

## **11. Implementation and deployment**

- 11.1 Our Complaints Policy and procedures are already in place but will require to be refreshed and issued from April 2021. This will be coordinated from within existing staff teams.

## **12. Equalities impact**

- 12.1 None identified.

### **13. Recommendations**

#### **13.1 The Board is asked to:**

- 1) Note the new SPSO guidance is mandatory from April 2021 and the plans in place to implement the guidance in GHA; and
- 2) Note we plan to adopt all 6 of the SPSO performance measures.



## **Report**

**To:** Dunedin Canmore Housing Board

**By:** Pauline Turnock, Director of Financial Reporting

**Approved by:** Steven Henderson, Group Director of Finance

**Subject:** 2021/22 Budget

**Date of Meeting:** 25 March 2021

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### **1. Purpose**

- 1.1 The purpose of this report is to seek approval for the 2021/22 budget.

### **2. Authorising context**

- 2.1 Under the terms of the Intra-Group Agreement between Dunedin Canmore ("DCH") and the Wheatley Group, as well as the Group Authorising Monitor Matrix, whilst the Group Board is responsible for the overall approval of the business plan and parameters, the DCH Board has autonomy to agree its individual business plan within said parameters.

### **3. Risk appetite and assessment**

- 3.1 Our agreed risk appetite in Dunedin Canmore Performance against Group is "Open". This level of risk tolerance is defined as "Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level".
- 3.2 This report provides information on financial projections to help inform risk assessment within the business.

### **4. Background**

- 4.1 At the previous meeting on 11 February 2021 the Board were presented with the 2021/22 five year financial projections and agreed that the 2021/22 figures would form the basis of the 2021/22 annual budget, which is presented at Appendix 1.

### **5. Discussion**

- 5.1 The detailed budget pack presented at Appendix 1 tracks comparative figures from the 2020/21 forecast to the 2021/22 budget to give the context of the year on year changes.

- 5.2 The 2021/22 budget reports an operating surplus of £12,278k, and a statutory surplus of £5,003k, both in line with approved financial projections.
- 5.3 Net rental income of £30,609k is in line with financial projections and reflects the agreed 1.7% rent increase and includes a void assumption of 1.2%, based on 1% for general needs properties and a higher rate for supported properties. It includes a full year of income for the Barony HA properties transferred in September 2020 and an additional 54 new build properties for social rent expected to be completed during 2021/22.
- 5.4 The increase in other income of £756k from the 2020/21 forecast is driven by a budgeted surplus of £86k against a forecast loss of £418k for DC Property Services as well as increased MMR lease income from the 25 properties due to be completed in the year.
- 5.5 Direct running costs are budgeted at £3,210k, which is £100k lower than the financial projections. The reduction is related to a higher level of savings in office and property running costs generated through the new operating model. The reduction has allowed an additional provision to be made in repairs and maintenance budget which has increased the repairs and maintenance budget to £4,438k.
- 5.6 Within investment expenditure, the budget reflects total capital investment of £29,528k across our existing properties, new build development programme and other capital expenditure which includes Dunedin Canmore's share of Group ICT capital investment and refurbishment costs for New Mart Road.

## **6. Key issues and conclusions**

- 6.1 This budget, once approved, will be used as the basis to monitor performance in the management accounts provided to the Board throughout the year.

## **7. Value for money implications**

- 7.1 The financial projections incorporate cost efficiency measures, which are a key element of continuing to demonstrate value for money. These are reflected in the annual budget and performance will be monitored against budget each month.

## **8. Impact on financial projections**

- 8.1 Covered in section 5 above.

## **9. Legal, regulatory and charitable implications**

- 9.1 There are no implications arising from this report.

## **10. Partnership implications**

- 10.1 Not applicable.

## **11. Implementation and deployment**

- 11.1 Not applicable.

## **12. Equalities impact**

12.1 There are no direct equalities implications arising from this report.

## **13. Recommendation**

13.1 The Board is requested to approve the draft 2021/22 budget.

## **List of Appendices**

Appendix 1: Budget 2021/22



## 2021-22 Budget

# Operating Statement

	2020/21	2021/22	2021/22	2021/22
	Forecast £ks	Financial Projection £ks	Budget £ks	Budget Variance to FP £ks
<b>INCOME</b>				
Rental Income	29,645	30,985	30,985	-
Void Losses	(524)	(376)	(376)	-
<b>Net Rental Income</b>	<b>29,121</b>	<b>30,609</b>	<b>30,609</b>	-
HAG recognised in the year	6,104	4,909	4,909	-
Other income	2,402	3,158	3,158	-
<b>TOTAL INCOME</b>	<b>37,627</b>	<b>38,676</b>	<b>38,676</b>	-
<b>EXPENDITURE</b>				
Employee Costs - Direct	4,627	4,862	4,862	-
ER/VR	-	-	-	-
Employee Costs - Group Services	1,564	1,562	1,562	-
Direct Running Costs	3,202	3,310	3,210	(100)
Running Costs - Group Services	949	1,123	1,123	-
Revenue Repairs and Maintenance	3,120	4,338	4,438	100
Bad Debts	290	296	296	-
Depreciation	7,709	10,908	10,908	-
<b>TOTAL EXPENDITURE</b>	<b>21,458</b>	<b>26,399</b>	<b>26,399</b>	-
<b>NET OPERATING SURPLUS / (DEFICIT)</b>	<b>16,159</b>	<b>12,278</b>	<b>12,278</b>	-
<i>Operating Margin</i>	43%	32%	32%	0%
Interest Receivable	13	6	6	-
Interest Payable	(7,832)	(7,280)	(7,280)	-
<b>STATUTORY SURPLUS / (DEFICIT)</b>	<b>8,330</b>	<b>5,003</b>	<b>5,003</b>	-
<b>INVESTMENT</b>				
<b>Total Capital Investment Income</b>	<b>7,881</b>	<b>14,315</b>	<b>14,315</b>	-
Total Expenditure on Core Programme	3,750	6,944	6,944	-
New Build Expenditure	9,890	21,576	21,576	-
Other Capital Expenditure	380	1,008	1,008	-
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>14,020</b>	<b>29,528</b>	<b>29,528</b>	-
<b>NET CAPITAL EXPENDITURE</b>	<b>6,139</b>	<b>15,213</b>	<b>15,213</b>	-

## Key highlights:

- The 2021/22 budget shows a net operating surplus of £12,278k and statutory surplus of £5,003k, which are in line with financial projections.
- Net rental and service charge income of £30,609k is in line with financial projections. It is £1,488k higher than the 2020/21 forecast, reflecting a full year of income for the Barony HA properties transferred in September 2020, the 1.7% rent increase and additional rent for the due to the additional 54 new build properties for social rent expected to be completed during 2021/22.
- Other income of £3,158k is £756k higher than 2020/21 forecast. This is driven by a budgeted surplus of £86k against a forecast loss of £418k for DC Property Services as well as increased MMR lease income from the 25 properties due to be completed in the year, increased supporting people income for the Dunedin Canmore Harbour as a result of an expected revised contract with City of Edinburgh council and increased income relating to solar panels installed on our properties.
- Grant income included in the budget of £4,909k reflects the planned completion of 54 new build properties for social rent and 25 MMR properties.
- Direct employee costs of £4,862k are £235k higher than 2020/21 forecast. This reflects the cost of living increase and increased staff costs for the Harbour as a result of the revised contract with City of Edinburgh Council.
- Recharges to Wheatley Group services, which include employee and running costs of £1,562k and £1,123k respectively, are in line with financial projections.
- Direct running costs are budgeted at £3,210k, which is £100k lower than the financial projections. A reduction to the running costs assumes efficiencies will be generated through the new operating model, reducing the budgeted costs for property and utilities in 2021/22. The reduction has been transferred to the repairs and maintenance budget to cover the costs of repairs which have been postponed as a result of coronavirus restrictions in the fourth quarter of 2020/21. The budget includes £195k of initiative spend, including a donation to the Wheatley Foundation.
- Budgeted revenue repairs and maintenance expenditure of £4,438k includes an additional £100k to provide additional funding for repairs and for any postponed works from the last quarter of the 2020/21 financial year. This additional funding comes from the budgeted reduction in direct running costs.
- Bad debt expenditure per the budget of £296k is in line with financial projections and has been set prudently, allowing for the potential impact of increased number of customers receiving universal credit.
- Depreciation of £10,908k is in line with financial projections and includes depreciation on housing properties and other fixed assets.
- Interest payable of £7,280k is in line with financial projections and includes interest due to WFL1, THFC, and Allia.
- Net capital expenditure is budgeted at £15,213k for 2021/22. This includes new build, major repairs on existing properties, and other fixed asset additions. Covid-19 restrictions are expected to have less of an impact in 2021/22 and the full programme of core investment works are expected to be delivered.



# Rental & Other Income

## Comments

Income (£'000)	2020/21 Forecast	2021/22 Budget
<i>Rental Income</i>		
Rent Receivable	29,645	30,985
Void Losses	(524)	(376)
<b>Net Rental Income</b>	<b>29,121</b>	<b>30,609</b>
<i>Void Loss %</i>	<i>1.8%</i>	<i>1.2%</i>
<i>Other Income</i>		
Mid-Market Lease Income	2,001	2,028
Supporting People	361	477
Commercial Income	194	197
DC Property Services - Net Result	(418)	86
Medical Adaptation Grant	66	161
Other Income	198	210
	<b>2,402</b>	<b>3,158</b>
<i>Grant Income</i>		
Housing Association Grant	6,104	4,909
<b>Total Income</b>	<b>37,627</b>	<b>38,676</b>

- **Net rental income**, which includes rent and service charges after void losses, is budgeted at £30,609k, £1,488 higher than the 2020/21 forecast.
- This increase reflects a full year of income for the Barony HA properties transferred in September 2020, the approved rent increase of 1.7% for the forthcoming year, and the additional 54 new build properties for social rent expected to be completed during 2021/22.
- Void losses of £376k are set at 1% for mainstream properties, 5% for rent at the Harbour and 3% for supported properties transferring from Barony HA. The budgeted void losses are £148k lower than the 2020/21 forecast this is due to the fact that void losses in 2020/21 have been high due to a backlog of voids during the year due to coronavirus restrictions impacting normal letting timescales.
- **Other income** of £3,158k includes £2,028k of MMR lease income from Lowther Homes and reflects 25 new build properties expected to be completed during 2021/22.
- Other income also includes Supporting People income from Edinburgh Council ("CEC"), for our work at the Harbour. The budget reflects an increase of £116k which relates to a revised contract with City of Edinburgh Council.
- Commercial income of £197k is budgeted based on existing performance and includes commercial units and parking spaces.
- DCPS is budgeted to make a small surplus of £86k in 2021/22. This is in line with the business plan projections and assumes the repairs service returns to planned levels.
- The remaining other income budget of £210k reflects lease income from Wheatley Care for High Riggs and income from Lowther for their use of the New Mart Road office as well as income from solar panels installed on our properties.
- Grant income included in the budget of £4,909k reflects the planned completion of 54 new build properties for social rent and 25 MMR properties.

# Employee Costs

## Comments

<b>Employee Costs (£'000)</b>	<b>2020/21 Forecast</b>	<b>2021/22 Budget</b>
<i>Employee Costs - Direct</i>		
Housing and Admin	2,219	2,363
Environmental	864	890
Harbour	762	803
Past Service Pension Deficit	783	806
	<b>4,627</b>	<b>4,862</b>
Employee Costs - Group Services	1,564	1,562
	<b>6,191</b>	<b>6,424</b>

- Total employee costs, including frontline staff and Wheatley Group services, are budgeted at £6,424k.
- Direct employee costs of £4,862k are £235k higher than 2020/21 forecast and include an inflationary cost of living uplift in costs consistent with the financial projections. The budget also reflects additional staff costs for the Harbour as a result of the revised contract with City of Edinburgh Council. The 2020/21 forecast also includes furlough credit not budgeted for in 2021/22.
- **Housing and admin** related costs are budgeted at £2,363k, a £144k increase on 2020/21 forecast, largely as a result of the cost of living increase and the fact that there is no furlough income budgeted for 2021/22.
- Budgeted **Environmental** staff costs for 2021/22 are £890k.
- The **Harbour** budget is £41k higher than the 2020/21 forecast and includes additional costs required for the revised contract with City of Edinburgh Council.
- The SHAPS **past service deficit** contribution reflects the contribution we have been advised we are liable for 2021/22.
- Staff costs for **Wheatley Group services** are shown separately and include recharges for all back office functions.

## Running Costs

<b>Running Costs (£'000)</b>	<b>2020/21 Forecast</b>	<b>2021/22 Budget</b>
<i>Direct Running Costs</i>		
Housing & Office Costs	2,546	2,473
Harbour	128	163
Initiatives	193	195
Wheatley 360	151	170
Environmental	184	210
	<b>3,202</b>	<b>3,210</b>
Running Costs - Group Services	949	1,123
	<b>4,151</b>	<b>4,333</b>

### Comments:

- Total running costs are budgeted at £4,333k, a £182k increase on 2020/21 forecast and a £100k decrease on the financial projections. The reduction has been assumed as a result of efficiencies generated through the new operating model, reducing the budgeted costs for property and utilities in 2021/22
- **Housing and Office** costs, which includes insurance, travel, utility, printing & stationary, and other running costs. The year on year reduction reflects £100k transferred to the repairs and maintenance budget to cover the cost of repairs postponed as a result of coronavirus restrictions.
- **Harbour** running costs are £35k higher than 2020/21 forecast, reflecting the inflationary increase applied for 2021/22 and additional costs associated with revised contract with City of Edinburgh Council.
- **Initiative** expenditure of £195k is budgeted for 2021/22. This includes a donation to the Wheatley Foundation, delivering services in areas such as education and fuel poverty reduction, £57k for tenancy sustainment, delivered by the Wheatley Care TSS service, and £50k for the Helping Hand fund, delivering support to tenants in need.
- **Environmental** costs of £210k are budgeted for 2021/22 and includes material and equipment expenditure.

## Repair & Maintenance Expenditure

<b>Repair &amp; Maintenance Expenditure (£'000)</b>	<b>2020/21 Forecast</b>	<b>2021/22 Budget</b>
Reactive Repairs	2,112	2,709
Cyclical Maintenance	1,008	1,729
	<b>3,120</b>	<b>4,438</b>

### Comments:

- Budgeted repair and maintenance expenditure on our properties is £4,438k for 2021/22, a £100k increase from the financial projections to cover costs associated with postponed repairs. The budget also reflects an inflationary uplift in cost, and additional budget provision linked to additional stock numbers.
- **Reactive repairs** include appointment and emergency repairs as requested by our tenants, delivered in-house by DCPS.
- **Cyclical maintenance** includes electrical testing, gas servicing, mechanical equipment and pump/tank maintenance contracts, and other maintenance expenditure such as fire safety and alarm maintenance on our properties.

# Capital Expenditure

Investment expenditure	2020/21 Forecast	2021/22 Budget
New Build Development - Cost	9,890	21,576
New Build Development - Grant	7,881	14,315
Core Programme Expenditure	3,750	6,944
Other Capital Investment	380	1,008
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>14,020</b>	<b>29,528</b>
<b>NET CAPITAL EXPENDITURE</b>	<b>6,139</b>	<b>15,213</b>

## Comments:

- Net capital expenditure is budgeted at £15,213k for 2021/22. This includes new build, major repairs on existing properties, and other fixed asset additions.
- The budget for **new build** expenditure is £21,576k, in line with financial projections.
- We anticipate DC to receive **grant income** of £14,315k in 2021/22, pending confirmation from the relevant local authorities. Grant received during the year relating to developments not yet completed will be deferred until site completion.
- **Major repair** expenditure of £6,944k is in line with financial projections. Spend includes replacement of components, void works, and other improvements, in line with our five year investment strategy and locality plans. Included in the budget is £394k carried forward from 2020/21 and £943k for the customer voice programme for tenant directed investment.
- **Other capital** expenditure of £1,008k includes DC's share of Group ICT investment linked to digital transformation of our service delivery to meet increasing customer demands, costs associated with the refurbishment of New Mart Road, and environmental expenditure.



