**DUNEDIN CANMORE HOUSING LIMITED**
**BOARD MEETING**
**Thursday 6 February 2020 at 17.00**
**Board Room, 8 New Mart Road**

# A G E N D A

1. Apologies
2. Declarations of Interest
3. Minute of Meeting held on 28 November 2019 and Matters Arising
4. Managing Director (verbal)

**Main Business Item**

5. Rent and other charges 2020/21
6. Financial Projections 2020/21
7. Inspiring Ambition, Unleashing Potential: Our Strategy 2020-25
8. Update on programme the proposal to transfer Barony housing stock
9. Five Year Development Programme
10. Fire Safety update

**Other Business Items**

11. Dunedin Harbour - Service Report and Governance Arrangements
12. Finance Report for the year to 31 December 2019
13. Group Delivery Plan 2019-20: Quarter 3
14. Gender Pay Gap Reporting – Year 3 (Presentation)
15. Board Recruitment and Succession Planning Update (Presentation)
16. Application for Membership
17. AOCB

Dunedin Canmore

# Report

**To:** Dunedin Canmore Housing Board

**By:** Hazel Young, Managing Director

**Approved by:** Olga Clayton, Group Director of Housing and Care

**Subject:** Rent and other charges 2020/21

**Date of Meeting:** 6 February 2020

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## 1. Purpose

1.1 This report:

- Provides feedback from our consultation on the 2020/21 RSL rent and service charge increase; and
- Seeks Board approval for the 2020/21 rent and service charge increases.

## 2. Authorising context

2.1 Under the Group Authorising Framework, the Group Board is responsible for the Group rent setting framework. As part of this, the Group Board is responsible for agreeing rent increase parameters that each RSL Board has the authority to agree an increase within.

2.2 The Group Board agreed that a minimum increase of 3.4% should be the basis of consultation with each RSL's tenants. It also agreed that options should be discussed with tenants for increases of 3.9% and 4.4%, with tenants asked whether they would be prepared to pay these higher levels in return for additional local investment. The Board agreed these three options for consultation with tenants.

## 3. Risk appetite and assessment

3.1 Our risk appetite in relation to regulatory practices (Housing Regulator and Care Inspectorate) such as rent increases is cautious, that is, "preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward".

3.2 The Scottish Housing Regulator undertook a thematic enquiry into how Registered Social Landlords ("RSLs") consult with tenants about rent increases. In tandem, the Scottish Federation of Housing Associations ("SFHA") issued guidance on rent setting and affordability. The main risk highlighted by these publications related to RSLs setting rent without due regard to meaningfully engaging tenants and affordability.

3.3 We mitigate this risk through rich engagement with our tenants on our rent proposals through a combination of focus Groups, local engagement and a statutory consultation process.

## 4. Background

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

1) Financial viability;
2) Affordability;
3) Comparability; and
4) Consultation with tenants and service users.

4.2 The Board considered the first three principles as part of agreeing the baseline consultation levels during discussions at the meetings on 10 October. The consultation with tenants is the final element of our rent setting process prior to formally agreeing rent levels.

## 5. Discussion

5.1 Our consultation approach has been refined in recent years to provide a greater degree of insight into our tenants' views on our rent setting proposals. Our rent setting process for 2020/21 involved two stages; firstly, a series of focus groups and direct tenant engagement; then a full written consultation issued to all tenants with voting options, including a "none of the above" option. We had 399 responses to the full consultation stage, with **68.11% of tenants supporting** of one of the three increase options (3.3%, 3.8% or 4.3%). This represented an increase of nearly 6% on the prior year which was 62.27%.

5.2 In considering the rent increase we take into account the combination of feedback from both consultation methods. Feedback from each is set out below:

Focus Groups

5.3 The information in this section is reported on a Group wide basis as the focus groups included a mix of tenants across Group.

5.4 This year, we further refined our approach to the focus groups, with either the Managing Director or the Director of Housing presenting to tenants as part of giving more context to the proposals. The presentation and accompanying video set out the key elements contained within the proposed consultation brochure to be sent to all tenants, specifically:

- How we spent tenants' money in the previous year ie what rent pays for;
- Key challenges for the year ahead; and
- The rent options.

5.5 In total across Group we undertook 19 focus groups, of which 3 were Dunedin Canmore only, with a total of 29 DC tenants participating. The total participation level across Group was 180 tenants.

5.6 Our independent advisors who facilitated the focus groups, BMG, supported the events, but for the DC only focus groups, having the Managing Director/Director of Housing taking questions and receiving feedback was welcomed by tenants. We received a large amount of valuable feedback on individual tenant experiences.

5.7 In order to maintain the independence of the focus groups, staff did not participate in the subsequent focus group discussions.

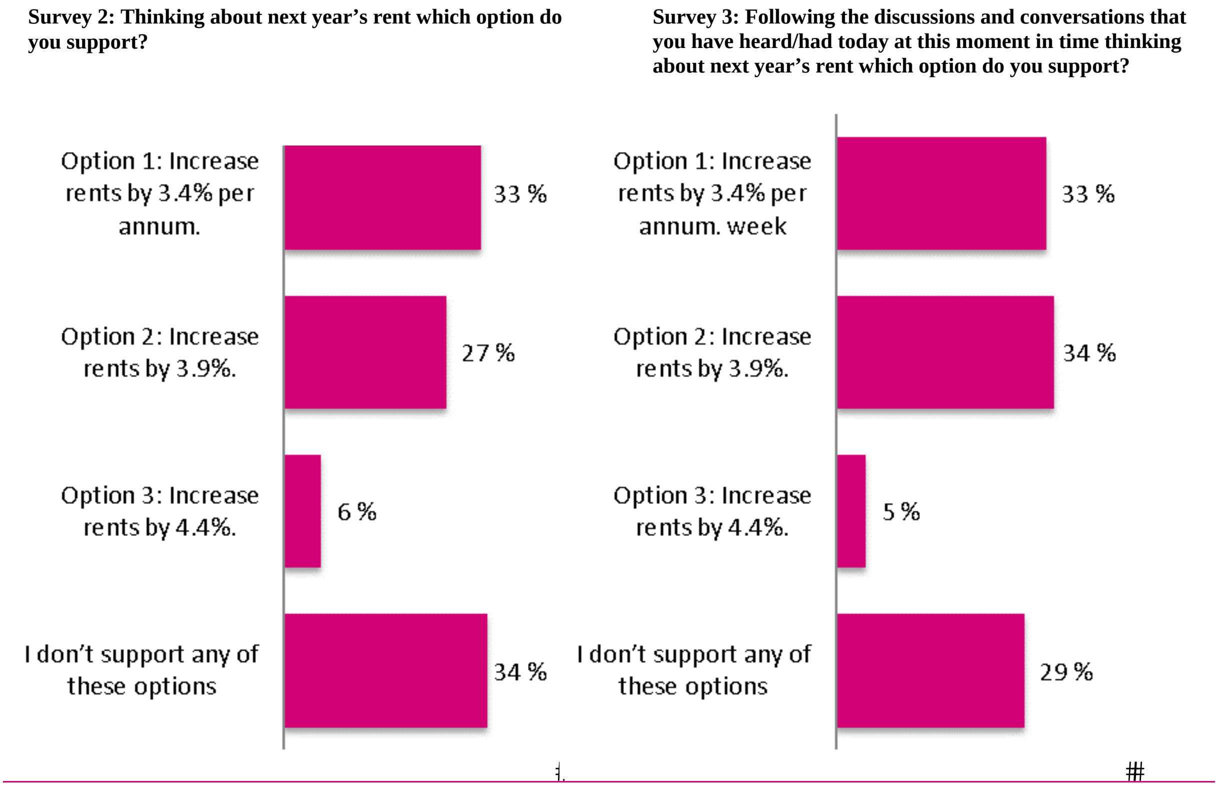
5.8 The focus groups allowed us to engage with tenants across Group in more depth on our rent setting proposals, in particular:

- Tenants' perception of what their rent pays for *vs* what it actually pays for;
- Tenants' understanding of the drivers of rent increases;
- Value drivers for tenants in terms of rent levels; and
- General feedback on tenants' views of our landlord services in the context of rent.