## **Report**

**To:** Dunedin Canmore Housing Board

**By:** Pauline Turnock, Director of Financial Reporting

**Approved by:** Steven Henderson, Group Director of Finance

**Subject:** Finance Report for the period to 28 February 2021

**Date of Meeting:** 25 March 2021

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### **1. Purpose**

1.1 The purpose of this report is to:

- provide the Board with an overview of the management accounts for the period to 28 February 2021;
- seek approval for an amendment to our loan arrangements.

### **2. Authorising context**

- 2.1 Under the terms of the Intra-Group Agreement between with Wheatley Group, as well as the Group Authorising Monitor Matrix, our Board is responsible for the on-going monitoring of performance against agreed targets, including the on-going performance of its finances. In addition, the Board is responsible for approving our funding arrangements.
- 2.2 This report provides the Board with an update of performance to date to allow it to discharge its role in monitoring performance and agreeing any actions required.

### **3. Risk appetite and assessment**

- 3.1 Our agreed risk appetite in performance is "Open". This level of risk tolerance is defined as "Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level".
- 3.2 The proposed amendments to our funding arrangements are neutral. This is because our funding risk is spread across the Group RSLs. Although Cube will be wound up, its business and assets remain in group and secured to the funders.

## **4. Background**

- 4.1 This report outlines performance against budget for the period to 28 February 2021 with the appendix providing more detail on the financial results as well as providing a funding update and a SHAPs pensions update. It also provides an update on the implications for our loan agreement arising from the proposed transfer of Cube housing stock to GHA and Loretto.

## **5. Discussion**

### Finance Report for Period to 28 February 2021

- 5.1 We reported a statutory surplus of £7,656k for the period to 28 February 2021, which is £6,365k favourable to budget. Key points to note:
- The key driver of the favourable variance in the statutory surplus is the £5,383k of unbudgeted HAG income recognised on completion of 83 units at Beaverbank (41 Social rent units), Lang Loan (7 social rent units), Morrison Crescent (19 MMR units) and Greendykes (16 MMR units). These units were originally due to be completed in period 12 of 2019/20.
  - Net rental income is reporting a £578k adverse variance. Gross rent is £415k adverse to budget, the majority of this variance relates to rental income attributable to the Barony properties which transferred on 1 September but were budgeted to be included at the start of the financial year. The remaining variance reflects a refund of service charges relating to cleaning and environmental services which have been impacted by Covid-19 restrictions at various points during the year.
  - Other income is reporting an adverse variance of £304k to budget. This is linked the lower levels of recovery of DCPS staff against repair jobs from the operation of a revised service business model, which has resulted in unrecovered costs in the service of £289k.
  - The lower level of repairs activity flows through to lower reported costs through the repairs line, which on a standalone basis, reports a saving of £840k. The underlying repairs position taking into account the £289k unrecovered costs in DCPS along with repairs savings in the other RSLs that DCPS services amounts to a net reduction in repairs costs in the east subsidiaries of £601k in total. The volume of reactive repair jobs is 31% lower than the same period last year.
- 5.2 We have reported net capital expenditure of £5,335k for the period to 28 February 2021, which is £7,111k lower than budget. Key points to note are:
- New build spend is reporting spend £14,991k lower than budget, as a result of the initial closure of all construction sites at the start of the financial year, with works recommencing in July and ongoing construction activity since then subject to enhanced health and safety requirements.
  - Grant income of £4,564k has been received to the end of February 2021 for the Wisp 3C, Newmills Road, Longniddry, Westcraigs and South Gilmerton.

- The core investment programme reports spend £1,461k lower than budget, with a number of investment works being postponed and only essential works being undertaken in the earlier months of the year. A revised programme is now in place.

## 6. SHAPs pension update

- 6.1 The latest update from the trustees of the scheme shows that the estimated ongoing funding level for the scheme as at 30 September 2020 was 89.8% and the estimated deficit was £125.5m.
- 6.2 This is a slight improvement from the previous update provided to the board at the August 2020 meeting when the position as at 30 September 2019 was a funding level of 89% with a deficit of £130m.
- 6.3 The graph below shows the estimated funding position as at 30 September 2020 compared to 30 September 2019.



- 6.4 The next formal triennial valuation of the scheme is due to take place at 30 September 2021 and the results of this are expected to be available in the summer of 2022. The funding position of the scheme will inform the approach to making good any net liabilities which will be considered by the employer's committee at that time.

## 7. Funding update

- 7.1 Following a successful tenant ballot, the dissolution of Cube Housing Association is to proceed with a planned transfer of assets to GHA (for all assets located within the Glasgow City Council area) on 28 April 2021 and a subsequent transfer of engagements to Loretto Housing Association in the summer, following regulatory approvals. Our funders have consented to the reorganisation, subject to provision of various documentation (including the Business Transfer Agreement).
- 7.2 On winding up, Cube will no longer be a member of the RSL borrower group and will be removed as an additional guarantor in Wheatley's funding arrangements.
- 7.3 As we are an additional guarantor in the borrower group then our Board is required to approve the Amendment Letter, Officer's Certificate and proforma minute to remove Cube. These are included in Appendix 2 and have been prepared by our solicitors. These documents will amend our debt facilities with our lenders to allow the proposed reorganisation.



## **8. Key issues and conclusions**

- 8.1 The report informs the Board of the financial performance against year to date budget. The statutory surplus of £7,656k is £6,365k favourable to budget.

## **9. Value for money implications**

- 9.1 Delivery of our cost efficiency targets is a key element of continuing to demonstrate value for money. The current and forecast statutory surpluses are significantly favourable to budget.

## **10. Impact on financial projections**

- 10.1 The 2021/22 Business Plan was approved by the Board at the February 2021 meeting and will form the basis for the 2021/22 budget. In the current financial year, the emergence of COVID -19 and the lockdowns imposed by the UK and Scottish Government in March 2020, and again in December 2020, have required us to make significant changes to the way we deliver services to our customers and to the operation of the business. We have updated our current year forecasts to reflect these changes and the updated 2020/21 full year forecast out-turn is used as the opening financial position for the 2021/22 Business Plan.

## **11. Legal, regulatory and charitable implications**

- 11.1 The Group's banking solicitors, Pinsent Masons, have advised on the terms of the amendments letters and associated documentation.

## **12. Equalities impact**

- 12.1 Not applicable.

## **13. Recommendations**

- 13.1 The Board is requested to:
- 1) Note the management accounts for the period to 28 February 2021; and
  - 2) Approve the Amendment letter, Officers Certificate and minute relating to the dissolution of Cube Housing Association provided in Appendix 2.

## **List of Appendices**

Appendix 1: Finance report - year to 28 February 2021

Appendix 2: [redacted]



# **Period to 28 February 2021 Finance Report**

# 1) Period 11 YTD – Operating Statement

## Key highlights year to date:

	Year to 28 February 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
<b>INCOME</b>				
Rental Income	27,232	27,647	(415)	30,153
Void Losses	(496)	(333)	(163)	(363)
<b>Net Rental Income</b>	<b>26,736</b>	<b>27,314</b>	<b>(578)</b>	<b>29,791</b>
HAG Recognised in the Year	5,383	0	5,383	0
Other Income	2,274	2,578	(304)	2,853
<b>TOTAL INCOME</b>	<b>34,393</b>	<b>29,893</b>	<b>4,501</b>	<b>32,643</b>
<b>EXPENDITURE</b>				
Employee Costs - Direct	4,237	4,278	41	4,667
ER/VR	7	0	(7)	-
Employee Costs - Group Services	1,438	1,540	102	1,679
Direct Running Costs	2,858	3,139	282	3,398
Running Costs - Group Services	758	982	224	1,071
Revenue Repairs and Maintenance	3,067	3,907	840	4,279
Bad Debts	186	265	80	290
Depreciation	7,059	7,151	92	7,801
<b>TOTAL EXPENDITURE</b>	<b>19,609</b>	<b>21,262</b>	<b>1,653</b>	<b>23,186</b>
<b>NET OPERATING SURPLUS / (DEFICIT)</b>	<b>14,784</b>	<b>8,630</b>	<b>6,153</b>	<b>9,457</b>
<i>Net Operating Margin</i>	43%	29%	14%	29%
Interest receivable	1	11	(11)	13
Interest payable	(7,129)	(7,352)	223	(7,891)
<b>STATUTORY SURPLUS / (DEFICIT)</b>	<b>7,656</b>	<b>1,290</b>	<b>6,365</b>	<b>1,579</b>

- Net operating surplus of £14,784k is £6,153k favourable to budget. Statutory surplus for the period to 28 February is £7,656k, £6,365k favourable to budget.
- The key driver of the variance to budget is the £5,383k of HAG income recognised on completion of 83 units at Beaverbank (41 Social rent units), Lang Loan (7 social rent units), Morrison Crescent (19 MMR units) and Greendykes (16 MMR units). These units were originally due to be completed in period 12 of 2019/20.
- Net rental income is reporting a £578k adverse variance. Gross rent is £415k adverse to budget, the majority of this variance relates to rental income expected from the units originally budgeted to be transferred from Barony HA on 1 April which were transferred on 1 September. The remaining variance includes a refund of service charges relating to environmental services which have been suspended during the covid-19 restrictions. Void losses are £163k adverse to budget largely due to an earlier backlog as a result of covid-19 restrictions now cleared and the ongoing restrictions on normal letting such as social distancing measures.
- Monthly void losses peaked in period 5 and have steadily decreased since this peak. The P11 void losses were £31k, £1k adverse to budget, which is the best monthly performance since period 1.
- Other Income is £304k adverse to budget. This is largely as a result of DC Property Services ("DCPS") generating a loss of £289k in the YTD against a budgeted profit of £78k due to changes to service delivery and a lower level of activity against which to recover staff time.
- Total expenditure is £1,653k favourable to budget. Of this variance £193k is linked to the Barony units. The largest variance relates to repairs and maintenance costs which are £840k favourable to budget due to the revised operating model which has resulted in a lower number of repair jobs. While the lower activity levels result in a reduction to costs recorded for the work undertaken, the costs of the in-house repairs staff not allocated to repair jobs is reported as a loss of £289k within other income, leaving a net favourable variance in repairs costs of £601k.
- Interest expenditure is £223k favourable to budget. Borrowings are linked to the new build and core investment programmes.
- Investment expenditure on existing properties is £1,461k lower than budget. Of this variance £139k relates to Barony and the remaining variance reflects the postponement of a number of work types in the investment programme.
- New build spend of £6,038k is £14,991k lower than budget as a result of construction site closures between March and June and the requirement for enhanced health and safety measures on remobilised sites.

	Year to 28 February 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
<b>INVESTMENT</b>				
<b>Total Capital Investment Income</b>	<b>4,564</b>	<b>13,859</b>	<b>(9,295)</b>	<b>15,135</b>
Total Expenditure on Core Programme	3,521	4,982	1,461	5,437
New Build & Other Investment	6,038	21,029	14,991	23,925
Other Capital Expenditure	341	295	(46)	350
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>9,900</b>	<b>26,306</b>	<b>16,406</b>	<b>29,712</b>
<b>NET CAPITAL EXPENDITURE</b>	<b>5,335</b>	<b>12,447</b>	<b>7,111</b>	<b>14,577</b>

## 2) Period 11 - Property Services Operating Statement

	Year to 28 February 2021			Full Year Budget £ks
	Actual £ks	Budget £ks	Variance £ks	
<b>INCOME</b>				
Internal Subsidiaries	8,232	10,879	(2,647)	11,883
External Customers	23	201	(177)	219
<b>TOTAL INCOME</b>	<b>8,255</b>	<b>11,080</b>	<b>(2,824)</b>	<b>12,102</b>
<b>COST OF SALES</b>				
Staff	2,183	3,379	1,195	3,686
Materials	1,083	3,050	1,967	3,344
Subcontractor & Other Costs	3,248	2,475	(773)	2,700
<b>TOTAL COST OF SALES</b>	<b>6,514</b>	<b>8,904</b>	<b>2,390</b>	<b>9,729</b>
<b>GROSS PROFIT/(LOSS)</b>	<b>1,741</b>	<b>2,176</b>	<b>(435)</b>	<b>2,373</b>
Margin %	21%	20%	1%	20%
Overheads	2,030	2,098	68	2,288
<b>NET PROFIT/(LOSS)</b>	<b>(289)</b>	<b>78</b>	<b>(367)</b>	<b>85</b>
<b>Staff Utilisation</b>		<b>Year to 28 February 2021</b>		
	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	
	<b>%</b>	<b>%</b>	<b>%</b>	
Billable Work	52.2%	79.5%	-27.3%	
Travel Time	5.5%	11.2%	-5.7%	
Sick Leave	2.2%	3.8%	-1.6%	
Multi-Operative College Training	0.0%	1.4%	-1.4%	
Stocktake	0.0%	0.2%	-0.2%	
Internal Meetings	0.0%	0.8%	-0.8%	
Specific Identified Training	0.2%	1.1%	-0.9%	
Van Allowance	0.3%	0.2%	0.1%	
Special Leave	0.5%	0.7%	-0.2%	
Covid 19 Eat well	0.6%	0.0%	0.6%	
Covid 19 Down-time	13.2%	0.0%	13.2%	
Covid 19 Isolation	1.1%	0.0%	1.1%	
Covid 19 leave of absence	23.0%	0.0%	23.0%	
Other	1.2%	1.1%	0.1%	
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	

Classified as Public

### Key highlights year to date:

- In the year to February 2021, DCPS is reporting a deficit of £289k, which is £367k adverse to budget. It should be noted that whilst the workshop has reported a loss, there are significant savings against budget for repairs within Dunedin Canmore, Barony and WLHP totalling £968k across the three subsidiaries leaving a net saving in repairs costs in the east subsidiaries together, after taking account of the loss in property services, of £601k.
- Income of £8,255k in the year is £2,824k adverse to budget which is a result of the changes to the service model during the pandemic which has reduced the workload demand in property services.
- Correspondingly, cost of sales are reporting a £2,390k favourable variance to budget. Staff costs within cost of sales of £2,183k include £929k claimed from the Coronavirus Job Retention Scheme for DCPS trades staff.
- Gross profit of £1,741k is £435k adverse to budget.
- Overhead expenditure includes vehicle rent and running costs, rates, insurance and other staff and office related costs. These are £68k favourable to budget for the year.

### Staff Utilisation

- These figures have been calculated **after the removal of holiday hours**, to ensure periods of high or low holiday uptake do not skew the underlying figures.
- Billable work for the year to date is 52.2%, 27.3% lower than budgeted assumptions. In the month of February the rate was 77.3%, marginally lower than the budget reflecting current restrictions.
- Down-time in relation to the coronavirus epidemic accounts 37.9% of all staff time. This includes 23% of time relating to employees who have been furloughed.

### 3) Period 11 – Dunedin Canmore Harbour

	Year to 28 February 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
<b>INCOME</b>				
Rental Income	725	699	27	762
Void Losses	(37)	(35)	(2)	(38)
<b>Net Rental Income</b>	<b>688</b>	<b>665</b>	<b>24</b>	<b>726</b>
Local Authority Contract Income	331	331	(1)	361
Other Income	14	12	2	13
<b>TOTAL INCOME</b>	<b>1,033</b>	<b>1,009</b>	<b>25</b>	<b>1,101</b>
<b>EXPENDITURE</b>				
Employee Costs	711	654	(57)	714
Direct running Costs	216	246	30	269
Revenue Repairs and Maintenance	24	33	9	36
Bad Debts and Depreciation	7	0	(7)	0
<b>TOTAL EXPENDITURE</b>	<b>958</b>	<b>933</b>	<b>(25)</b>	<b>1,018</b>
<b>NET OPERATING SURPLUS / (DEFICIT)</b>	<b>74</b>	<b>75</b>	<b>(1)</b>	<b>82</b>

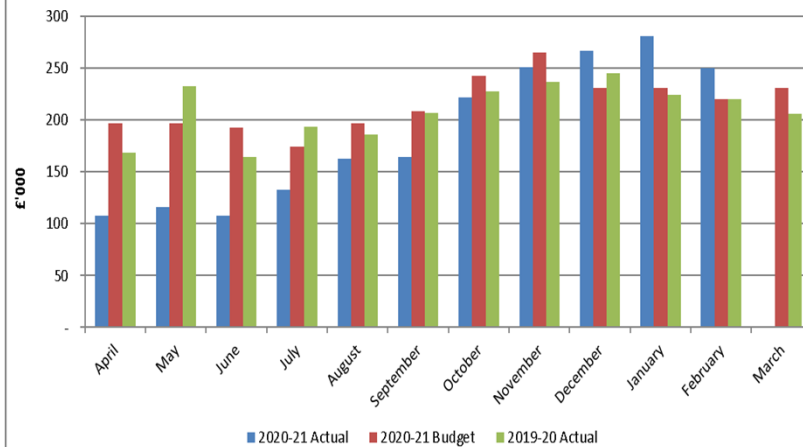
#### Key highlights year to date:

- Net operating surplus of £74k is £1k adverse to budget.
- Net rental income of £688k is £24k favourable to budget in the year to date, with income included here for “move-on” flats.
- Employee costs of £711k are £57k adverse to budget. This is largely a result of higher than budgeted agency staff costs as well as 3 relief workers being offered 4 month temporary contracts up to the end July. This was as a result of a number of staff either shielding and working from home or self-isolating with additional resources being required in order to maintain sufficient staffing levels.
- Running costs of £216k include insurance, travel, safety equipment, printing, stationary and mobile costs. Costs are £30k favourable to budget in the year to date.
- Repair and maintenance expenditure of £24k is £9k favourable to budget.

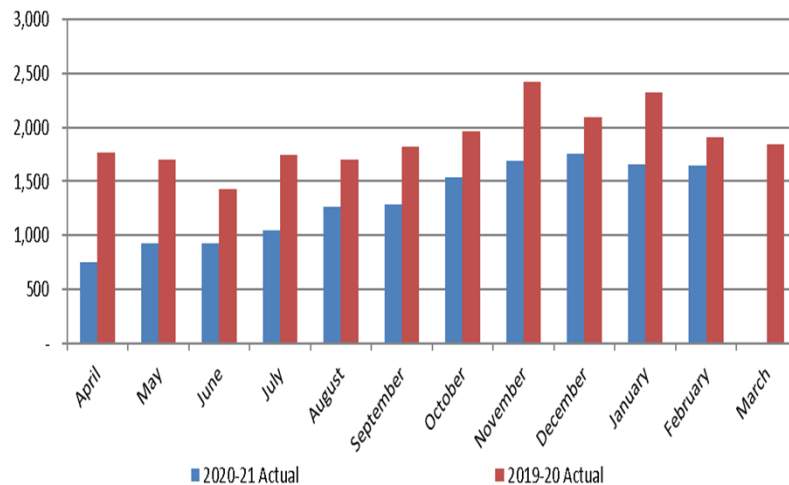
## 4) Management Information – Repairs

	Year to 28 February 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
Reactive	2,062	2,355	293	2,586
Cyclical	1,005	1,552	547	1,693
	<b>3,067</b>	<b>3,907</b>	<b>840</b>	<b>4,279</b>

Reactive Repair Spend per Month



Number of Reactive Repair Jobs per Month



### Comments:

#### Reactive Repairs

- Reactive repairs spend in the year to 28 February is £2,062k against a budget of £2,355k, £293k favourable to budget.
- With the changes to service delivery during the pandemic, it is expected that spend would be significantly lower than budget. Spend for the last 3 months has been above budget, largely driven by high volumes of emergency repairs.
- The volume of jobs is 31% lower than the same period in the prior year.

#### Cyclical Repairs

- Cyclical repairs spend of £1,005k has been incurred in the YTD, £547k favourable to budget.
- The main work-stream in the year has been gas servicing.

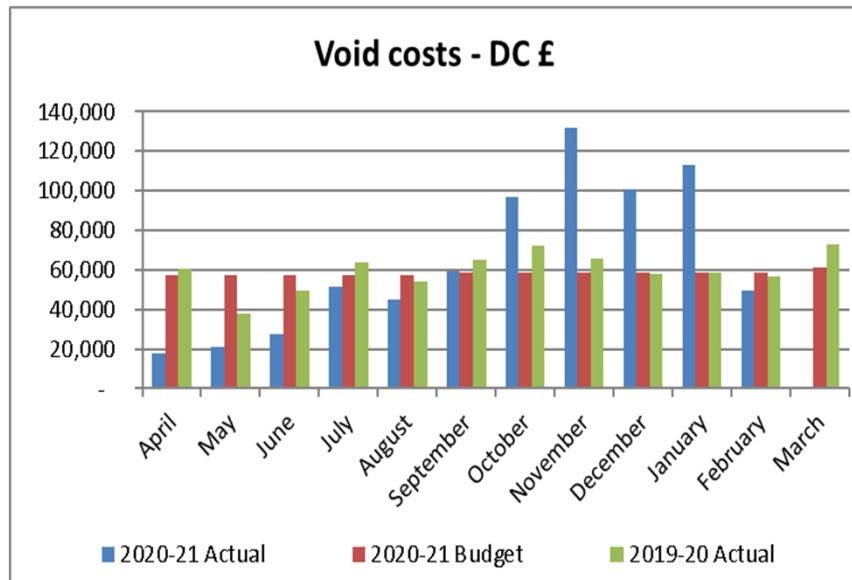
## 5) Management Information – Investment

	Year to 28 February 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
Void	714	647	(67)	708
Major	2,112	3,656	1,544	3,988
Capitalised Staff	702	725	22	791
<b>TOTAL</b>	<b>3,528</b>	<b>5,028</b>	<b>1,500</b>	<b>5,487</b>

### Comments:

#### Investment

- Major Repairs spend for the period to 28 February is £2,112k against a budget of £3,656k, a favourable variance of £1,544k. Expenditure includes a number of high value essential roof repairs.
- The lower than budgeted expenditure reflects the current operating model as a result of the Coronavirus epidemic.
- Investment covers all areas of our properties and external environment.



#### Void repairs

- Void costs of £714k have been incurred to the end of period 11 against a budget of £647k. This is £67k adverse to budget. The increase in expenditure between October, and January is largely as a result of a backlog of voids which built up due to coronavirus restrictions as well as a number of high value repairs. Void repair costs for period 11 reduced back closer to budgeted levels with spend in the month of £49k which is £9k favourable to budget.
- Void costs, which include repairs and maintenance to extend the life of the properties, are capitalised in line with Group policy.

## 6) Management Information – New Build Programme

Development Name	Year To Date (£'000)			FY Budget
	Actual	Budget	Variance	
ABERLADY	-	34	34	34
BEAVERBANK	257	151	(106)	151
BONNYRIGG	-	-	0	74
CAMMO FIELDS	50	-	(50)	0
CRAIGMILLAR	222	-	(222)	0
DEWARPARK	46	-	(46)	0
DUNDAS STREET	-	-	0	75
EDMONSTON	-	147	147	147
FASIDE	56	-	(56)	0
FOUNTAINBRIDGE	65	-	(65)	82
GAVIESIDE PH 1	-	-	0	230
GREENDYKES	112	323	211	323
GREENDYKES PHS	-	-	0	46
GULLANE	2	61	58	61
KIRKLISTON	-	1,607	1,607	1,944
LANARK RD	-	22	22	22
LANG LOAN	343	159	(184)	159
LONGNIDDRY	879	850	(29)	900
MACMERRY	-	3,143	3,143	3,522
NEWMILLS RD PH2	761	2,844	2,084	3,103
NEWTONGRANGE	-	-	0	33
NURSERY EASTPH1	2	-	(2)	0
RAVELRIG ROAD	-	75	75	75
ROSLIN	2	-	(2)	0
SOUTH GILMERTON	1,572	4,776	3,204	5,080
WALLYFORD PH 2	-	2,597	2,597	3,186
WESTCRAIGS1	333	129	(204)	129
WESTCRAIGS2	233	110	(122)	110
WESTCRAIGS3	-	258	258	258
WISP 3C	849	3,424	2,575	3,834
Capitalised staff costs	254	319	65	348
<b>Total Cost</b>	<b>6,038</b>	<b>21,029</b>	<b>14,991</b>	<b>23,925</b>
<b>Grant Income</b>	<b>4,564</b>	<b>13,859</b>	<b>(9,295)</b>	<b>15,135</b>
<b>Net New Build Costs</b>	<b>1,473</b>	<b>7,170</b>	<b>5,696</b>	<b>8,790</b>

### Capital Investment Income

- Grant income ("HAG") reported within the capital budget represents the cash received in the year to date. It is only recognised in the Income and Expenditure ("I&E") account as HAG Income upon completion of the properties.
- Grant income of £4,564k has been received up to end of period 11 for the Wisp 3C, Newmills Road, Longniddry, Westcraigs and South Gilmerton.
- In the year to period 11, £5,383k of HAG income has been recognised in the income statement on completion of 83 units at Beaverbank (41 Social rent units), Lang Loan (7 social rent units), Morrison Crescent (19 MMR units) and Greendykes (16 MMR units). These units were originally due to be completed in period 12 of 2019/20.
- All units which were not completed at the end of 2019/20 are now complete.

### New Build

- Expenditure of £6,038k is £14,991k lower than budget with the variance driven by the closure of all sites between March and June. All sites have now re-opened and work remobilised subject to enhanced health and safety measures.
- Expenditure of £343k has been incurred at Lang Loan against a budget of £159k. This reflects that fact that the final 7 units were completed in 2020/21 but the costs were included in the 2019/20 budget.
- Greenbank, Lang Loan, Morrison Crescent and Beaverbank are now complete.
- Overall expenditure of £566k has been incurred for the 3 Westcraigs developments against a budget of £497k.
- There has been no spend at Wallyford Phase 2, Kirkliston and Macmerry. All 3 sites are still included in the new build programme but are not now expected to start until 2021/22 (MacMerry and Wallyford) and 2022/23 (Kirkliston).
- The spend for Craigmillar and Dewarpark relates to retention payments.



## 7) Balance Sheet

	28 February 2021 £'000	31 March 2020 £'000
<b>Fixed Assets</b>		
Social Housing Properties	342,136	332,501
Other Fixed Assets	6,433	5,534
Investment Properties	28,561	28,561
	<u>377,130</u>	<u>366,596</u>
<b>Current Assets</b>		
Stock	492	334
Trade & Other Debtors	3,533	5,123
Cash & Cash Equivalents	9,202	4,273
	<u>13,226</u>	<u>9,730</u>
<b>Creditors: within 1 year</b>		
Trade Creditors	(352)	(344)
Accruals & Deferred Income	(14,041)	(11,435)
Prepayments of Rent and Service Charge	(1,351)	(1,007)
Other Creditors	(517)	(108)
Amounts due to Group Undertakings	(3,089)	(4,212)
	<u>(19,350)</u>	<u>(17,106)</u>
<b>Net Current Liability</b>	<u>(6,123)</u>	<u>(7,376)</u>
<b>Long Term Creditors</b>		
Loans	(33,163)	(33,163)
Amounts due to Group Undertakings	(131,791)	(134,845)
Pension Liability	(751)	(751)
	<u></u>	<u></u>
<b>Net Assets</b>	<u><b>205,301</b></u>	<u><b>190,461</b></u>
<b>Capital and Reserves</b>		
Share Capital	-	-
Revenue Reserve	205,301	190,461
	<u></u>	<u></u>
<b>Association's funds</b>	<u><b>205,301</b></u>	<u><b>190,461</b></u>

Classified as Public

### Comments:

- The balance sheet as at 31 March 2020 reflects the audited 2019/20 statutory accounts. No change in the pension asset is assumed during the year for management accounts purposes as the valuation is carried out annually. The actuarial valuation for the 2019/20 year end reported a £0.8m pension liability.
- The balance sheet as at 28 February also reflects the assets and liabilities transferred from Barony Housing Association. Overall the transfer has increased reserves by £7.2m. Balances transferred include housing assets of £7.1m and other fixed assets of £0.6m as well as cash of £1.4m. Liabilities include £0.7m which is the DC share of the outstanding Barony loan balance.
- The value of our **fixed assets** reflects additions (including the Barony additions) in the year less depreciation.
- **Trade & other debtors** of £3.5m include an intercompany balance of £0.5m and net rent arrears of £0.3m (after bad debt provision).
- **Cash at Bank** – At 28 February Dunedin Canmore had £9.2m in the bank and has access to draw down further funding from WFL1 as and when required.
- **Short-Term Creditors** – Amounts due within one year of £19.4m includes £3.1m due to other Wheatley entities and £14.0m in accruals and deferred income. The remaining balance includes rent received in advance from our tenants, trade and other creditors (factoring deposits and payroll creditors).
- **Loans** of £165.0m relate to funding drawn down from WFL1, and external funding of £33.2m due to THFC and Allia (inclusive of rolled up interest charges). A repayment of £3.5m to WFL1 was made in April 2020.

## Report

**To:** Dunedin Canmore Housing Board

**By:** Ranald Brown, Director of Assurance

**Subject:** Assurance update

**Date of Meeting:** 25 March 2021

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### 1. Purpose

- 1.1. This report provides the Dunedin Canmore Housing ("DC") Board (the Board) with an update on the 2020/21 Internal Audit Annual Plan.

### 2. Authorising context

- 2.1. Under its Terms of Reference, the Board is responsible for managing and monitoring DC's compliance arrangements and operational performance. The activities undertaken by the Assurance team provide the Board with independent assurance to support this role of the Board.

### 3. Risk appetite and assessment

- 3.1. The Board's agreed risk appetite in relation to Board Governance is "minimal", meaning that there is a preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward.

### 4. Background

- 4.1. In August 2020 and November 2020, the Group Audit Committee approved the Q2 and Q3 Audit Plans for 2020/21, which included completion of the following reviews:

- |                       |                                   |
|-----------------------|-----------------------------------|
| ▪ Gas Safety          | ▪ Wheatley Foundation expenditure |
| ▪ PPE Health & Safety | ▪ Cyber security                  |
| ▪ Fire Safety         | ▪ Working from home               |
| ▪ Arrears management  | ▪ Wheatley Care self-assurance    |
| ▪ NETs PPE            | consultancy review                |

- 4.2. The Internal Audit team has now completed these reviews and details of the findings are set out in the Group Assurance Update report at **Appendix 1**.

### 5. Executive summary of Assurance activity

- 5.1. This section of the report summarises the results of 2020/21 Annual Plan work reported to the Group Audit Committee in November 2020 and February 2021.

Review	Control objectives				
Gas Safety	Green	Green	Green	Green	Green
PPE Health & Safety	Green	Green	Green	Green	Green
Fire Safety	Green	Yellow	Green	Green	
Arrears Management	Green	Green	Yellow	Green	Green
NETs PPE	Yellow	Green	Green	Green	Green
Wheatley Foundation	Yellow	Amber	Yellow	Amber	Green
Cyber security - Not applicable for this review					
Working from Home - Not applicable for this review					
Wheatley Care self-assurance consultancy review – not applicable.					