5.9 In exploring these issues with tenants, as opposed to asking a binary 'yes or no' question on rent proposals, we were able to gather a) quantitative feedback by testing if the group discussion and increased knowledge of how rents are set impacts tenants' views of rent, and b) qualitative feedback we can use to understand what drives and impacts tenants' views on rent setting, potentially informing our service delivery and future strategic thinking.

5.10 Together, support for the options 1-3 was 72%, which rose from 66% following the discussions and supporting information on the reasons for the increase. The breakdown by option is shown below.

**Figure 1: Views on the rent increase options – Group wide**




5.11 The report provided detail of key drivers of tenant satisfaction. The following were identified by BMG as key satisfaction drivers:

- living in a new(ish) home and particularly a house with a front and backdoor and garden;
- receipt of significant capital investment in recent years (particularly new heating systems, windows, bathrooms, kitchens and foyers);
- receipt of a personalised service;
- tenants (across all RSLs) who have experienced a range of wraparound services are noticeably more satisfied with and appreciative of their RSL, and are keen to impress on other tenants the value of this assistance;
- a proactive housing officer who is effective in supporting and signposting tenants such as help to navigate complex benefit systems they feel nervous or unable to tackle alone;
- tenants who seem to be the most satisfied also live in what they term 'nice' areas, close to facilities and good transport connections, where they know their neighbours and above all, where there are no significant problems with anti-social behavior; and
- In comparison with last year, it would appear that tenants' estimation of the repairs service has improved, with more participants saying that more appointments are now prompt, the staff more polite and likely to complete the job in one visit, and the service generally more joined up.

5.12 In terms of drivers of dissatisfaction, there were very localised responses. In terms of the discussion at the DC themes for dissatisfaction were either anti-social behaviour or issues with repairs.

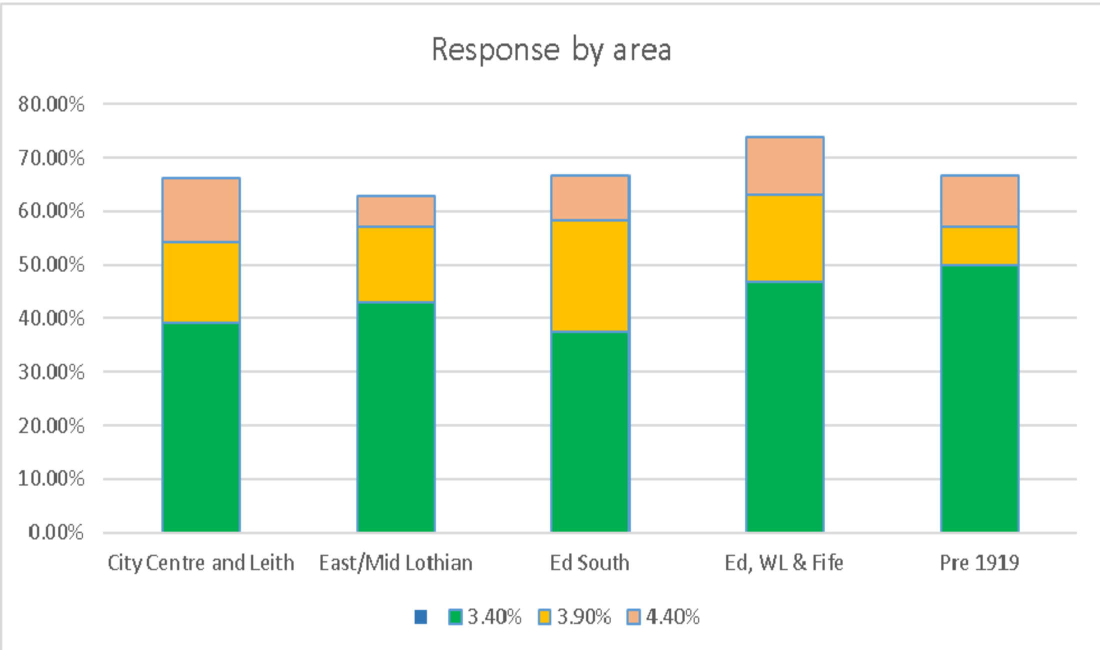
A key overall driver was where a tenant considers an issue is not being addressed appropriately or as quickly as they would like. The associated communication in resolving such issues can further exacerbate such issues.

5.13 The key theme overall across Group related to anti-social behaviour. Tenant frustrations in relation to this issue can have a significant effect on satisfaction, and the ongoing work through our Community Improvement Partnership to address this is a key part of the customer value element of our new strategy.

Consultation with all DC tenants

5.14 We consulted all our tenants, as we have a statutory duty to do, using the consultation booklet agreed by the Board and revised to reflect the feedback from the focus groups. The consultation ran from November 2019 to 12 January 2020. Tenants were able to respond email, prepaid return slips, telephone or online.

5.15 In total 399 tenants took the time to provide feedback, either by completing the feedback form or by phone/email or online. Based on feedback from the Board, we further refined the number of areas we identified I the feedback.

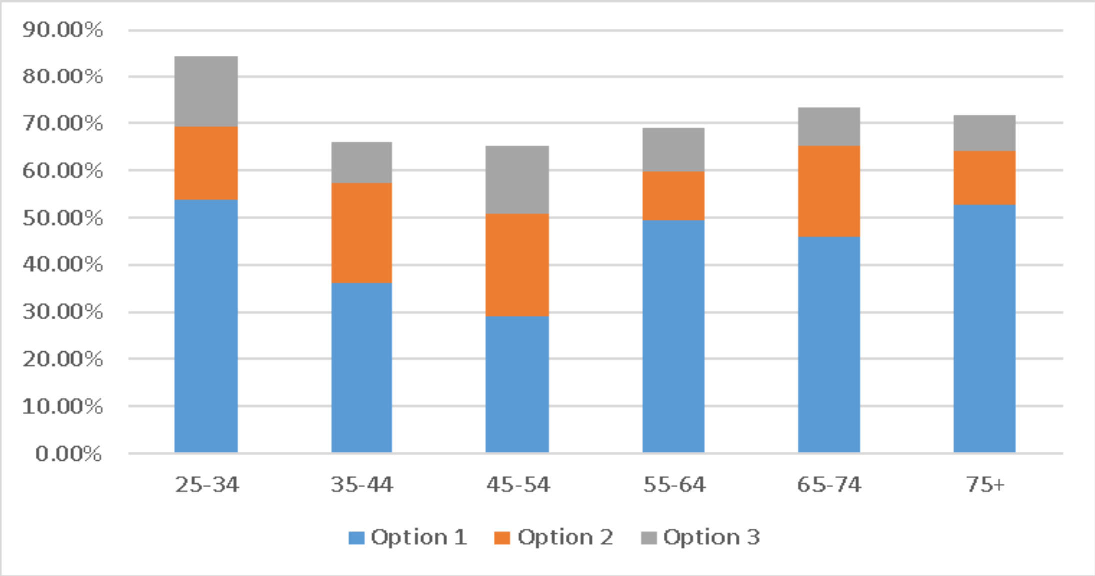



5.16 As can be seen, the majority of tenants in all areas supported one of the increase options. The open feedback box provided similar responses to the themes emerging from the focus groups, added to very specific feedback regarding individual tenancies.