## 6. Value for money implications

6.1. There are no value for money implications arising from this report.

## 7. Impact on financial projections

7.1. There are no financial implications arising from this report.

## 8. Legal, regulatory and charitable implications

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

## 9. Partnership implications

9.1. There are no direct partnership implications identified within this report.

## 10. Implementation and deployment

10.1. Implementation and deployment of the Plan will be led by the Assurance Team.

## 11. Equalities impact

11.1. This report does not require an equalities impact assessment.

## 12. Recommendation

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

## List of Appendices

Appendix 1 – Group Assurance Update

# Group Assurance Update

## March 2021

**Ranald Brown**  
Director of Assurance

# 1. IA Plan 2020/21 Status

## Status of Reviews

This presentation summarises the results of Internal Audit activity reported to the Group Audit Committee at its November 2020 and February 2021 meetings.

### November 2020

#### Gas Safety

- Section 2



#### PPE Health & Safety

- Section 3



#### Fire Safety

- Section 4



### February 2021

#### Arrears Management

- Section 5



#### NETs PPE

- Section 6



#### Wheatley Foundation

- Section 7



### February 2021

#### Cyber Security

- Section 8

#### Working From Home

- Section 9

#### Wheatley Care Quality Assurance self-assessment

- Section 10

# 1. IA Plan 2020/21 Status

## Control Objective Classification:

Each control objective is assigned a classification based on an assessment of the impact of individual findings within the report, as follows:

Red	Amber	Yellow	Green
<ul style="list-style-type: none"><li>• Control objective not achieved.</li><li>• Control weaknesses identified would have a significant and immediate impact on the risks to achievement of the organisation's objectives.</li></ul>	<ul style="list-style-type: none"><li>• Control objective not achieved.</li><li>• Control weaknesses identified would have a significant impact on the risks to achievement of the organisation's objectives.</li></ul>	<ul style="list-style-type: none"><li>• Control objective achieved.</li><li>• Control weaknesses identified would have some impact on the risks to the achievement of the organisation's objectives.</li></ul>	<ul style="list-style-type: none"><li>• Control objective achieved.</li><li>• Any control weaknesses identified would have limited impact on the risks to the achievement of the organisation's objectives.</li></ul>

## 2. Gas Safety Review






### Report Conclusion

The Group has a legal responsibility for ensuring approximately 39,000 annual gas services are undertaken in its properties. To meet this responsibility efficiently and effectively Gas service visits were reintroduced following the COVID-19 lockdown, management amended the existing gas servicing process.

This review found the amended process introduced by the Group's management and teams worked well. They enhanced the previous process, with improved access rates, customer engagement and closer team working amongst gas teams and contractors. At the time of our review in September, there were no overdue Gas Certificates.

We have identified opportunities for improvement which should be incorporated into remobilisation plans and temporary working practices which should be retained and spread across other compliance elements of the Group repairs and maintenance services.

### Control Objective Classification

-  Gas safety certificates nearing their renewal date are identified and renewal inspections are scheduled;
-  Gas safety certificate inspection visits take place as scheduled;
-  Any remedial works required are scheduled and completed before expiry of the existing certificate;
-  The PIMMS system and gas safety certificates are updated following completion of planned work.
-  All stages of the process are completed in compliance with COVID-19 health & safety procedures

## 2. Gas Safety Review

### Areas of Good Practice

- ✓ New temporary gas service procedures were created by the CSC and Repairs teams in collaboration with CBG/Saltire and housing management teams. They were communicated to gas teams to ensure delivery of the Group's gas service legal obligations, and in doing so, help keep the Group's customers safe.
- ✓ The implementation of central teams at CSC, DGHP and DCPS to manage and coordinate outbound calls had a positive impact, with all Subsidiaries reporting improved access rates at first visit, with CBG reporting this reaching 89%, DCPS 95% and Saltire 88%.
- ✓ Real-time management information on status of scheduling of appointments.
- ✓ Use of outbound calls to update customer contact details and preferred method of communication such as email or text messaging.
- ✓ DCPS outbound calls and gas service engineer visits identified customers with potential fuel poverty issues such as capped meters, who were called by housing officers to ascertain if the Group's wrap around services could assist.
- ✓ Real-time monitoring arrangements with escalation of 'gas expiry' due dates to appropriate management teams.
- ✓ Close collaboration between key staff and contractors resulted in the gas services backlog being addressed a month earlier than planned.
- ✓ Senior management at Group/Subsidiaries were provided regular updates and reports on progress of gas servicing during the COVID-19 outbreak.
- ✓ DCPS and DGHP have system-generated reports that reconcile completed gas services and gas certificates.



## 2. Gas Safety Review

### **Opportunities to Improve (*management had identified these prior to our review*)**

- There is an opportunity to retain the new working practice used for the scheduling of gas servicing during the lockdown, which resulted in improved gas service access rates, and to consider whether it can be extended to all technical compliance service visits.
- Gas service visits and welfare calls helped identify instances of fuel poverty issues such as capped meters. An avenue for capturing this information on Housing Management systems and generating an automatic referrals to Housing Officers for investigation should be considered.
- The spreadsheets used to schedule visits allowed management to capture updated customer information such as contact details and preferred method of contact. This approach should be developed to enhance the accuracy of Housing Management records. The information should also be used to inform future technology investment decisions in relation to customers contact preferences e.g. use of text messaging and emails to schedule appointments.
- Management to develop an automated matching between the completed gas service record and the issued gas certificate uploaded against housing records in the Group's Housing Management system in order to make the current manual reconciliation process more efficient.

### 3. PPE Health & Safety Review

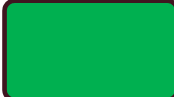
#### Report Conclusion


The revised PPE processes in place for Care and Emergency Repairs staff are working well. The Group has had no PPE shortages since the start of the COVID-19 pandemic and staff describe feeling safe at work and reassured by the availability and quality of PPE provided for them.


As the Group returns to a full-service model, there are opportunities to ensure the processes in place for PPE remain robust and efficient. In particular, there are opportunities to ensure that:


- PPE supplier relationships remain strong and value for money is obtained;
- purchased PPE stock is sufficient without becoming obsolete or surplus to demand; and
- e-learning completion records provide Management with assurance that all mandatory training has been completed.


#### Control Objective Classification


 The Group has a central point of knowledge to ensure all new relevant guidance is actioned.

 Procurement arrangements are in place to provide a suitable supply of PPE.

 Staff have confirmed that they have read and understood the Group's COVID-19 health & safety procedures.

 Staff across the Group have access to required PPE at the time it is required.

 Staff use the specified PPE and follow all COVID-19 health & safety procedures

 Management reporting is in place to monitor use and availability of PPE, with prompt action being taken if any issues are reported.

### 3. PPE Health & Safety Review

#### **Areas of Good Practice**

- ✓ Clear roles and responsibilities for identifying and applying PPE guidance across Group.
- ✓ PPE requirements are identified through the completion of risk assessments aligned to specific Group activities.
- ✓ COVID-19 Procedures set out what PPE should be worn by staff and when.
- ✓ Local and central monitoring of the Group's PPE stock takes place weekly to ensure a 16-week supply is maintained.
- ✓ Regular management reporting on the quantities of PPE held across the Group.

### 3. PPE Health & Safety Review

#### Opportunities to Improve

- Ensure actions to improve the accuracy and completeness of Care training records are applied across the Group, so that all mandatory Health & Safety e-learning records are complete and available to evidence that staff have received training.
- Risk assess any changes to the Group's PPE management arrangements to ensure the resulting procedures will continue to ensure the required supply of PPE.
- Agree long-term PPE stock management approach to ensure that stock held remains sufficient, without becoming obsolete or surplus to demand, investigating options for digitisation of processes wherever possible.

## 4. Fire Safety Review

### Report Conclusion

This review has assessed the progress made towards completing actions arising from the Fire Safety audit in March 2020. There has been limited opportunity to take actions forward since then, due to the business constraints arising from COVID-19. The Wheatley and Subsidiary Boards have been kept updated on the ongoing challenges being faced.

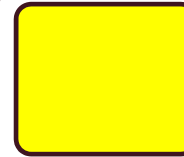
The Group's implementation of a new operating model will allow management to build improvements into existing working practices as services are remobilised.

In particular, management should consider whether the Group should adopt a single-team approach to fire safety management rather than the two-team approach that has previously been the appropriate way to deliver this service.

### Control Objective Classification



Changes to legislative requirements to keep the Group's Relevant Premises in order, are monitored and reported to senior management;



A process to identify, prioritise and cost any work to meet new legislative requirements is in place;



Data and intelligence from frontline and SFRS teams is recorded and analysed to identify key risk areas, trends and preventative actions;



The Framework to support tenants in mitigating the risk of fire within their homes is actioned, monitored and reported to senior management.

## 4. Fire Safety Review

### Areas of Good Practice

- ✓ Mandatory actions from SFRS Operational Assurance Visits (OAV) are captured in PIMMS.
- ✓ Desktop FRA's of relevant premise by Group Health and Safety as interim process to mitigate risk.
- ✓ Monthly outstanding fire actions have continued to be issued to Managers of relevant premise.
- ✓ Environmental and onsite staff undertake robust daily inspections of MSF sites, recording and escalating critical fire repairs and reporting fire incidents to the CSC.
- ✓ W360 NETS Team have removed large volumes of combustible materials from across our communities contributing to fire safety during COVID-19.
- ✓ Fire intelligence data from SFRS and frontline staff has allowed CIPS Fire Safety Officers to target and provide support to 'High Risk' households during COVID-19.
- ✓ Locality Directors/Heads of Housing receive weekly accidental dwelling fire data to allow them to address issues within their areas.
- ✓ All Housing First Customers receive a Fire Safety Package and visit from a Fire Safety Officer.
- ✓ Regular updates to Board throughout the lock-down period to notify Board members about the reduction in service and mitigating actions.

## 4. Fire Safety Review

### Opportunities to Improve

- As part of the remobilisation process and the Group's implementation of a new operating model, there is an opportunity to consider whether the Group should introduce a single-team approach to fire safety across the Group. This would merge the Group Health & Safety team who deal with "relevant premise" (offices, care properties and houses of multiple occupancy) with the fire officers in the CIPS team who deal with customer-facing properties, including multi storey homes. In discussing this recommendation, we were informed that this was already being considered by management.
- The process for monitoring completion of FRA actions should include clear guidance for responsible officers about the escalation of incomplete actions.
- Investigation of whether it is possible to automate updates to PIMMs from iWorld / Astra and other systems for FRA records and actions.

## 5. Arrears Management Review

### Report Conclusion

The processes in place to manage arrears during COVID-19 have been very successful in reducing the initial increase in arrears balances seen in the first lock-down period. There has been regular reporting to the Executive Team and Boards on the current arrears position and the benefit that proactive wrap-around services have brought to customers. Remobilisation plans were reviewed as the first lockdown period progressed and services extended where it was judged safe to do so.

The improvement opportunities we identified relate to completion of mandatory cyber security and data protection training, the rollout of management's planned strengthening of controls over handling customer payment card details and potential future developments of technology in relation to data recording and performance reporting.

### Control Objective Classification



The Group's approach to managing rent arrears during COVID-19 has been agreed and communicated with housing and CSC staff and there is regular communication with customers.



Housing and CSC staff proactively contact customers in arrears to provide access to wrap-around services and support appropriate to their needs and circumstances.



Staff are trained to process rent payments in line with Group procedures, including compliance with Payment Card Industry (PCI) and Data Protection requirements.



The impact of COVID-19 on the Group's RSL rent arrears position is subject to ongoing monitoring.



Plans for arrears management remobilisation plans are reviewed in line with changing Government advice.



## 5. Arrears Management Review

### Areas of Good Practice

- ✓ The approach to arrears management has been reviewed and updated as part of the phased remobilisation of services during the Covid-19 period, to reflect Scottish Government guidelines e.g. extension of notice period for legal action.
- ✓ New interactive rents toolkit for income collection staff which has been updated to reflect any changes to rent collection procedures as services have been remobilised.
- ✓ Development of a 'Rents' Power BI (a business analytics tool) reporting suite to improve the monitoring and management of rental income and UC for Housing staff and management.
- ✓ Implementation of 'Talk to Us' campaign across RSLs to encourage early engagement of customers who may be having rental payment concerns.
- ✓ Use of multiple mediums such as outbound calls, RSL websites, Facebook, bulk text messaging to deliver key rental income and support messages across a broader spectrum of the RSL customers.
- ✓ Implementation of local initiatives to target specific arrears categories such as Dunedin Canmore's 'All ears for Arrears', and the use of bulk contact letters at DGHP for failed direct debit customers.
- ✓ Increased transfer of customers in early arrears to the Group's specialist debt recovery officers (GDRT) and use of CSC/GDRT's automated dialing system to improve customer contact rates.
- ✓ Regular and detailed performance monitoring and reporting of arrears during COVID-19 from Housing Offices to RSL and Group Boards.

## 5. Arrears Management Review

### Opportunities to Improve

#### Priority actions

- Line managers should monitor completion of all mandatory training courses for their staff, including DPA, Cyber Security, and, after they are rolled out, the updated PCI compliance training and training on the new payment handling tools (Call Secure and Call Secure Digital Plus). Until technical developments within MyAcademy enable automated notifications to staff and line managers for all mandatory training, the MyAcademy team should issue regular reports on the current status of mandatory training courses for follow up by line managers.
- Timelines for the completion and rollout of the revised Payment Card Industry (PCI) compliance training and Call Secure/ Call Secure Digital Plus should be agreed and monitored by the Rents Community of Excellence (CoE).
- Once the payment handling tools have been rolled out, Astra/iWorld payment permissions should be minimised so that the Group can demonstrate there is no requirement for PCI compliance.

#### Continuous improvement actions

- We have identified opportunities to streamline input of customer engagement information across a number of systems eg. Astra/iWorld, manual spreadsheets, and Nexum.
- The work undertaken to develop patch-level PRID reports within PowerBI has been completed by one individual within the UC team. This increases the risk that further development or maintenance of the reports may be curtailed if this individual was unavailable.
- Work to develop Power BI reporting of welfare benefits and fuel advice provided by the Money Advice team should include a unique customer identifier that will allow analysis to demonstrate the benefit of the advice to the Group as well as to customers.

## 6. NETs PPE Review






### Report Conclusion

The Neighbourhood Environmental Teams (NETs) have effective procedures in place to confirm whether staff are aware of and complying with the Group's revised PPE and COVID-19 procedures. These include controls over the management and issue of PPE, and regular communication with staff.

We noted opportunities to strengthen existing monitoring and reporting of mandatory training completion rates and stock management procedures.

We also found an opportunity to review and streamline COVID-19 / PPE sign-off procedures with a view to retaining the existing high level of control while making the process more efficient.

### Control Objective Classification

-  NETs staff have confirmed that they have read and understood the Group's COVID-19 Health & Safety procedures and completed mandatory training.
-  NETs staff have access to required PPE at the time it is required.
-  NETs staff use the specified PPE and follow all COVID-19 Health & Safety procedures, including procedures related to fleet travel.
-  The NETs operating environment is designed to enable staff to comply with Group Health & Safety procedures.
-  Local management reporting is in place to monitor use and availability of PPE within the NETs service, with prompt action being taken and lessons learned if any issues are identified.

## 6. NETs PPE Review

### Areas of Good Practice

- ✓ Group H&S completed re-assurance visits including visits to NETs sites, which found 'high level of compliance in the provision and working of PPE arrangement' and 'no deficiencies in the PPE stock or supply of NETs PPE'.
- ✓ H&S and PPE training information was presented to staff by management to ensure awareness, prior to staff completing online training modules.
- ✓ Induction training has been developed to train new staff and staff returning from furlough about the PPE processes in place.
- ✓ Toolbox talks are used to discuss updated COVID-19 procedures, with weekly emails issued to all NETs staff as a reminder of what was covered.
- ✓ Daily site and weekly checklists include requirements for staff to confirm they have had access to the correct PPE and it is in good working condition.
- ✓ Visual signage has been added to vehicles to advise staff 'they must wear face masks in this vehicle'.
- ✓ Staggered shift start and break times are in place, with staff rostered to work with the same colleagues, vehicles and equipment as far as possible.
- ✓ Stock replenishment arrangements are in place to ensure each team has the PPE required.

## 6. NETs PPE Review

### Opportunities to Improve

#### Priority actions

- My Academy training records must provide management with an accurate overview of all NETs staff training completions.
- Management must ensure all staff have completed mandatory online Coronavirus awareness and Health and Safety courses.

#### Continuous improvement actions

- Stock management arrangements should include review of PPE use at a team level to identify any unusual use.
- The design and content of staff sign-off sheets should be reviewed to ensure these provide robust, but efficient, control.
- Monthly vehicle checks should confirm that daily vehicle checks are being completed and include COVID cleaning and sanitising checks.

## 7. Wheatley Foundation Expenditure Review






### Report Conclusion

Following a very significant expansion of the expenditure through the Group's Eatwell service and Emergency Response Fund (ERF) during the COVID-19 crisis, Wheatley Foundation management requested an internal audit review of the process used to record and monitor the charitable expenditure.

We noted that the volume of transactions through the ERF was considerably larger than in previous years. This was because the fund was used to support customers at this challenging time, when other support services (e.g. HomeComforts) were not able to provide a service. In addition, many members of the Foundation team were furloughed, meaning that some control processes were suspended in order to prioritise processing of requests for support. As a result, we were unable to confirm the validity of all transactions. However, we found no evidence of fraud or misappropriation during our review. Further details of the ERF expenditure analysis are shown at Appendix 1.

As the Foundation adopts working from home as standard and staff return from furlough, additional control processes should be reinstated, including a review of the ERF criteria, use of vouchers wherever possible to reduce use of purchase cards, development of current expenditure records to facilitate management checks, more detailed reporting and to make it easier to demonstrate value for money. The Group's purchase card procedures should also be followed for all future transactions.

### Control Objective Classification

-  All COVID-19 related emergency expenditure is for an identified need and subject to appropriate approval
-  Card payments are subject to regular review to ensure all expenditure is authorised and accurately accounted for
-  Payment card holders and arrangements for future purchasing activity are aligned to expected business need
-  Expenditure is regularly monitored to ensure compliance with Group procurement requirements and the delivery of value for money
-  Terms and conditions of external funding received in relation to the Group's COVID-19 response are complied with

## 7. Wheatley Foundation Expenditure Review

### Areas of Good Practice

- ✓ The ERF provided £308,552 of support to customers during the period from 26 March to 10 November 2020. This directly supported the individual needs of 2,339 customers, as well as funding wider requests to support groups of customers through the improvement of shared spaces and provision of wellbeing resources.
- ✓ The Foundation Team's funding focus, from the outset of the pandemic, has been to identify and secure funding to support the Group's Covid-19 response. By November 2020 the Team had identified and secured funding of over £1.8m from external parties through grants and donations.
- ✓ A monitoring spreadsheet is in place to record all Emergency Fund request applications.
- ✓ The Foundation Manager is working with Procurement to secure best value for money from suppliers.
- ✓ Vouchers will be used in future to reduce the level of emergency purchases, streamline the purchasing and delivery process and obtain the advantages of bulk buying where possible.
- ✓ The Foundation Board has received regular updates on the external funding position, including donations and grants received.
- ✓ Monitoring reports have been submitted to the Scottish Government to report on the use of the four Wellbeing fund grants received, which totalled £330,000. Management informed us that all monitoring reports were accepted by the fund delivery partners on behalf of Scottish Government, with no requests received for follow-up information or clarification.

## 7. Wheatley Foundation Expenditure Review

### Opportunities to Improve

#### ***All expenditure – priority actions***

- The monitoring spreadsheet used by the Foundation to track receipt and fulfillment of ERF requests should be revised to include additional fields and reduce free-text, improving the accuracy and consistency of data recorded and enabling smarter reporting and reconciliation of data.

#### ***All expenditure – continuous improvement actions***

- The ERF criteria should be reviewed to confirm they remain appropriate. Once reviewed, the ERF request form should be updated to include the criteria and links to alternative support offered by the Group (e.g. Home Comforts).
- Purchasing decisions should be documented to enable staff to demonstrate that Value for Money was obtained when spending grants and donations, particularly where goods are difficult to source or unavailable from suppliers when needed.

#### ***Purchase card expenditure – priority actions***

- The Foundation team should apply for new purchase cards for each team member who may require to use one. When new cards are issued, the team should ensure Group purchase card procedures are followed, including the retention of all receipts in a virtual environment, and monthly receipting of transactions listed on the SDOL online banking portal.
- The Transactions services team should work with Procurement and Finance to review Group purchase card procedures, including agreeing arrangements for monitoring overall spend with individual suppliers.

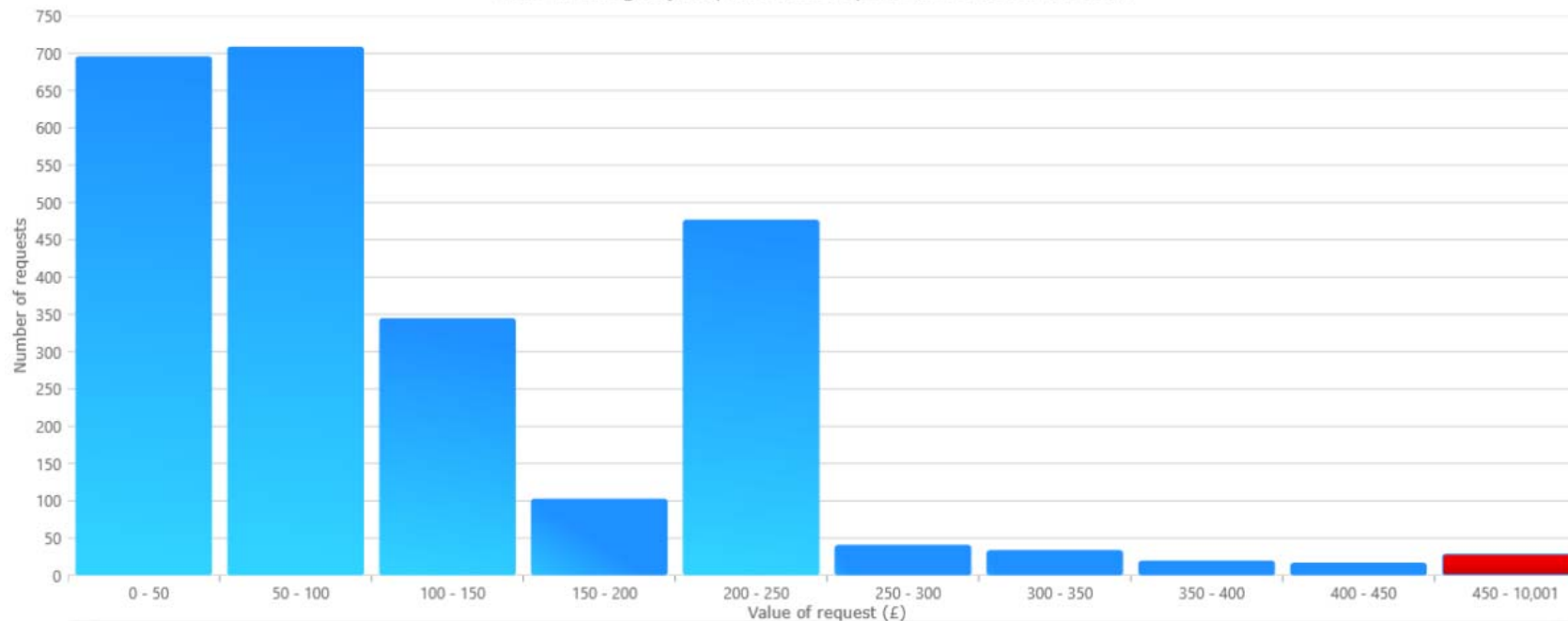


## 7. Wheatley Foundation Appendix 1 – ERF expenditure



Between 26 March and 10 November 2020, the Foundation Team processed 2,626 Emergency Response Fund requests with a total value of £308,552. We used IDEA to analyse these requests and confirmed that the majority were within the fund's maximum suggested spend value (around £100 per household, with flexibility according to individual circumstances).

Value of Emergency Response Fund requests (at 10 November 2020)

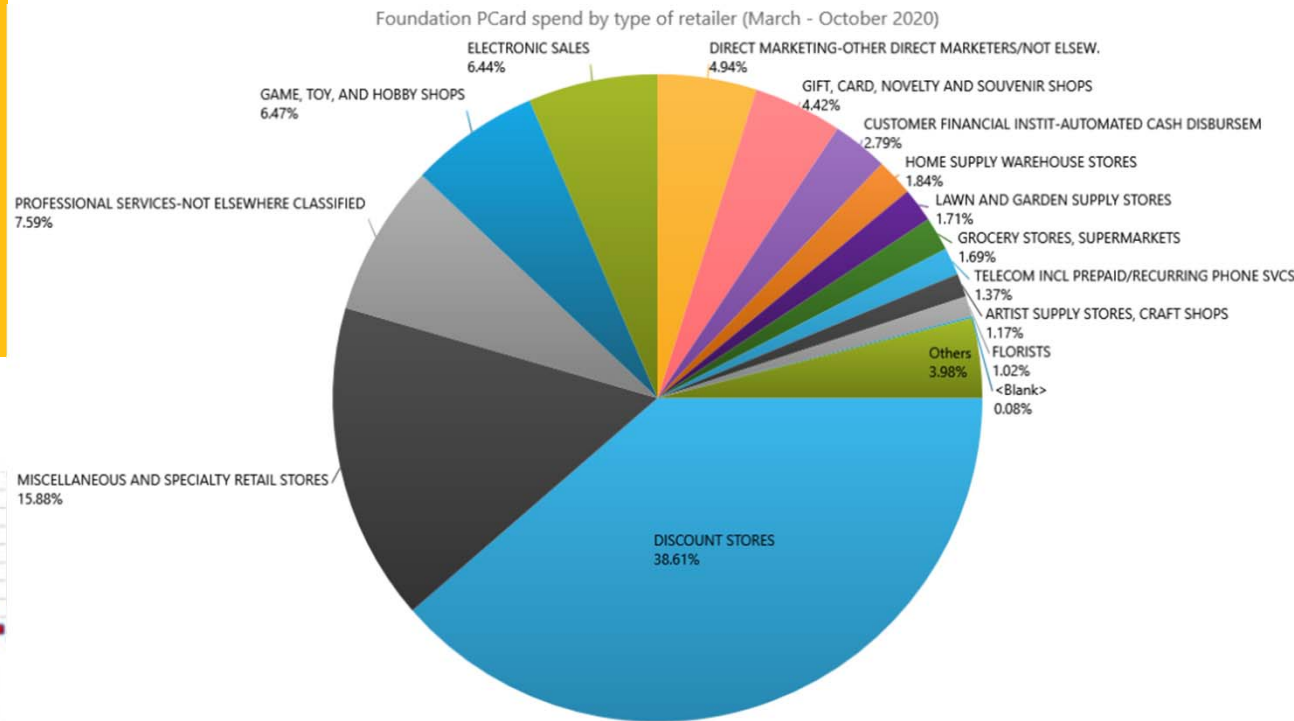
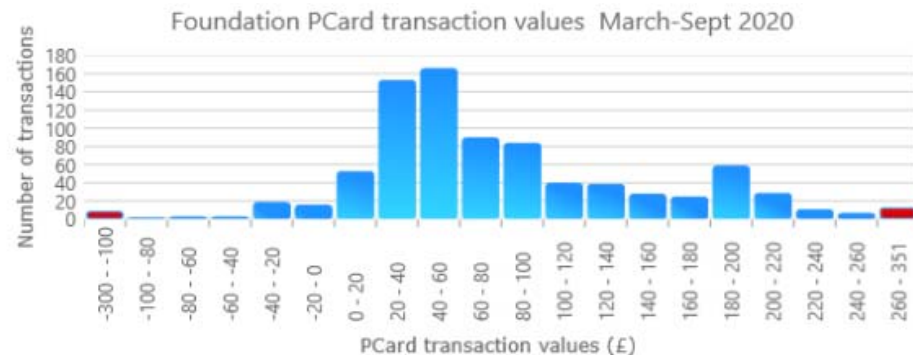


*Higher value requests primarily relate to the supply of white goods and essential homeware items (normally available through the Group's Home Comforts service), or items purchased for the benefit of multiple customers, including:*

- activity packs for children and sheltered housing customers;*
- bulk purchase of shopping vouchers*
- improvements to outdoor spaces within residential facilities to promote wellbeing and enable social distancing.*

## 7. Wheatley Foundation Appendix 1 – ERF Purchase cards

Between March and September 2020, £67,888 was spent on the Foundation Purchase Cards in 849 transactions. We used IDEA to analyse these transactions and confirmed that all were for low level expenditure. Over 50% of total spend was incurred within the Merchant Category Codes 'Discount Stores' or 'Miscellaneous and Speciality Retail Stores'. These include Argos, Amazon and Tesco, which is what we expected to see based on the Foundation team's records of Emergency Response Fund purchases.



Note : The small number of negative transaction values in the graph are due to refunds from suppliers.

## 8. Cyber Security Review

### Report Conclusion

In July 2020, Internal Audit performed a high-level review over the cyber security control environment as managed by the IT team. The scope of the work was restricted to the cyber security control environment over services provisioned to Wheatley Group staff by the IT function. The resulting report concluded that *“IT security over the systems and services that the IT function is responsible for is well established and, as described by management, reflects good practice in many respects. Cyber Security is an organisation wide challenge, and it is important that processes exist to ensure that cyber security risks are being managed across the enterprise, and specifically beyond the areas for which IT is operationally responsible.”* This current report focussed on the cyber security arrangements in place over Software as a System (SAAS) solutions which are not provisioned by the IT function. This included the Payroll, MyHousing and AllPay systems, applying where possible the same framework of control objectives used in the July review.

Today, more organisations rely on third parties to provide services and systems to support their critical processes. This means that indirect attacks via third parties can be a major source of cyber risk. This has been demonstrated by the recent attack on Solar Winds, which put 18,000 government and corporate clients at risk of exposure, and the attack on Blackbaud, which affected 166 UK organisations including universities, health-related charities, schools and trusts. It is therefore important to improve cyber resilience by taking steps to incorporate security controls into third party risk management processes. It is also important that staff involved in the management of third parties have a good awareness of cyber risks.

While Wheatley Group do currently have a process in place to assess the cyber risk of vendors prior to procurement, this process has not been completed for suppliers procured prior to 2018 and the risk of these suppliers has not been monitored regularly to ensure that they continue to meet business risk tolerance levels. Annual cyber security training is currently underway and management should continue to monitor completion of this mandatory training.