5.17 We undertook further analysis of the responses to identify if there were any variations in responses based on different tenant characteristics. Those who provided ethnicity details were of such a small number that any further analysis would not be proportionate.

*Age*

5.18 In total, 95 %of respondents provided their age range in the response. The data identified that support levels are generally correlated to age, with the level of support ascending with the age groups. The results are set out below:




5.19 The results indicate that the majority suported one of the increases in all age groups. The level of responses in each group generally increased with the age group.

## 6. Key issues and conclusions

6.1 The feedback from tenants indicates a strong level of support for a rent increase when this is explained in the context of what it will deliver.

6.2 It is proposed that the Board therefore approve an increase of 3.4%.

## 7. Value for money implications

7.1 Our value for money framework approved by the Board in 2017 clearly identified the need to improve the ways in which we listen to and communicate with customers in relation to value for money; this has taken place through our consultation process.

7.2 The rent setting consultation relates to the three prominent value drivers for value for money, these are; the repairs service, the quality of homes and customer service.

7.3 Delivering value for money starts with us understanding how we can build value for each of our customers. Having consulted with our customers on rent setting through a more robust and choice based approach it is anticipated that this could positively impact key drivers relating to customer satisfaction indicators in the future.

## 8. Impact on financial projections

8.1 The financial implications will be set out in a separate business plan update.

## 9. Legal, regulatory and charitable implications

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

9.2 The 2016 Scottish Housing Regulator Thematic Review of Rent Setting detailed a number of recommendations, including provision of options to tenants during rent setting consultations. The approach taken this year responds to these recommendations.

## 10. Partnership implications

10.1 There are no partnership implications arising from this report.

## 11. Implementation and deployment

11.1 Following approval of the 2020/21 rent and service charge levels, tenants will subsequently receive notification of the final decision in writing 28 days clear of a change in rent being applied.

11.2 In recognition of the increasing importance for tenants to notify the relevant authority of the change, we are undertaking additional communication to remind and encourage tenants to notify the change of circumstances as soon as possible.

## 12. Equalities impact

12.1 This will be further considered as part of the analysis of feedback by age and ethnicity.

## 13. Recommendations

13.1 The Board is asked to:

1) Consider the feedback received through the extensive consultation process with tenants on our 2020/21 RSL rent and service charge increase;
2) Approve a 3.4% rent and service charge increase for 2020/21, with the exception of charges for heating, community alarms, laundry or lift services which are negotiated directly with the contractor who provides the service; and
3) Approve that we formally write to tenants to confirm this.

**Report**

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|---|---|
| **To:-** | **Dunedin Canmore Housing Board** |
| **By:-** | **Morgan Kingston, Finance Manager** |
| **Approved by:-** | **Steven Henderson, Group Director of Finance** |
| **Subject:-** | **Financial Projections 2020/21** |
| **Date of Meeting:-** | **6 February 2020** |

## 1. Purpose

1.1 The purpose of this report is:

- to set out the updated projections for investment in assets and services over the period to 2025, in support of our new strategy, *Inspiring Ambition, Unleashing Potential*; and
- to ask for the Board's approval of these updated financial projections, of which the first year will form the draft budget for 2020/21.

## 2. Authorising context

2.1 Under the terms of the Intra-Group Agreement between Dunedin Canmore Housing ("DCH") and the Wheatley Group, as well as the Group Authorise, Manage, Monitor Matrix, sets out that, whilst the Group Board is responsible for the overall approval of the 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 DCH's 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 The financial projections presented reflect our new 2020-25 strategy, *Inspiring Ambition, Unleashing Potential,* and addresses how the 5 key themes of the strategy will be achieved.

4.2 We continue to make significant investment in our services and assets. For example:

- In the current financial year we are forecast to invest over £5.7m in our existing housing stock;
- Our new build programme is significant with spend of £17.8m projected for 2019/20 and the completion of 132 social rent properties and 113 mid-market rent properties. Across the period of the 'Investing in our Futures' strategy from 2015-20, Dunedin Canmore will have delivered 492 new units for social rent and 363 for mid-market rent; and
- Management and overhead costs are lower over the period of the 2015-20 *Investing in our Futures* strategy reducing from £2,872 per unit to £2,478 per unit forecast for 2019/20. These efficiencies create capacity within Dunedin Canmore to fund the debt required to meet our new build ambitions and invest in services for our customers.

4.3 The updated plan continues this trend, with future efficiency savings anticipated, allowing us to re-direct more resources towards constructing new properties, and maintaining our high level of investment in existing homes.

4.4 During 2019/20 a number of the customers of our sister organisation Barony Housing Association were consulted on a proposed transfer of their tenancies to Dunedin Canmore and following the successful ballot it has been agreed that the ownership and management of over 100 properties will transfer from Barony in April 2020.

## 5. Discussion

5.1 The financial highlights under each theme of our new strategy are set out below.

<u>Delivering Exceptional Customer Experience</u>

5.2 Our strategy seeks to deliver exceptional customer experience while maintaining affordable rent levels for our tenants. These projections include funding to support:

- Small patch sizes with the 1:200 ratio are maintained with additional provision included for investment in housing management and environmental staff to support the growth in stock numbers projected in the plan.
- Dunedin Canmore have achieved a 5 star accreditation through the partnership with "Keeping Scotland Beautiful" and plan to build further on this working with the newly shaped environmental service launched during 2019/20. Looking forward a programme of training is to be rolled out to involve customers to be more actively in future assessments, taking into account their views and opinions about our environments and shared areas.

- In repairs, funding is included to offer next day appointments, text alerts to customers and the option of specific time slots improving the flexibility of our offering and enhancing business efficiencies through improved access rates. We continue to take forward improvements and innovation in the repairs service working with the other RSLs in the Group coupled with the benefit of having our own in-house repairs service.

Making the most of our homes and assets

5.3 The projections include £186.2m of gross funding in years 1-5 for investment in new housing stock, delivering 698 new social rent units and a further 268 new mid-market rent properties to be let through our sister company, Lowther Homes. Grant income of £71m is also assumed in the projections which will contribute towards the funding costs of the properties noted above. The programme represents significant growth in the size of Dunedin Canmore taking stock numbers from 5,775 at 1 April 2020 to 6,741 by the end of year 5, an increase of 17%.

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5.4 In our existing homes, total investment of £29.5m across the first 5 years of the projections has been included. This work will largely be delivered by our in-house repairs and investment team in Dunedin Canmore Property Services. The individual work-streams have been mapped with funding earmarked for new central heating systems, the replacement of bathrooms, kitchens and windows and repairs to our pre-1919 tenemental properties. The projections also allow for the disposal of 41 of the properties which will transfer from Barony over the next two years. These properties are not configured in a way that supports independent living and supported tenants will move to Dunedin Canmore properties more suitable to their needs.

5.5 During the first five years of the plan £23.0m has been earmarked for repairs to assist the upkeep and maintenance of our stock.

Changing lives and communities

5.6 The financial projections demonstrate our commitment to changing the lives of our tenants and the wider communities in which we operate. This will be achieved through:

- Funding of £1.3m to the Wheatley Foundation (“The Foundation”) over the first 5 years of the financial projections. The Foundation use this to deliver services to our customers including welfare benefits advice, employability advice and training schemes for unemployed tenants, as well as modern apprenticeships.
- The group-wide Tenancy Support Service (“TSS”) is managed by our colleagues at Loretto Care. Dunedin Canmore’s financial projections include annual funding of £89k and in return we receive flexible, tailored support for our vulnerable tenants.
- Funding for the Helping Hand Fund has been extended for 2020/21. This fund is used to assist our tenants in financial difficulty. It can provide a “helping hand” towards utility bills, the purchase of food or can be used to help clear rent arrears. This is particularly relevant with the roll out of universal credit.