## 8. Cyber Security Review

### Areas of Good Practice

- ✓ Group IT has created a Vendor Security Assessment (VSA) Framework to assess the security of Wheatley suppliers. The assessment covers appropriate risk areas, and the level of assessment is dependent upon perceived supplier risk to allow prioritisation and efficient use of resources.
- ✓ Contracts with suppliers include data protection breach reporting clauses.
- ✓ IT incorporate penetration testing of SaaS solutions into their annual test plan where the Group has the authority to conduct them. For example, MyHousing is included within the annual test plan.
- ✓ A Group IT Cloud Services Policy is in place which provides direction for Business Owners in assessing the benefits of cloud services against the risks of data breaches, data loss and account hijacking.
- ✓ Group IT have sought assurance from vendors using a variety of methods. In particular, a high level VSA review was completed for AllPay in 2019 which documented the controls AllPay had in place. An older template approach was used for MyHousing in 2017/18 as the VSA was in draft format. The older template covered over 40 security questions and security design assessment was conducted with the NCC group during the project.

## 8. Cyber Security Review

### Opportunities to Improve

#### Priority actions

- VSAs have not been completed for suppliers procured prior to 2018, as the VSA process was implemented across 2017/18. For example, the Payroll system has not been through this process. We were advised that efforts were made to conduct a VSA for the Payroll system but that this was not completed due to a lack of engagement from Access Group during 2018/19.
- The VSA is a process that requires input and expertise from IT and from Business System Owners. However, although documentation clearly details roles and responsibilities there is lack of consistency in the understanding of the respective roles by Business System Owners.
- Monitor completion rates for cyber security training.

#### Continuous improvement actions

- A security assessment is undertaken at time of procurement however regular supplier risk reviews are not undertaken after this.
- There is a lack of business documentation of the users who should have access to the system and the level of access they should have.
- Business Owners have a lack of clarity as to whom incidents should be escalated to across key areas such as Computer Security Incident Response Policy and the Data Breach Policy.

## 9. Working from Home Review

### Report Conclusion

Wheatley Group has been planning to move to a Working From Home (WFH) operational model since before the COVID-19 pandemic started last year. However emergency procedures were put in place to respond to the pandemic, allowing staff to work from home temporarily. This review considered the planned actions to establish new arrangements for a long-term blended working from home model. We acknowledge that at the time of our review, a staff consultation on the proposed operating model was in progress.

We found that key decisions have yet to be made on Group wide policies and procedures for the change to working from home, including factors such as expense policy and insurance policy for both agile and homeworkers.

We acknowledge that this has been a fast-paced activity, and management was in the process of working on solutions to many of the issues identified to us. We recommend that the Executive Team should continue to coordinate work across Group departments and make decisions on the working from home environment in line with Scottish Government guidance so that decisions requiring cross-organisational input can be agreed prior to creating a working from home policy and updating departmental policies and procedures.

## 9. Working from Home Review

### Areas of Good Practice

- ✓ IT conducted a user survey in March / April to understand individual users' needs. This considered if staff had access to a personal device they could work from and if they had access to the internet at home. The output of the survey was used to roll out hardware to staff who needed it.
- ✓ A process is in place to allow staff to request hardware as their needs change.
- ✓ There is a configuration baseline which all corporately owned devices are aligned to prior to deployment.
- ✓ Technical measures are in place to allow the secure connection of both corporate and staff owned devices to the Group network i.e., through using a virtual desktop infrastructure (VDI).
- ✓ Mobile device management (MDM) tools are used to track and roll out security updates to mobile devices.
- ✓ Consideration has been given to Health and Safety impacts of working from home i.e., the Health and Safety team are in the process of piloting a Lone Working Solution and are looking at implementing an electronic incident reporting tool.

## 9. Working from Home Review

### Opportunities to Improve

#### Priority actions

- Introduce additional coordination of work across Group departments to facilitate decision-making in matters such as employee wellbeing; Health & Safety; communication and engagement; employees' expectations; equipment and IT systems; and pay, expenses and finances.
- Creation and documentation of a Bring Your Own Device (BYOD) policy to ensure that all staff have the same access and ease of use of corporate tools such as Microsoft Teams.
- Update of existing policies and procedures across the Group to reflect the new blended homeworking approach.

#### Continuous improvement actions

- Introduction of general role profile-based IT user entitlement to control the roll out of hardware.



## 10. Wheatley Care Quality Assurance Self-assessment



Wheatley Care is developing a self-assessment process to demonstrate compliance with the Care Inspectorate's revised quality frameworks. We are working with management to provide advice on the design of the process and assess the application of the process in pilot sites, and to identify any required improvements before the process is rolled out to all registered Care services.

### Care responsibilities

- Develop a self-assessment process to demonstrate compliance across all areas of appropriate Care Inspectorate quality frameworks.
- Collect feedback on the devised self-assessment process during pilot stage.
- Conduct self-assessment annually to ensure continued compliance with Care Inspectorate quality frameworks.
- Required actions/lessons learned as a result of self-assessment process are captured and monitored.

### IA responsibilities

- Review the self-assessment process being developed by Care Management to demonstrate compliance with the appropriate Care Inspectorate quality frameworks.
- Provide advice on the design of the process and assess the application of the process in pilot sites.
- Work with management to identify any required improvements before process is rolled out to all registered Care services.

### Current status and next steps:

- ✓ The Care Services Innovation and Improvement Manager has developed a draft Framework, which identifies controls currently operating across Wheatley Care to monitor performance and quality. This has been mapped to Care Inspectorate quality criteria. We have reviewed the draft Framework and discussed opportunities for further development of the Framework with the Care Services Innovation and Improvement Manager, who has implemented our suggestions.
- The draft Framework will be piloted with a small number of Care services and amended in light of feedback arising from the pilot. We will also review the results of the pilot and discuss any further improvement opportunities identified.
- The framework will be rolled-out across all registered Care services for 2021/22.



## Report

**To:** Dunedin Canmore Housing Board

**By:** Ranald Brown, Director of Assurance

**Subject:** Internal Audit Approach and Plan 2020/21

**Date of Meeting:** 25 March 2021

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### 1. Purpose

- 1.1. This report provides an update for the Dunedin Canmore Housing (“DC”) Board (the Board) on the Internal Audit approach within the Group’s new operating model, and the approved internal audit plan for period to May 2021.

### 2. Authorising context

- 2.1. In accordance with the Group Authorising Framework, the Board is responsible for managing and monitoring DC’s compliance arrangements and operational performance. The activities undertaken by the Assurance team provide the Board with independent assurance to support this role of the Board.

### 3. Risk appetite and assessment

- 3.1. The Board’s agreed risk appetite in relation to Board Governance is “minimal”, meaning that there is a preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward.

### 4. Discussion

- 4.1. Since the Internal Audit team resumed its activities in September 2020, we have reviewed and refined our internal audit approach in light of the new operating model. Proposed changes to the approach were presented to the Group Audit Committee.
- 4.2. In addition, we have reviewed the key risks within the Group’s risk registers and met with Directors from across the group to discuss planned activities within their remit. Following this exercise, we identified proposed reviews for the period from February to May 2021.
- 4.3. The Group Audit Committee approved both proposals at its meeting in February 2021, further detail of which are set out in **Appendix 1**.

- 4.4. We have also reviewed and updated the Internal Audit Charter, which was approved by the Group Audit Committee in February 2021. Key changes from previous version relate to:
- a) Updates to reflect changes to the IA approach, such as the move from annual to quarterly planning;
  - b) A refreshed description of the Head of Internal Audit's remit and independence considerations; and
  - c) Inclusion of the Institute of Internal Auditor's new Three Lines model.
- 4.5 The full Charter is attached at Appendix 2 for information.
- 5. Value for money implications**
- 5.1. There are no value for money implications arising directly from this report.
- 6. Impact on financial projections**
- 6.1. There are no financial implications arising directly from this report.
- 7. Legal, regulatory and charitable implications**
- 7.1. There are no legal, regulatory or charitable implications arising directly from this report.
- 8. Partnership implications**
- 8.1. There are no direct partnership implications identified within this report.
- 9. Implementation and deployment**
- 9.1. Implementation and deployment of the Plan will be led by the Assurance Team.
- 10. Equalities impact**
- 10.1. This report does not require an equalities impact assessment.
- 11. Recommendation**
- 11.1. The Board is asked to note the content of this report.

## **List of Appendices**

Appendix 1 – Internal Audit approach and rolling 3-month plan 2020/21  
Appendix 2 – Internal Audit Charter

# Internal Audit approach and rolling 3- month plan March 2021

**Ranald Brown**  
Director of Assurance

# ***Section 1: Revised Internal Audit Approach***

# Revised Internal Audit Approach

In developing our revised Internal Audit Approach, we have reviewed guidance and improvement documents available from across the internal audit sector, as well as considering how best to build on our previous development of the IA approach. We have identified the following “building blocks” for our new approach, the most fundamental of which is looking for opportunities to promote the Group’s Values in everything we do.



# Promoting the Group's Values



## *Wheatley Group Values:*

### Excellence

- We raise the bar in everything we do

### Community

- People direct what we do and together we build strong communities

### Ambition

- We push the boundaries in new ways, so everyone can fulfill their potential

### Trust

- We inspire customers and staff to shape the future

## *Internal Audit Approach:*

### Excellence

- We look for improvement opportunities in every review, both in our processes and the processes under review

### Community

- We work collaboratively with Boards and colleagues to identify risks and support them in managing those risks effectively.

### Ambition

- We challenge each member of the Internal Audit team to develop their skills to add value to the service we offer

### Trust

- We work with Boards and colleagues to create trust, a culture of sharing views and an acceptance of constructive criticism



# Agile Approach

The Group's new operating model includes blended home, office and community working approaches that provide an opportunity to further embed our agile approach. The IA Team will be agile home-workers, with a flexible approach that will allow us to work in a way that best suits our colleagues when completing reviews; as summarised below.

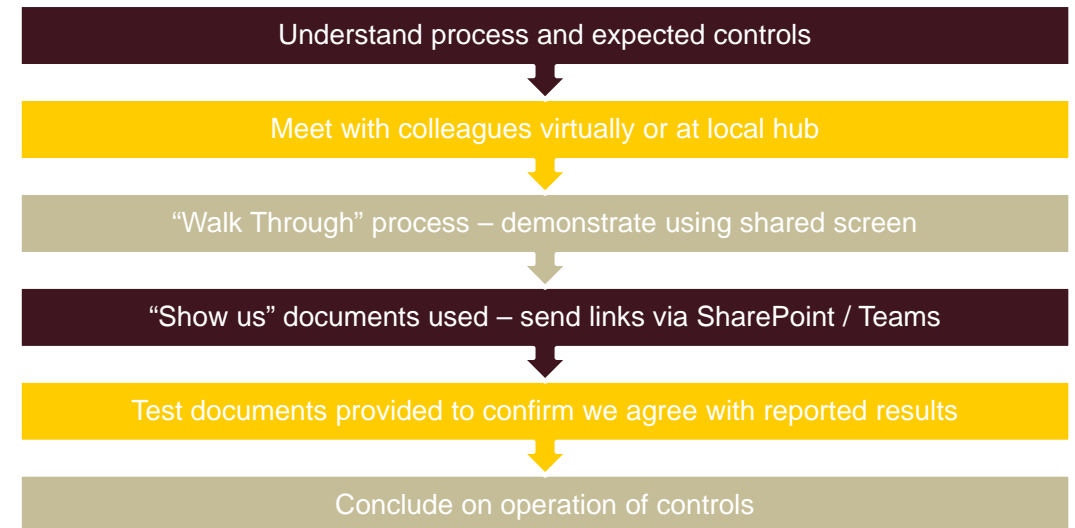
Meetings – by video-conference as default / Face-to-face at hub office / community setting where required

Testing – Collect evidence electronically as standard. Attend hub offices/ community settings where required.

Schedule time to meet with colleagues, taking account of newly flexible working patterns.

Schedule time to attend facilities – in person or with VC facilities – taking account of flexible working patterns

To maintain our compliance with IIA standards when testing controls, we will use a new “**show us**” approach. This will help colleagues to provide evidence that demonstrates controls are operating in practice. When virtual meeting are not possible, we will arrange meetings at a local hub (socially distanced, if required).



## ***Fostering trust and open communications will drive progress***

To be successful, internal audit functions must work closely with management to develop trusting relationships that contribute to a culture of sharing views, and an acceptance of constructive criticism.

In order to maintain these strong relationships, all members of the IA team have key contacts across the Group. We will continue to schedule regular meetings with senior managers to discuss:

- emerging risks;
- planned changes to the local control environment;
- ad hoc advice on process improvements; and
- formal advisory reviews to support continuous development across the Group.

*These meetings are even more important with more remote working so that we can be closer to what is happening in the Group.*



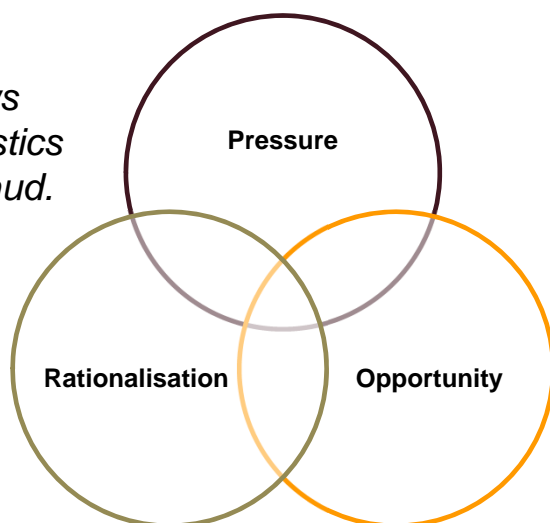
# Risk and Fraud Review

We will meet regularly with management to discuss key risks within their area and to understand where Assurance can provide support in developing or assessing the controls in place to manage those risks.

## Fraud Triangle

In addition to the ongoing review of potential opportunities of fraud within the new operating model, we will complete an annual review of key areas of fraud risk across the Group. These reviews will give consideration to any changes in the fraud triangle.

*The diagram shows the key characteristics associated with fraud.*



## Key risk areas

We will continue to horizon-scan for additional areas of risk, through networking with other internal audit functions and monitoring housing sector risk information to identify emerging areas of risk.



# Refocusing IA activity to advisory work



In October 2020, Deloitte published the results of a *Global Survey of Audit Committee Chairs*, which captured views of how internal audit functions should perform post COVID. A clear message in the report was the view that “**internal audit must move the needle toward more advisory work**”.