Developing our shared capacity

5.7 Through our contribution to Wheatley Solutions, our financial plan helps fund a continued focus on staff development and our leadership and graduate programmes. Our new strategy also refers to measures to support our tenants through the following:

- Funding for modern apprenticeships through the Wheatley Foundation. These apprenticeships are offered to young people in the communities in which we operate.
- The Foundation also offer bursaries to tenants and customers of the Wheatley Group. This provides financial support to our customers who want to go into further education but would struggle to afford it on their own.

Enabling our ambitions

5.8 In order to achieve our ambitious strategy, we must demonstrate a strong and stable financial performance. This will ensure we continue to achieve a strong credit rating and attract funding at low rates of interest. The financial statements presented below demonstrate our improving financial performance and position over the next five years.

5.9 The detailed financial projections and assumptions are provided in the appendices to this report. Figure 1 shows the forecast surplus over the five year period to 2024/25 with £6.4m of net assets assumed to transfer from Barony Housing Association in 2020/21.

***Figure 1: Statement of comprehensive income***

| **Statement of comprehensive income** | **2020/21** | **2021/22** | **2022/23** | **2023/24** | **2024/25** |
|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Net Rental Income | 29,668 | 31,020 | 32,760 | 35,183 | 37,368 |
| Other Income | 2,975 | 3,160 | 3,328 | 3,958 | 4,573 |
| Grant Income (HAG) | 0 | 12,958 | 17,180 | 22,566 | 14,914 |
| **Total Income** | **32,643** | **47,139** | **53,269** | **61,707** | **56,855** |
| Management and Service Costs | 10,852 | 10,932 | 10,275 | 10,624 | 10,974 |
| Repair and Maintenance Costs | 4,243 | 4,402 | 4,565 | 4,801 | 5,022 |
| Bad Debts | 290 | 300 | 313 | 331 | 347 |
| Depreciation | 7,801 | 8,035 | 8,891 | 10,128 | 11,436 |
| **Operating Expenditure** | **23,186** | **23,669** | **24,044** | **25,885** | **27,779** |
| Gain/Loss on Investment Properties | (2,326) | 1,074 | (1,308) | (5,801) | (1,268) |
| **Operating Surplus** | **7,132** | **24,543** | **27,916** | **30,022** | **27,808** |
| **Operating Margin (%)** | ***22%*** | ***52%*** | ***52%*** | ***49%*** | ***49%*** |
| Finance Costs | (7,879) | (8,234) | (8,643) | (9,873) | (10,874) |
| Valuation Adjustments | 7,440 | (3,580) | (10,681) | (12,096) | 315 |
| Gain/ (loss) on sale of property | 1,060 | 8 | 0 | 0 | 0 |
| **Statutory Surplus/(Deficit)** | **7,753** | **12,737** | **8,592** | **8,053** | **17,249** |

5.10 Over the five year period presented, Dunedin Canmore's statutory surplus fluctuates due to property valuation movements and grant recognition on completed units.

5.11 Our annual rent and service charge consultation exercise has now been concluded and is reported to the Board separately. The financial projections incorporate the proposed 3.4% increase in rent and service charge levels and are aligned to our Strategy; the key elements of which are set out below:

- The financial projections assume a reduction to our operating cost base, with efficiency savings ensuring we continue to deliver value for money for our customers; and
- The financial plans support our strategic commitment to strengthen our asset base through development, with funding in place for 966 new properties to be built over the five year period to 2024/25.

5.12 In order to achieve our ambitious strategy, we must demonstrate a strong and stable financial performance. Our Statement of Financial Position, set out below, shows a strong net asset position which shows an improving position over the first 5 years of the projections. The delivery of new homes will help to strengthen Dunedin Canmore's net asset base. Figure 2 shows the projected change in the Statement of Financial Position over the five year period to 2024/25.

***Figure 2: Statement of financial position***

| **Statement of financial position** | **2020/21** | **2021/22** | **2022/23** | **2023/24** | **2024/25** |
|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Housing Assets | 340,376 | 368,231 | 396,929 | 401,913 | 420,684 |
| Other Fixed Assets | 6,397 | 6,388 | 6,309 | 6,212 | 6,106 |
| Investment Properties | 34,585 | 48,482 | 64,872 | 66,937 | 76,488 |
| **Total Fixed Assets** | **381,359** | **423,101** | **468,109** | **475,062** | **503,277** |
| Current Assets | 6,366 | 6,534 | 6,584 | 6,484 | 6,429 |
| Current Liabilities | (25,750) | (46,578) | (47,493) | (32,781) | (35,686) |
| **Net Current Assets** | **(19,384)** | **(40,045)** | **(40,909)** | **(26,297)** | **(29,257)** |
| Long-Term Liabilities | (171,876) | (180,219) | (215,771) | (229,283) | (237,289) |
| **Net Assets** | **190,100** | **202,837** | **211,430** | **219,482** | **236,731** |
| Retained Earnings | 190,100 | 202,837 | 211,430 | 219,482 | 236,731 |
| **Total Reserves** | **190,100** | **202,837** | **211,430** | **219,482** | **236,731** |

5.13 The value of housing assets increases by £104.2m across the first 5 years of the projections. This increase in housing assets requires additional debt funding from the Group's internal treasury company, Wheatley Funding No1 Ltd ("WFL1").

5.14 Figure 3 shows the cash position over five years – the net movement in cash reflects Dunedin Canmore's borrowing requirements from WFL1 in line with new build expenditure. Our borrowing levels are, however, sustainable and fully funded within our financial projections.

***Figure 3: Cashflows generated***

| Cashflow | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|---|---|---|---|---|---|
| Net rental income | 34,392 | 35,993 | 38,073 | 41,328 | 44,141 |
| Operating Expenditure | (17,309) | (17,614) | (17,188) | (17,844) | (18,487) |
| **Net Cash from Operating Activities** | **17,084** | **18,379** | **20,886** | **23,484** | **25,654** |
| Core and other Capital Expenditure | (6,135) | (6,678) | (6,802) | (6,941) | (7,206) |
| New Build Expenditure | (23,577) | (45,770) | (57,789) | (26,555) | (32,473) |
| Proceeds from sale of property | 2,560 | 580 | 0 | 0 | 0 |
| Grant income | 15,135 | 33,684 | 18,033 | 7,855 | 17,777 |
| **Net cash used in investing activities** | **(12,017)** | **(18,184)** | **(46,558)** | **(25,641)** | **(21,902)** |
| Finance costs | (7,498) | (8,006) | (9,332) | (10,793) | (11,179) |
| **Net movement in cash** | **(2,431)** | **(7,811)** | **(35,005)** | **(12,949)** | **(7,427)** |

5.15 As there is a time lag between expenditure and the generation of additional rental income, our finance costs increase before we realise the benefit of additional rents from new build properties. Upon completion of the new build programme debt repayments will commence, reducing the associated finance costs, thereby improving the cash position.

5.16 Cash flows need to be sufficient to service intra-group debt each year, i.e. meet the finance costs, and to repay funding within 30 years. EBITDA MRI (earnings before interest, tax, depreciation and amortisation with major repairs investment spend taken into account) over net interest payable is the ratio used by the group to assess this and ideally should be >1. The chart in figure 4 shows that the ratio is > 1 across the period of the plan. The ratio increases with the benefit of increasing rental income generated from the completed new build properties.

*Figure 4: EBITDA MRI interest cover ratio*

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **EBITDA** | **17,259** | **18,546** | **20,936** | **23,385** | **25,599** |
| Less Capital Investment (Existing Properties) | (5,735) | (6,183) | (6,297) | (6,429) | (6,684) |
| **EBITDA MRI** | **11,524** | **12,363** | **14,639** | **16,955** | **18,915** |
| Net Interest Payable | (7,498) | (8,006) | (9,332) | (10,793) | (11,179) |
| **Interest Cover** | **1.54x** | **1.54x** | **1.57x** | **1.57x** | **1.69x** |

5.17 We must ensure that Dunedin Canmore and the other subsidiaries within the Group meet certain financial parameters. These include ensuring that a sufficient operating margin is generated and that there is sufficient cash flow strength and asset cover to support the level of debt. As demonstrated in the above, Dunedin Canmore is able to meet these parameters across the 5 years of the projections.

## 6. Key issues and conclusions

6.1 These financial projections, once approved, will be submitted to the Wheatley Group Board for approval on 19 February 2020. The figures in the first year of the projections, 2020/21, will then form the basis of the annual budget which will be presented to the Dunedin Canmore Board for approval in March. Performance against the budget will then be monitored through 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 will be reflected in the annual budget and performance monitored against budget each month.

## 8. Legal, regulatory and charitable implications

8.1 There are no specific legal implications arising from the revised financial projections. Implementation of specific actions identified in these projections may have legal implications and specific legal input will be sought as part of any business case approval process for these actions.

## 9. Equalities impact

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

## 10. Recommendations

10.1 The Board is requested to:

1) Approve the updated projections for investment in assets and services in over the five year period to 2025; and
2) Agree that the projected 2020/21 figures form the basis of next year's annual budget which will be presented to the Board for final approval in March.

## List of Appendices

Appendix 1 - Dunedin Canmore Housing 2020/21 Financial Projections

# Business Plan: Financial Projections – 2020/21

## 1. Headlines

Dunedin Canmore is on track to complete 132 new social rent properties and 113 mid market rent properties in 2019/20. Further investment of £5.7m in our existing homes is also expected to be achieved.

The 2020/21 updated financial projections include:

- Addition of over 100 social rent properties expected to transfer from Barony Housing Association in April 2020;
- Provision to build 966 new social and mid-market rent homes over the first five years, with a further 606 units to be delivered in the period up to March 2028; and
- Investment of £29.5m in our existing housing stock over the five year period.

During the development period, Dunedin Canmore financial forecasts are driven by the profile of the development programme and the value of grant income and valuation adjustments on completion of new build properties. The forecast bottom line statutory surplus, net assets, cashflow and ratios reflect the higher level of borrowing to support our new build programme.

DCH’s peak net debt occurs in 2026/27 and finance costs on the debt borrowed from Wheatley Funding Limited 1 steadily increase as we approach this year. This is in advance of the significant benefit from increased rental and lease income and lowers the statutory surpluses reported.

After 2027/28 and the completion of the new build programme, income increases and operating cost per unit decreases due to efficiencies achieved over a larger property base. Overall this results in a strengthening of the financial position of Dunedin Canmore.

It is important to note that rent increases in line with those assumed in our strategy, and continued control of costs are an important aspect of managing the financial position.

## 2. Key Assumptions

The key financial assumptions in the 2020/21 Business Plan are highlighted below. All figures include VAT, where applicable but not inflation (unless stated otherwise).

### 2.1 Stock Numbers

Social Housing

Opening social housing stock numbers reflect the actual stock as at 31 March 2019 adjusted for the units expected to transfer from Barony HA in April 2020 along with the projected new build completions during 2019/20. The 2020/21 projections assume an opening balance of 5,775 properties, the split of which is shown in table 1 below.

**Table 1 – Opening Social Housing Stock**

| | General Needs | Supported Housing | Shared Ownership | Total Units |
|---|---|---|---|---|
| Opening Stock | 5,156 | 273 | 346 | 5,775 |

Over the next 8 years of the plan it is anticipated that 1,118 new homes for social rent will be delivered as a result of our development programme, with 698 of these units expected to be delivered in the first 5 years. It is further assumed that 41 of the supported housing units which will transfer from Barony will be sold over the next two years. These properties do not allow for tenants residing in the accommodation to live independently and a disposal and re-provisioning strategy has been previously approved by the Barony Board. Table 2 below shows the profile of self-contained units for social housing (excluding shared ownership units) over the period of the projections.

**Table 2 – Social Housing Stock Profile**

| General & Supported Housing | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| **Opening Stock** | **5,429** | **5,403** | **5,548** | **5,721** | **5,944** |
| New Build | 0 | 160 | 173 | 223 | 142 |
| Sales | (26) | (15) | 0 | 0 | 0 |
| **Closing Stock** | **5,403** | **5,548** | **5,721** | **5,944** | **6,086** |

Other Affordable Housing

In addition to social housing DCH own investment properties for mid-market rent (“MMR”). These properties will be managed under a lease arrangement with Lowther Homes with the letting and management risk being taken by Lowther. On-going capital works costs will remain Dunedin Canmore’s responsibility and these costs are contained within the business plan assumptions moving forward.

Opening stock numbers reflect the actual stock as at 31 March 2019, updated for developments completed during 2019/20. The projections include the expected delivery of 454 affordable mid-market rent properties over the next 8 years, with 268 of these units expected to be delivered in the next 5 years, as shown in table 3 below.

**Table 3 – Mid Market Rent Stock Profile**

| Mid Market Rent | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| **Opening Stock** | **332** | **332** | **357** | **432** | **530** |
| New Build | 0 | 25 | 75 | 98 | 70 |
| **Closing Stock** | **332** | **357** | **432** | **530** | **600** |

## 2.2 Rent and Service Charge Income

The plan assumes an average weekly rent based on the actual current average rent and, subject to Board approval, a 3.4% rent increase in April 2020. For the properties transferred from Barony HA the assumed rent increase is 2% for the first 3 years of the projections in line with the promises made to Barony tenants.

**Table 4 – Rent and service charge increase assumptions**

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| Increase (existing DC tenants) | 3.4% | 3.5% | 3.5% | 3.5% | 3.5% |
| Increase (Barony tenants) | 2.0% | 2.0% | 2.0% | 3.5% | 3.5% |

As the MMR properties are completed, income from the lease arrangement with Lowther will commence. The value of the lease will be determined on a scheme by scheme basis and income varies from £4,500 per unit to £5,200 per unit within the projections. The value of these leases have been determined so that DCH receive a sufficient return to cover the funding costs associated with them together with the cost of any capital replacements.

## 2.3 Other Income

Supporting People Grants
The financial projections assume DCH will receive £361k of grant income to provide support services at Dunedin Harbour. This is in line with 2019/20 and no inflationary increases have been assumed in the projections for future years.

Dunedin Canmore Property Services – Net Surplus
Income is assumed to be received from other group subsidiaries (namely West Lothian Housing Partnership and Lowther Homes) in respect of repairs and capital works carried out by Dunedin Canmore Property Services. This is offset by costs for the provision of the repairs service, namely staffing and materials, and, along with surpluses on external works, is anticipated to result in an estimated margin of £85k in 2020/21. Income is referenced to repairs and investment spend in the financial

projections. Staff costs are forecast to increase in line with salary inflation each year and material cost assumptions are linked to general cost inflation assumptions.

Other

Other income received by Dunedin Canmore Housing includes medical adaptation grant income and some minor miscellaneous income at the Harbour and Sheltered services.