The Wheatley Group Internal Audit team has already started on this journey and will continue to complete more advisory reviews in the next year. Additional steps to increase advisory activities will include:

- Setting up regular meetings with Directors and key contacts for open discussion of emerging risks, issues, and opportunities.
- Spreading good practices and insights
- Getting involved in transformation projects and helping assist in control design

*“... our IA function is immediately looked to as a problem solver rather than a nuisance and something to be avoided.”*

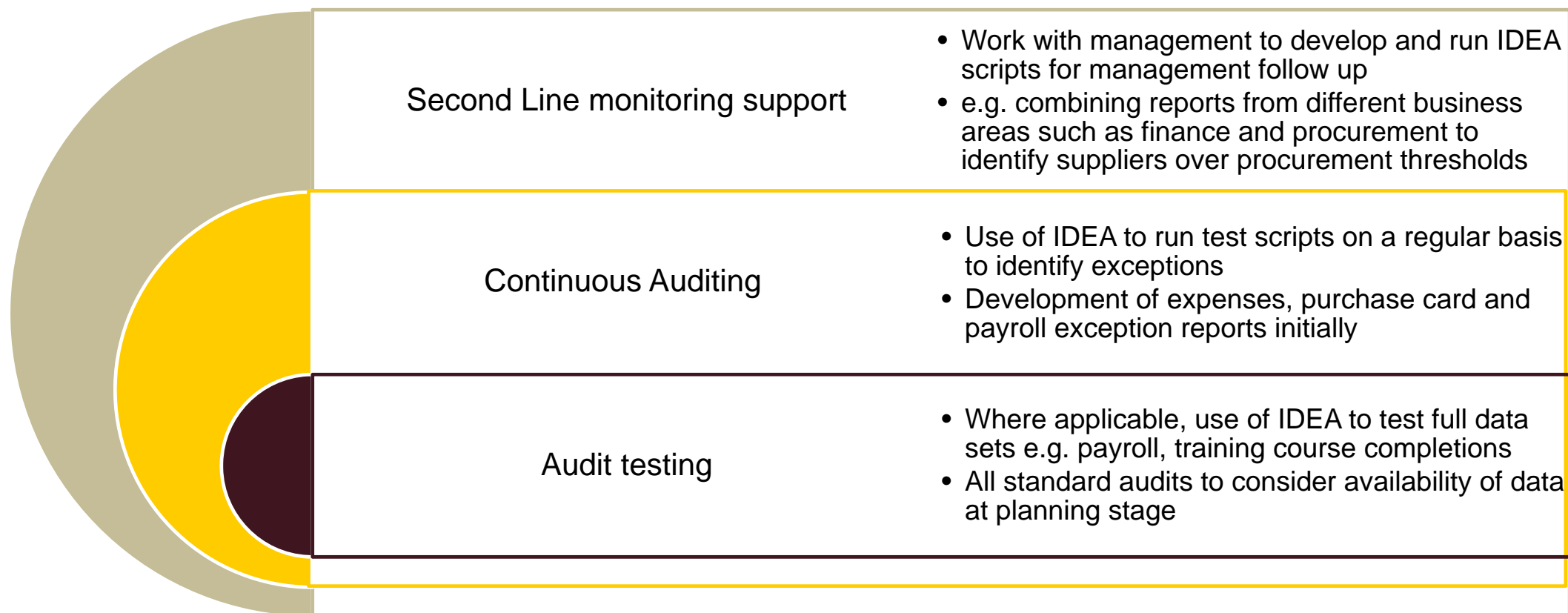
Deloitte “Global Audit Committee survey”  
Published October 2020

*We want to further strengthen our reputation across the Group as a problem solver. Current examples of where we have provided assistance include:*

- *the Wheatley Foundation review, which was completed at the request of management, and*
- *the assistance we are providing Wheatley Care in the design of the new Care Quality Assurance self-assessment process.*

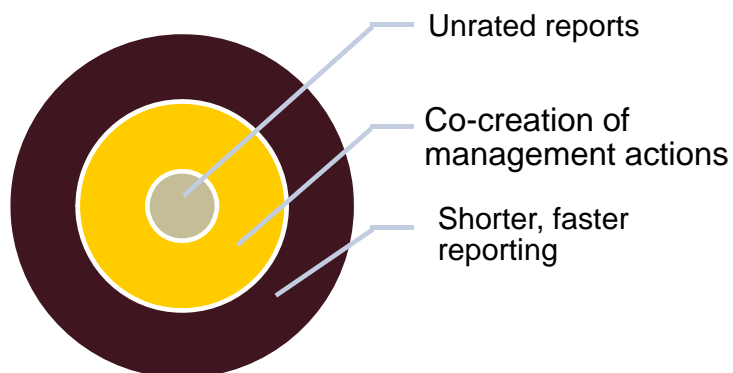
# Embedding Data Analytics

There are three strands of data analytics activity that we will embed during 2021/22:



# Reporting

The Internal Audit team trialled a revised approach to reporting during 2020/21, with unrated reports containing future-focused actions that were created through discussion with the lead contacts during the review.



We have had a positive response from management, both in terms of the level of engagement, the tone of the conversation and the speed with which reports were finalised. The reporting was also facilitated by holding regular meetings with key contacts throughout the review to keep them informed of progress and to discuss emerging findings.

*“Unrated work offers several advantages, e.g., allowing teams to issue reports more quickly. The absence of ratings refocuses the discussion around outcomes—how things get fixed rather than who is to blame. It’s amazing what organisations can achieve if they don’t punish people for learning!”*

Deloitte “Global Audit Committee survey” Published October 2020

*The quote from Deloitte’s 2020 global survey of audit committee chairs provides comfort that unrated reporting is used positively by other IA functions and we therefore propose to make this a permanent change.*

# The Global IIA's updated "Three Lines Model"

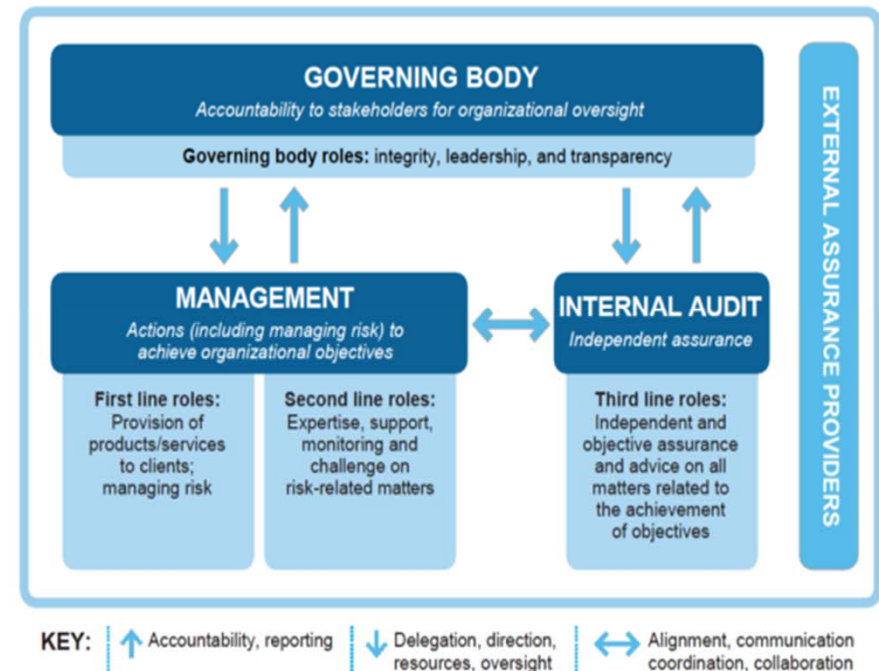
The "Global Institute of Internal Auditors" has recently revised its "Three Lines Model" (shown opposite).

The updated Three Lines Model helps organisations identify structures and processes that best assist the achievement of objectives and facilitate strong governance and risk management.

We will embed this approach in all of our work by supporting First Line roles to manage risks through design and operation of effective controls and supporting the Second Line roles to effectively monitor and report on the activities of the First Line.

We have incorporated this updated model in our revised Audit Charter.

## The IIA's Three Lines Model



The revised IA approach will continue to conform to IIA Standards. A key part of this is our Quality Assurance process, as described below:

## Internal Assessments

The internal quality assurance process comprises

### Ongoing monitoring

- Day-to-day supervision and review of IA team's work
- Key Performance Indicators (KPIs) monitoring and reporting

### Annual self-assessment

- Completed using guidance issued by the Chartered Institute of Internal Auditors
- Results reported within the Annual Report and Opinion

## External Assessments

The Standards require that an external assessment is completed at least once every five years.

*The Wheatley Group Audit Committee previously agreed that the Internal Audit function should be subject to an External Quality Assessment (EQA) every three years. In order to allow embedding of the new IA approach over the course of a full financial year, the Group Audit Committee approved extending the period to four years and then revert back to every three years.*

## Internal Audit independence

Each member of the Internal Audit team is required to confirm their independence annually. The Independence Statements were last collected in September 2020 and the exercise will be repeated in September 2021.



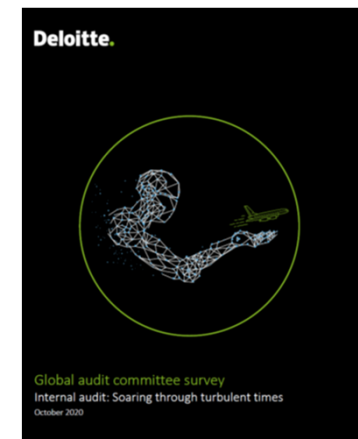
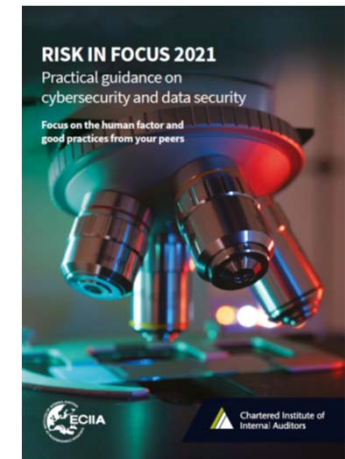
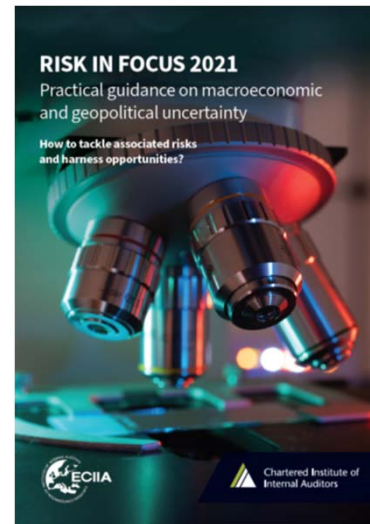
# ***Section 2: Rolling 3-month Internal Audit Plan 2020-21***

# Development of a risk-based internal audit plan

In preparing a plan for the next three-month period, we have considered:

- the risks within the Group's Strategic Risk Register;
- wider risk categories identified by other internal audit functions;
- areas in which fraud risk may have increased;
- emerging risks and good practice identified through IA team attendance at IA sector technical briefings and training events (examples shown opposite);
- the status of remobilisation plans across the Group; and
- areas of the business that have been or will be subject to organisational change as the new operating model is implemented.

The next slides show the approved reviews for the remaining period of 2020/21.



# IA Plan 2020/21 next 3 months

## Planned reviews

The table below sets out the advisory reviews to be reported to Group Audit Committee in May 2021.

<i><b>Review</b></i>	<i><b>Proposed scope</b></i>
Allocations	We will review Allocations process developed during the COVID lockdown and assess plans for development of a post-COVID process for the new operating model.
Wheatley Care Quality Assurance self-assessment	We will continue to provide Wheatley Care with consultancy advice on development and roll-out of the new self-assessment process for demonstrating compliance the Care Inspectorate's Quality Assurance Framework.
Business Continuity Plans	We will review the Group's Business Continuity Plans to determine whether they are in line with current guidance. This will include consideration of the extent to which plans address matters such as supply chain threats, vendor solvency and key IT systems, and identifying areas in which additional business continuity activity may be required in order to return to full service delivery.
DGHP Transformation Programme	We will review the current status of the programme, taking cognisance of any impact COVID-19 has on the delivery of the individual projects and timelines for the full integration of DGHP into the Group. Where projects have been implemented, we will review the processes in place to monitor the success of the delivery of these projects.

# IA Plan 2020/21 Status next 3 months

## Planned reviews (continued)

<i>Review</i>	<i>Proposed scope</i>
Technology Road Map and Digital Strategy Delivery (to be completed by Azets)	A high-level assessment of the controls in place within the Group for development and implementation of a coherent enterprise architecture and technology platform that is capable of providing the enabling infrastructure to support delivery of the digital elements of the Group's new 2021-26 Strategy. This will include a review of the status of DGHP's integration with Group Systems.
Data analytics	Ongoing payroll review / ongoing group-wide purchase card review / expenses / completeness of mandatory training records.
Follow-Up review	We will review the status of all open actions, including those brought forward from 2019/20, to determine whether they remain relevant under the new operating model. We will agree revised timescales for completion of these actions, where they remain relevant and ask for evidence to support closure of any actions that have been completed.
Risk Management	We will work with management across the Group to update risk registers for risks associated with the delivery of the new Group and Subsidiary Strategies.



# Group Internal Audit Charter

## March 2021

*Approved by Group Audit Committee on 26/02/2021*

**Ranald Brown**  
Director of Assurance

# Mission and Objectives



## Group Internal Audit Mission Statement

*Internal Audit will enhance and protect the Wheatley Group by providing independent, risk based, and objective assurance and advice.*

### Objectives:

1. To provide independent, objective assurance and advice to Senior Management and the Group Audit Committee on the adequacy and effectiveness of Group and Subsidiary processes for risk management, governance, and internal controls.
2. To add value to the Group through consultancy advice to management during the course of process redesign or implementation.

### Review and Approval

This Audit Charter will be reviewed at least every three years and the results of these reviews, including any proposed changes, will be presented to the Group Audit Committee for approval.

## Role and Scope of Work

The Internal Audit team will achieve its objectives by:

- assessing the adequacy and effectiveness of the system of risk management and internal controls operated within the organisation;
- reviewing and evaluating compliance with policies, plans, procedures, laws and regulations;
- assessing the reliability and integrity of information; and
- safeguarding of assets.

The work of the Internal Audit team will cover processes operated at Group and Subsidiary level, and be delivered through audits, advisory reviews, and consultancy activities. Where new partners join the Group, the Internal Audit team's remit will be extended to cover the new partner organisation.

# Group Governance Framework and IPPF

## International Professional Practices Framework (IPPF)

The Assurance Team will govern itself through adherence to The Chartered Institute of Internal Auditors' IPPF, which includes mandatory guidance on:

- the Definition of Internal Auditing;
- the Core Principles;
- the Code of Ethics; and
- the International Standards for the Professional Practice of Internal Auditing (the Standards).

This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

## Group Governance Framework

As part of our work, the Assurance Team will adhere to Group's Governance Framework, which includes Group and Subsidiary policies, Standing Orders and Scheme of Delegation, Financial Regulations and Code of Conduct.



International Professional  
Practices Framework





## Internal Audit Independence

The Internal Audit team reviews independence as follows:

- Each member of the Internal Audit team is required to confirm their independence in writing annually; and
- The Director of Assurance's independence is reviewed annually by the Group Audit Committee.

The results of the independence review are reported in the Annual Internal Audit Report.

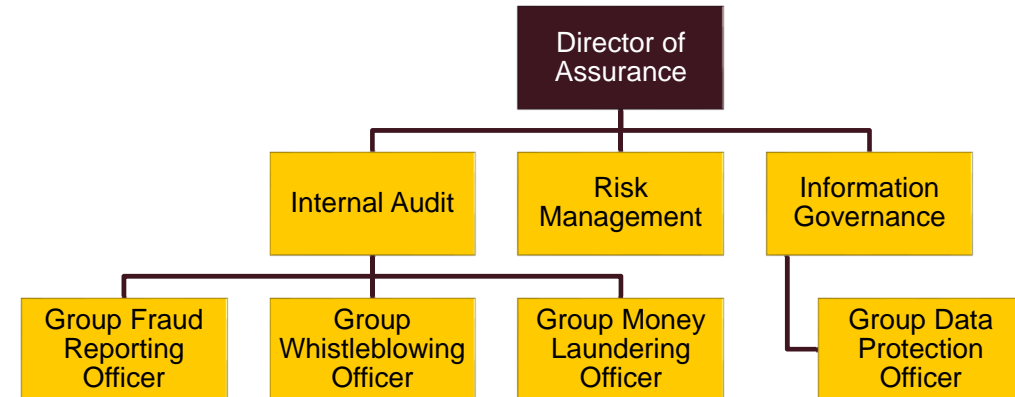
If a potential conflict of interest occurs, the procedure will be:

- For an assurance team member, an alternative team member will complete the task; and
- For the Director of Assurance, the Head of Assurance will act as Head of Internal Audit for the review, reporting directly to the Group Chief Executive and / or the Chair of the Group Audit Committee.

Any such situations are reported to the Group Audit Committee as they arise.