Table 5 below shows the projected other income (including inflation) for the first five years of the 2020/21 Financial Projections. Over the period other rental income is expected to increase substantially primarily as a result of an increase in lease income received from Lowther Homes in respect of the mid-market rent properties.

**Table 5 – Other Income (including inflation)**

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Other Rental Income – MMR leases | 2,358 | 2,536 | 2,696 | 3,318 | 3,925 |
| Supporting People Grant | 361 | 361 | 361 | 361 | 361 |
| Workshop Net Surplus | 85 | 87 | 90 | 92 | 95 |
| Other Income | 172 | 176 | 181 | 186 | 191 |
| **Total** | **2,975** | **3,160** | **3,328** | **3,958** | **4,573** |

2.4 Inflation Assumptions

Inflation during 2019/20 continued on a downward trend, and in December 2019 RPI was reported at 2.2%, with CPI at 1.3%, a reflection of weakening demand from households in their discretionary spending as a result of a number of uncertainties across the wider UK economy. However markets are expecting inflation to rise in 2020/21 and we have held our expectation for cost inflation to move upwards to 3% retaining an element of prudence in our forecasts. The general cost inflation rates assumed within the financial projections are shown in the table below:

**Table 6 – Inflation Assumptions**

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| Cost Inflation | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |

2.5 Operating Performance

The percentage of rent lost to voids and bad debts assumed has been based on historical performance of general needs housing together with our expectations going forward. Table 7 below shows the assumptions in the plan for the next five years.

**Table 7 – Void, Bad Debt, and Arrears Assumptions**

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| Routine voids (%) (DC) | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| Bad debts (%) (DC) | 1.1% | 1.1% | 1.1% | 1.1% | 1.1% |
| Arrears (£'000) | 1,290 | 1,457 | 1,507 | 1,408 | 1,353 |

The plan assumes voids to remain constant at 1.0% of rental income. This compares with an actual year to date performance in 2019/20 of 0.86% and therefore is a prudent assumption compared to historical rates. For tenants transferring from Barony HA the assumption is for 3% voids. Again this is higher than the current year to date performance for Barony of 1.9% and takes account of the specific service provision in supported properties.

The bad debts assumption of 1.1% (1% for Barony tenants) is also higher than current performance and allows for an increase in recognition of the potential impact of Welfare Reform and the introduction of Universal Credit. This has been set cautiously in recognition of the increasing impact of welfare reform on our tenants. Our Business Plan assumptions on movements in arrears as a result of universal credit have been updated to reflect our experience and expectations going forward including:-

- Increase in number of tenants moving to universal credit (a total of 2,400 tenants – all tenants of working age)

- 80% of tenants who move on to universal credit will have an increase in arrears, with this increase equivalent to 5 weeks rent; and
- Of this increased arrears balance it is assumed only 40% will be recovered with this recovery taking up to two years.

2.6 Management Costs

Employee and running costs within the financial projections reflect the changes in structure, and cost efficiency savings, made during the past few years.

Continuing to assess and improve our working practices will ensure the growing asset base can be managed within our current staff complement. The projections assume SHAPS pension deficit contributions will cease in 2021/22.

Underlying running costs are assumed to decrease by 6% up to 2022/23 reflecting efficiency savings targets built into the plan. An additional cost allowance has been made in the projections to provide for the management costs of additional units delivered through the new build programme in all years.

Charges from Group in respect of central and support services such as Finance, IT, HR and procurement are assumed to be £2,751k in 2020/21. This is proposed to decrease in future years, linked to staff and running cost efficiency savings being achieved.

The table below shows the revised profile of staffing, running costs and Group Recharges (excluding inflation and pay uplifts).

**Table 8 – Management costs (excluding inflation)**

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Employee Costs | 3,723 | 3,723 | 3,723 | 3,723 | 3,723 |
| SHAPS Pension Contribution | 783 | 783 | - | - | - |
| Running Costs | 3,595 | 3,470 | 3,384 | 3,463 | 3,531 |
| Group Recharges | 2,751 | 2,679 | 2,660 | 2,660 | 2,659 |
| **Total** | **10,852** | **10,655** | **9,767** | **9,846** | **9,914** |

2.7 Asset Management and Growth

a) Repairs & Maintenance

The repairs service continues to be a high priority for our customers. The majority of repairs and maintenance services to Dunedin Canmore Housing are carried out in-house by Dunedin Canmore Property Services (”DCPS”).

Routine and planned maintenance costs are assumed to be £2,550k and £1,693k respectively in 2020/21. As new build properties are completed, additional budget is provided for the repair and maintenance of these properties. This is reflected in table 9 below, with routine maintenance increasing annually. Over the five year period the average repair cost per unit (excluding inflation) is expected to decrease to £742.

**Table 9 – Routine and Planned Maintenance Costs (excluding inflation)**

| Repairs | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| | £’000 | £’000 | £’000 | £’000 | £’000 |
| Routine Maintenance | 2,550 | 2,581 | 2,610 | 2,700 | 2,769 |
| Planned Maintenance | 1,693 | 1,693 | 1,693 | 1,693 | 1,693 |
| **Total** | **4,243** | **4,274** | **4,303** | **4,394** | **4,462** |
| Average No. of Units | 5,416 | 5,476 | 5,635 | 5,833 | 6,015 |
| **Average Repair cost per unit (£)** | **783** | **781** | **764** | **753** | **742** |

*Note – additional repair budget for new build units is allocated solely to Routine Maintenance in the table above. When new build units complete and annual budgets are set, an element of this additional budget will be re-allocated to Planned Maintenance.

b) Capital Investment

In previous years DCH has completed a major programme of investment, ensuring all properties met SHQS. These projections support our commitment to provide quality homes for rent and maximise customer satisfaction. The projections also reflect the commitments made to transferring Barony tenants to deliver additional investment in their properties.

The table below shows assumed capital spend over the next five years, and include inflation.

**Table 10 – Investment assumed in existing stock (including inflation)**

| Capital Programme | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Core Programme | 4,516 | 4,930 | 5,009 | 5,106 | 5,324 |
| Void Repairs | 708 | 729 | 751 | 773 | 797 |
| Medical Adaptations | 163 | 168 | 173 | 178 | 184 |
| **Total** | **5,387** | **5,828** | **5,933** | **6,058** | **6,304** |

c) New Build Programme

The new build programme is set out at Section 2.1 and reports 1,572 new units (1,118 for social rent and 454 for mid-market rent), of which 966 are anticipated to be completed within the next five years. Table 11 summarises the investment in new build homes over the next five years.

**Table 11 – Development Programme cost and grant (including inflation)**

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Social Housing** | | | | | |
| Development Costs | 19,574 | 33,027 | 40,700 | 19,330 | 21,992 |
| Grant Income | 13,577 | 24,448 | 16,502 | 6,240 | 12,436 |
| **Net Cost** | **5,997** | **8,579** | **24,198** | **13,090** | **9,556** |
| Units Completed | 0 | 160 | 173 | 223 | 142 |
| **Mid Market Rent** | | | | | |
| Development Costs | 4,003 | 12,743 | 17,089 | 7,225 | 10,481 |
| Grant Income | 1,558 | 9,236 | 1,531 | 1,614 | 5,341 |
| **Net Cost** | **2,445** | **3,508** | **15,558** | **5,611** | **5,140** |
| Units Completed | 0 | 25 | 75 | 98 | 70 |

2.8 Initiatives and Other Provisions

a) Initiatives

The projections also include provision for various initiatives which are available to tenants.

The largest of those is our contribution to the Wheatley Foundation of £244k per annum. Of this donation £166k relates to the provision of welfare benefit advice. The Wheatley Foundation is a charitable trust established with the aim of delivering community benefits.