## Director of Assurance's Independence

The Director of Assurance reports to the Chair of the Group Audit Committee and has the following responsibilities, in addition to being Head of Internal Audit. These roles are reviewed annually by the Group Audit Committee, along with the safeguards in place to maintain independence in these areas:



# Responsibilities and Access



## Responsibilities

The Head of Internal Audit is responsible for providing an internal audit service to the Group which is compliant with the Standards. The internal audit service should complete sufficient assurance work each year to allow the Head of Internal Audit to provide an Annual Report and Opinion to Group and Subsidiary Boards, commenting on the adequacy and effectiveness of the Group's risk management, governance, and internal controls.

The Head of Internal Audit is also responsible for managing relations with other assurance providers in order to minimise duplication of assurance work. These assurance providers include the Group's external auditors and the internal auditors of the Group's Joint Venture. Where the Head of Internal Audit plans to place reliance on the work of another assurance provider, that work will be first be reviewed in line with the Standards requirements.

The Head of Internal Audit is responsible for planning the work of Internal Audit in such a way as to meet the SHR Regulatory Framework requirement for all RSLs to have an internal audit function.

## Access

To provide assurances to the Group Board and Group Audit Committee, the Internal Audit team has unrestricted access to all activities across the organisation, including access to records, personnel and physical property.

The Internal Audit team will not provide assurances to parties outside of the organisation, except where this is agreed in advance by the Group Audit Committee.

The Internal Audit team will follow Group procedures when handling any sensitive or confidential information.

The work of the Internal Audit team is reported as follows. The Group Audit Committee monitors delivery of the internal audit service through its delegated authority as a sub-committee of the Group Board. The Committee also reviews and approves the resources allocated to Internal Audit on an annual basis.

Management	Group Audit Committee	Subsidiary Boards	Group Board
<ul style="list-style-type: none"> <li>• Individual review reports</li> <li>• Monthly follow up of management actions</li> <li>• Quarterly Audit Plan</li> <li>• Quarterly reviews of Strategic Risk Register</li> <li>• Biannual review of Subsidiary and local risk registers</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly Assurance updates, including summarised findings from completed reviews and follow up of management actions</li> <li>• Quarterly Audit Plan</li> <li>• Annual Report and Opinion</li> <li>• Quarterly review of Strategic Risk Register</li> </ul>	<ul style="list-style-type: none"> <li>• At least biannual Internal Audit update, including audit plan, summarised findings from completed reviews and follow up of management actions.</li> <li>• Annual Report and Opinion</li> <li>• Facilitation of biannual review of Subsidiary Corporate Risk Registers</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Report and Opinion</li> <li>• Quarterly review of Strategic Risk Register</li> </ul>

# Risk-based planning

## Rolling 3-month Plan

The Internal Audit Team will prepare a rolling 3-month plan, for review and approval by the Group Audit Committee at each of its meetings. The plan will be risk-based and in identifying areas for inclusion in the plan, the Head of Internal Audit will consider:

- Risks within the Group's Strategic Risk Register;
- Wider risk categories, emerging risks and good practice identified across the internal audit sector;
- Areas in which fraud risk may have increased;
- Performance reports across the Group and status of delivery against plans;
- Results of quarterly meetings with senior managers across the Group; and
- Consideration of the Audit Universe, including key systems that require cyclical review due to materiality.

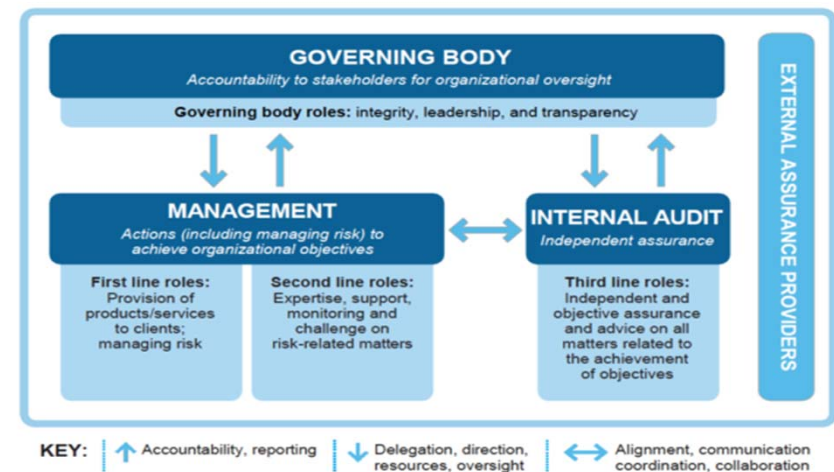
Progress against the plan is reported to each Group Audit Committee meeting.

*Making homes and lives better*

## Planning individual reviews

When planning individual reviews, the internal audit team uses the IIA's three lines model (see below) to assess the adequacy and effectiveness of controls in place. We also consider findings from previous reviews, along with any recent amendments to processes.

### The IIA's Three Lines Model



# Quality and Performance Monitoring

The Standards require internal audit functions to have a quality assurance and improvement programme (QAIP) embedded within the Assurance practice framework, comprising internal and external assessments against the mandatory elements of the IPPF.

## External Assessments

- The Standards require that an independent external quality assessment is completed at least once every five years.
- The Wheatley Group Audit Committee has agreed, the Internal Audit function should be subject to an External Quality Assessment at least every five years.

## Internal Assessments

### Ongoing monitoring

- Day-to-day supervision and review of IA team's work
- Key Performance Indicators (KPIs) monitoring and reporting

### Annual CPE Completion

- Each IA team member completes training to meet the annual CPE requirement of their professional institute.

### Annual self-assessment

- Completed using guidance issued by the Chartered Institute of Internal Auditors
- Results reported within the Annual Report and Opinion



## Report

**To:** Dunedin Canmore Board

**By:** Hazel Young, Managing Director, and  
Anthony Allison, Director of Governance

**Approved by:** Steven Henderson, Group Director of Finance

**Subject:** Wheatley Solutions Services Agreement

**Date of Meeting:** 25 March 2021

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### 1. Purpose

- 1.1 To seek Board approval for the revised Services Agreement and Business Excellence Framework and delegated authority to the Dunedin Canmore Managing Director to finalise and execute on behalf of Dunedin Canmore.

### 2. Authorising context

- 2.1 The Intra Group Agreement ("IGA") between Wheatley Housing Group (as group parent) and Dunedin Canmore states the intention that the *"primary central service and corporate service provider to the Group shall be Wheatley Solutions Limited."*
- 2.2 Where Wheatley Solutions are the service provider, the IGA sets out that the parties shall enter into a Services Agreement which set out the agreed services to be provided, any relevant performance standards, quality considerations, term of the agreement and pricing.

### 3. Risk appetite and assessment

- 3.1 Our risk appetite in relation to governance is cautious, which is defined as "Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward".
- 3.2 As part of our approach to all aspects of our governance, key documents remain under review on an ongoing basis. Additionally, where we identify opportunities to improve in one part of the Group we share these improvements across the Group. As part of updates to the Wheatley Solutions Services Agreement in another part of the Group, we have identified areas for improvement.
- 3.3 We further mitigate risk by engaging external professional advisors where appropriate. In particular, we do so where there are direct legal implications, including in this case where parties are entering into a legally binding agreement.

## **4. Background**

- 4.1 Corporate services expertise and delivery is provided in-house in Wheatley through the 352 staff in Wheatley Solutions. Wheatley Solutions is a wholly owned subsidiary of Wheatley Housing Group Ltd which provides services to other partner organisations in the Group. It brings together staff expertise including in IT, HR, communications, organisational development, finance, internal audit, litigation, surveying, new build development, procurement, customer contact and treasury management.
- 4.2 Wheatley Solutions' approach is characterised by the deep understanding of its staff, and their commitment to ensuring that all partners in the Group can deliver excellent services for their tenants and other customers. It does this through ensuring that it is efficient, as illustrated by recent Housemark benchmarking which showed that Wheatley Solutions costs per employee served for:
- Finance cost is £109 per property in Wheatley compared to a median cost of £215 per property in Housemark peer group of large housing organisations; and
  - IT cost per property is £166 for Wheatley subsidiaries in 2020/21 which sits in the lowest spend quartile when compared against organisations of a similar size where the median spend was £196 per property.
- 4.3 In-house provision from Solutions across the full range of corporate service allows partner organisations to:
- minimise spend on external advisors, including VAT;
  - share costs with all other group partners, meaning services can be delivered efficiently; and
  - access expertise that has led to many innovations in Wheatley including funding, new build development, investment delivery, risk management and IT/Digital transformation.

## **5. Discussion**

- 5.1 The relationship between Wheatley Solutions and Dunedin Canmore is well established. As its biggest customer there is a strong focus on how Wheatley Solutions can meet the needs of Dunedin Canmore.
- 5.2 The relationship is currently set out through a combination of the Intra Group Agreement ("IGA") and a Services Agreement which is a schedule to the IGA. Under the IGA the services are provided via Wheatley Solutions on Wheatley Housing Group's behalf and this is documented via Business Excellence Frameworks ("BEFs").
- 5.3 As part of our governance we routinely seek to review existing intragroup arrangements. This is focused on identifying areas for refinement and to ensure they keep pace with legal and regulatory requirements. As we transition into our new 5 year strategies across the Group the timing was appropriate to review the existing services agreement between Wheatley Solutions and partners across the Group.



- 5.4 This review part of this review we identified the following areas which we could introduce to refine and strengthen our existing approach:
- A more detailed, standalone narration of the formal legal arrangements and associated roles and responsibilities;
  - A more overt focus on collaboration and co-creation embedded within the language of the BEF;
  - An expanded range of KPIs in the BEF;
  - A formal review process incorporated within the BEF to increase accountability of Wheatley Solutions; and
  - Combining all of the above into a single, integrated Services Agreement.
- 5.5 Taking this into account, it is proposed that the Services Agreement is updated to comprise of two key elements:
- 1) A formal legal Services Agreement documenting the formalities of the relationship; and
  - 2) A revised BEF, as a schedule within Services Agreement, which sets out the range of services covered by the Services Agreement in more detail including associated KPIs.

The legal element would be a more static document, with the BEF being more of a living document and subject to ongoing review. Further detail on each is set out below:

#### Services Agreement

- 5.6 The proposed Services Agreement is attached at Appendix 1. This provides the overarching legal framework under which day to day responsibility for the provision of support services continues to be transferred to Solutions.
- 5.7 It covers matters such as: warrants and indemnities; obligations on Wheatley Solutions, such as having appropriately skilled staff; data protection obligations; and liability and termination provisions.
- 5.8 This ensures that respective roles and responsibilities are very clearly defined. This is an important principle in our governance approach and how we seek to mitigate risk in relation to intragroup governance arrangements.
- 5.9 The BEF will become a schedule to the Services Agreement which further iterates the level of accountability associated with the commitments contained therein. It also makes it clear that the legal obligations, such as in relation to data protection, apply in the operation of the BEF.

#### Business Excellence Framework

- 5.10 The existing BEF is structured into four main sections:
- 1) The rationale and purpose of the Framework;
  - 2) The engagement approach setting out how Wheatley Solutions staff will work with customer staff;
  - 3) Core Wheatley Solutions' themes; and
  - 4) Services by core theme.

- 5.11 We have retained this structure in the revised version as it provides a structured approach to setting out the scope of the services provided by Wheatley Solutions. A copy of the revised BEF is attached at Appendix 2.
- 5.12 A key update to the BEF is how the wording reflects the nature of the relationship between Wheatley Solutions and Dunedin Canmore. It seeks to emphasise that the way Wheatley Solutions develops and delivers its services should be collaborative, engaging and include co-creation.
- 5.13 As we seek to increasingly engage and co-design our own services with our tenants, this approach should be no different within Wheatley Solutions. Although this is the case in practice across most areas of Wheatley Solutions at present, the revised wording more explicitly articulates that this is an expectation and requirement.
- 5.14 Aligned with how the document sets out how the relationship should work and services are developed and delivered is accountability for how this happens. In order to enhance this, the revised BEF has a significantly more developed suite of KPIs. This also reflects previous feedback from the Board that the existing BEF would benefit from a greater level of embedded KPIs in its next iteration.
- 5.15 There are some services, such as Communications and Marketing, which are more qualitative in nature as such are not as appropriate for quantitative KPI measures. Where this is the case, the BEF sets out the core service offering separately.
- 5.16 In addition to the KPIs, the BEF also seeks to capture how Wheatley Solutions will support us in the delivery of strategic objectives and associated projects. This will include a combination of Wheatley Solutions projects which enable us to deliver our own strategic objectives and support to Dunedin Canmore specific projects.
- 5.17 The BEF also introduced a continuous review process. This was not part of the previous BEF and provided a more formal channel to discuss the operation of the BEF. This is intended to act both as a means to deliver continuous improvement and as a means for Wheatley Solutions to be accountable for the services it has delivered.
- 5.18 As part of the review process we commissioned Harper Macleod to undertake an independent legal review the agreement on behalf of DGHP (as a Registered Social Landlord and the first Board to consider the updates). They provided some minor updates and confirmed their opinion that:
- ‘the terms of draft services agreement meets the Scottish Housing Regulator’s requirements in relation to RSLs in group structures’.*
- 5.19 As the structure of the agreement is replicated for Dunedin Canmore we can be assured that this will allow us to meet our regulatory requirements.

- 5.20 The Board of Wheatley Solutions regularly reviews its performance against its targets in line with its strategy. The Business Excellence Framework and associated KPIs will be subject to annual review between Solutions and Dunedin Canmore, and a bi-annual report will be provided to the Dunedin Canmore Board (in May and October/November) providing an update on Solutions performance against the agreed targets and measures.

## **6. Key issues and conclusions**

- 6.1 The revised Services Agreement and BEF provide a platform for refining and strengthening our relationship with Wheatley Solutions. In parallel, it also strengthens our regulatory compliance position.
- 6.2 We recognise that elements of the BEF will change over time as we move into the implementation of our new strategy. As we agree our approach in areas such as engagement and service model the BEF will require to be updated to reflect the service approach.

## **7. Value for money implications**

- 7.1 Wheatley Solutions undertakes benchmarking on its services, including through Housemark as referenced earlier in the report. It also has plans to refine its approach to benchmarking as part of its strategy. The results of this benchmarking will be shared with the Board when complete.

## **8. Impact on financial projections**

- 8.1 There are no financial implications associated with this report. The recharging arrangements for Wheatley Solutions are agreed annually by the Board as part of our business plan.

## **9. Legal, regulatory and charitable implications**

- 9.1 Under the Scottish Housing Regulator statutory guidance for Group Structures and Constitutional Partnerships where there are intragroup services provided:

*‘The group must set out service provision between group members in written service level agreements or contracts, with clear costs and charges, and review them regularly’.*

- 9.2 The combination of the Services Agreement and business plan recharge arrangement allow us to comply with this requirement, as confirmed by the independent legal advice on our behalf. The documents will have legal effect when executed.
- 9.3 The Scottish Housing Regulator is aware of the Wheatley Solutions approach and the performance reporting framework set out above is designed to ensure adherence to the Regulatory Framework. There are no other charitable implications.

## **10. Partnership implications**

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

## **11. Implementation and deployment**

- 11.1 Subject to Board agreement, the revised Services Agreement will take effect from 1 April 2021.

## **12. Equalities impact**

- 12.1 Staff being seconded to Wheatley Solutions routinely have their terms and conditions reviewed for any equalities implications as part of the process. There are no other equalities implications of these proposals.

## **13. Recommendations**

- 13.1 The Board is asked to:
- 1) provide feedback on and agree to enter into the Services Agreement and Business Excellence Framework with Wheatley Solutions; and
  - 2) Designate the Managing Director as an Authorised Signatory to execute the Services Agreement.

## **List of Appendices**

Appendix 1: [redacted]

Appendix 2: [redacted]