Other initiatives include the tenancy support service ("TSS"), provided by colleagues from Loretto Care, to help our tenants who are struggling to sustain their tenancy due to underlying mental health or other personal challenges. Our contribution to TSS is £89k a year.

The plan includes Helping Hand funding of £50k in year 1 of the plan. This funding helps those in financial difficulty, particularly those who are in and out of jobs or whose benefits may change as a result of universal credit.

In addition, all tenants can talk with a Welfare Benefits or Fuel Advisor for support in managing their money and bills. The aim of these initiatives is to help our tenants sustain their tenancy, and to maintain our sector leading performance in tenancy sustainment for more than a year.

These provisions are considered to be an investment in creating strong and sustainable communities and providing better opportunities for our tenants. It is anticipated that this will contribute to the sustainability of the income stream for Dunedin Canmore over the long term.

2.9 Operating Cost Per Unit

As a result of the assumed efficiencies in management costs, our operating costs per unit, excluding depreciation and finance costs, decrease over the five year period and are set out in Table 12 below.

**Table 12 – Operating cost per unit (excluding depreciation and inflation)**

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Operating Costs (£'000) (Excl Depreciation) | 15,385 | 15,179 | 14,283 | 14,419 | 14,520 |
| Average No. of Units in Year | 5,416 | 5,476 | 5,635 | 5,833 | 6,015 |
| **Operating Cost per Unit (£) (Excl Depreciation)** | **2,841** | **2,772** | **2,535** | **2,472** | **2,414** |

The financial projections assume an operating cost per unit of £2,841 in 2020/21, reducing by 15.0% to £2,414 in 2024/25. The trend shows that the plan assumes DCH will become more efficient in its use of resources as it manages more units added through planned asset growth. Efficiency savings will also arise with continuing investment in service transformation, including self-service and automated services delivered in conjunction with Wheatley Solutions.

## 2.10 Interest Rate Assumptions

The new build programme planned requires debt finance to be drawn down over time. In line with the wider Group funding strategy, borrowing is advanced from Wheatley Funding Limited 1 (“WFL1”) at an assumed blended “all in” average funding rate of 5.25% in 2020/21 and 5.35% thereafter. The blended funding rate reflects a combination of bank and bond funding, any fixed rate arrangements in place and any monitoring or commitment fees payable by WFL1 to external funders and is consistent across all Group subsidiaries.

The interest rate receivable on cash balances has also been revised to reflect current market expectations as shown.

**Table 13 – Interest Rate Assumptions**

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| Interest Payable (Group Funding) | 5.25% | 5.35% | 5.35% | 5.35% | 5.35% |
| Interest Receivable | 0.50% | 0.75% | 1.00% | 1.50% | 1.50% |

## 3. Financial projections

### a) Statement of Comprehensive Income

**Table 14 – Income and Expenditure Projections**

| Statement of comprehensive income | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Net Rental Income | 29,668 | 31,020 | 32,760 | 35,183 | 37,368 |
| Other Income | 2,975 | 3,160 | 3,328 | 3,958 | 4,573 |
| Grant Income (HAG) | 0 | 12,958 | 17,180 | 22,566 | 14,914 |
| **Total Income** | **32,643** | **47,139** | **53,269** | **61,707** | **56,855** |
| Management and Service Costs | 10,852 | 10,932 | 10,275 | 10,624 | 10,974 |
| Repair and Maintenance Costs | 4,243 | 4,402 | 4,565 | 4,801 | 5,022 |
| Bad Debts | 290 | 300 | 313 | 331 | 347 |
| Depreciation | 7,801 | 8,035 | 8,891 | 10,128 | 11,436 |
| **Operating Expenditure** | **23,186** | **23,669** | **24,044** | **25,885** | **27,779** |
| Gain/Loss on Investment Properties | (2,326) | 1,074 | (1,308) | (5,801) | (1,268) |
| **Operating Surplus** | **7,132** | **24,543** | **27,916** | **30,022** | **27,808** |
| **Operating Margin (%)** | ***22%*** | ***52%*** | ***52%*** | ***49%*** | ***49%*** |
| Finance Costs | (7,879) | (8,234) | (8,643) | (9,873) | (10,874) |
| Valuation Adjustments | 7,440 | (3,580) | (10,681) | (12,096) | 315 |
| Gain/ (loss) on sale of property | 1,060 | 8 | 0 | 0 | 0 |
| **Statutory Surplus/(Deficit)** | **7,753** | **12,737** | **8,592** | **8,053** | **17,249** |

Rental income

Investment in the new build program & assumed rental increases will generate 26% growth in rental income over the next 5 years. Net rental income includes service charge income which is received in relation to a number of services provided to tenants including heating, stair-lighting, gardening, support services and equipment.

Grant income

In line with SORP 2014, grant income received in respect of new build developments is recognised on completion of the units. The result of this is operating margin increasing or decreasing in line with the level of grant income.

Expenditure

Operating expenditure is forecast to increase by £4.6m over the five year period. This is due to a number of factors, including additional management and repair costs linked to the additional stock, inflation, and higher depreciation charges linked to investment in new and existing housing stock. This increase is lower than the anticipated growth in income, as efficiencies generated from Group and changes in how staff deliver our services is expected to reduce the average operating cost per unit, excluding depreciation and inflation by 15% over the 5 years of the projections from £2,841 in 2020/21 to £2,414 in 2024/25.

Finance Costs

Funding costs reflect the costs associated with group funding arrangements and increase over the period due to the additional borrowing required to fund the new build programme.

Valuation Adjustments

Both social rent and mid-market rent properties are held on the Statement of Financial Position at value. Valuations are carried out annually with any increase or decrease recognised within the Statement of Comprehensive Income. As mid-market rent properties are classified as investment properties, movement in the value of these properties is included in operating surplus.

Statutory Surplus

The completion of new units has a significant impact on the reported statutory surplus. Recognition of grant income in relation to completed units increases the reported operating surplus; however, this is offset by a downward valuation of housing properties in the year of completion. Under SORP 2014 new build grants are not taken into account when calculating valuation movements. In general, the gross development cost, i.e. excluding grant, of these newly completed properties will be higher than the EUV-SH valuation and results in a downward valuation. We have adopted a highly conservative approach to valuation adjustments in the projections and the downward valuation adjustments presented are worst case scenario.

## b) Statement of Financial Position

**Table 15 – Statement of Financial Position**

| Statement of financial position | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Housing Assets | 340,376 | 368,231 | 396,929 | 401,913 | 420,684 |
| Other Fixed Assets | 6,397 | 6,388 | 6,309 | 6,212 | 6,106 |
| Investment Properties | 34,585 | 48,482 | 64,872 | 66,937 | 76,488 |
| **Total Fixed Assets** | **381,359** | **423,101** | **468,109** | **475,062** | **503,277** |
| Current Assets | 6,366 | 6,534 | 6,584 | 6,484 | 6,429 |
| Current Liabilities | (25,750) | (46,578) | (47,493) | (32,781) | (35,686) |
| **Net Current Assets** | **(19,384)** | **(40,045)** | **(40,909)** | **(26,297)** | **(29,257)** |
| Long-Term Liabilities | (171,876) | (180,219) | (215,771) | (229,283) | (237,289) |
| **Net Assets** | **190,100** | **202,837** | **211,430** | **219,482** | **236,731** |
| Retained Earnings | 190,100 | 202,837 | 211,430 | 219,482 | 236,731 |
| **Total Reserves** | **190,100** | **202,837** | **211,430** | **219,482** | **236,731** |

<u>Housing Assets</u>
Housing and Investment properties have been adjusted to reflect annual valuation movements. Properties are reported at cost within the Balance Sheet during construction and at value once complete. Over the five year period, the value of housing and investment properties is expected to increase by 20.5%, due primarily to the construction of new build properties.

Other Assets

The value of our other assets, which include improvements to our office and environmental equipment purchases, are projected to remain broadly static across the next five years as depreciation charges increase relative to additions.

Current Assets

Other current assets include cash, rent arrears, net of bad debt provision and other debtors, such as insurance prepayments. The movement across the five years is linked to provisions in place for rent arrears linked to the introduction of Universal Credit.

Cash is expected to remain relatively constant during the years of construction activity. This is because funding will be drawn down as construction work proceeds. Once the new build programme is complete, we anticipate cash levels to increase to allow for further development or for capital repayments to commence.

Current Liabilities

Grant income associated with new build properties is held as a current liability until completion at which point it transfers to income. The movement in current liabilities over the period is therefore due to completion of new build schemes.

Long-Term Liabilities

Long-term liabilities predominantly relate to the loans due from DCH to Wheatley Funding Limited 1 (“WFL1”), THFC, and Allia. The balance due to WFL1 peaks in year 7. Long term liabilities also include a pension liability of £2.4m.

Retained Earnings

Retained earnings increase over the period as a result of surpluses generated each year.

## c) Cashflow

**Table 16 – Cashflow Projections**

| Cashflow | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|---|---|---|---|---|---|
| Net rental income | 34,392 | 35,993 | 38,073 | 41,328 | 44,141 |
| Operating Expenditure | (17,309) | (17,614) | (17,188) | (17,844) | (18,487) |
| **Net Cash from Operating Activities** | **17,084** | **18,379** | **20,886** | **23,484** | **25,654** |
| Core and other Capital Expenditure | (6,135) | (6,678) | (6,802) | (6,941) | (7,206) |
| New Build Expenditure | (23,577) | (45,770) | (57,789) | (26,555) | (32,473) |
| Proceeds from sale of property | 2,560 | 580 | 0 | 0 | 0 |
| Grant income | 15,135 | 33,684 | 18,033 | 7,855 | 17,777 |
| **Net cash used in investing activities** | **(12,017)** | **(18,184)** | **(46,558)** | **(25,641)** | **(21,902)** |
| Finance costs | (7,498) | (8,006) | (9,332) | (10,793) | (11,179) |
| **Net movement in cash** | **(2,431)** | **(7,811)** | **(35,005)** | **(12,949)** | **(7,427)** |

Net Cash from Operating Activities
Cash from operating activities shows a steady increase over the period as a result of additional income from new build properties and a reduction in costs due to efficiency savings.

Net Cash used in Investing Activities
This reflects the on-going core programme and other investment works, and the new build programme which varies in line with the new build programme.

Finance Costs

Finance costs relate to the interest due on our loans with WFL1, THFC, and Allia. As expenditure is incurred to pay for our new build programme, Dunedin Canmore will use existing cash resources, followed by drawing down money from Group. The projections assume the new build programme is completed in 2027/28.

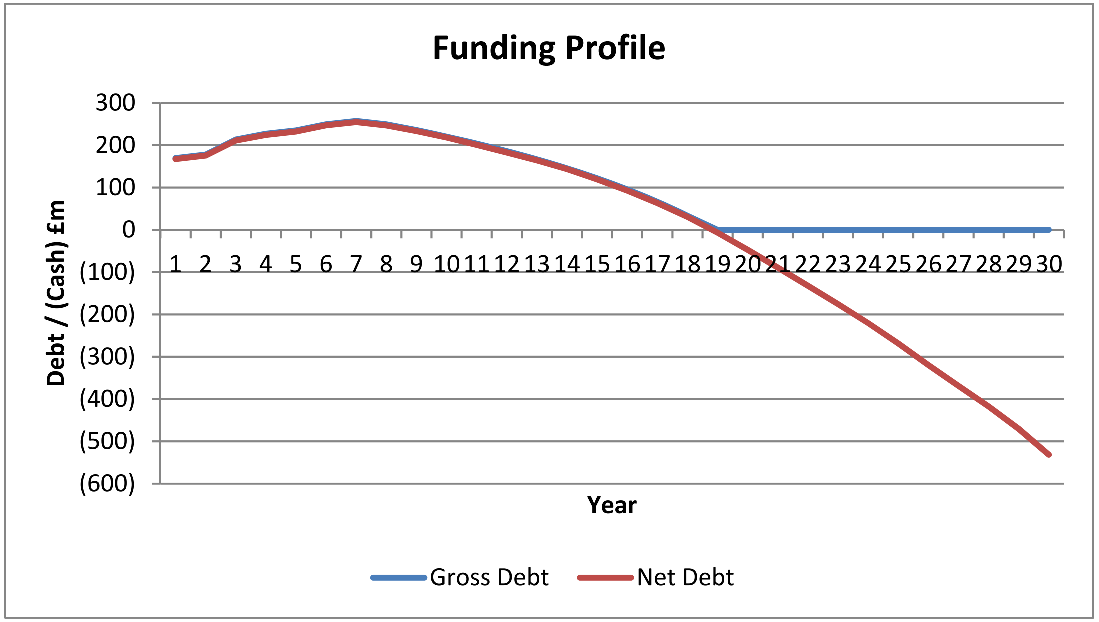
Net Movement in Cash

Across the five years of the plan we anticipate a £65.6m net decrease in cash. This is due to the significant investment in the new build programme.

## 4. Key Financial Parameters

Dunedin Canmore can borrow from WFL1, subject to debt facilities being available, debt that is supported with its assets and cash flows. Dunedin Canmore, together with all the other RSLs in the Borrowing Group, needs to ensure that all external funding conditions at WFL1 level are met at all times, including compliance with financial covenants. Whilst there are no specific financial covenants at individual RSL level, it is the delivery of the approved business plan financials by each RSL that is key to meeting funding conditions at WFL1.

The resulting debt profile for DCH is as follows:




| Indicator | Value |
|---|---|
| Peak debt | £254.7m |
| Peak year | 2026/27 |
| Repayment year | 2038/39 (year 19) |
| Closing cash | £531.6m |

The following criteria need to be taken account when assessing impact of any risks or business decisions on the business plan:

**i.** Operating margin generation

In the long term operating surplus needs to be sufficient to service debt, i.e. meet interest payments on debt balances and achieve overall financial surplus every year. The business plan assumes that Dunedin Canmore will generate the following operating margins over the next 5 years

| Operating Margin | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Total Income (excluding grant income and property valuation movement) | 32,643 | 34,181 | 36,089 | 39,141 | 41,941 |
| Adjusted Operating Surplus | 9,457 | 10,511 | 12,044 | 13,256 | 14,163 |
| **Adjusted Operating Margin (%)** | ***28.97%*** | ***30.75%*** | ***33.37%*** | ***33.87%*** | ***33.77%*** |

The adjusted operating margin, which excludes grant income and valuation movements, is lower than operating margin reported in the Statement of Comprehensive Income illustrating the impact that the recognition of grant income on completion of new build has on the results. As new build properties are completed, income increases and the operating costs per unit gradually decrease from efficiencies resulting in the improvement in the operating margin.

ii. Cashflow strength

Cash flows need to be sufficient to demonstrate that there is sufficient cash available to service intra-group debt each year and to repay funding within 30 years. "EBITDA MRI" removes items that are non cash and/or unrelated to operations, such as grant income and property valuation movements, to assess the funds available to meet interest payments. A ratio >1 means that there is sufficient capacity to meet interest payments as they fall due. As the debt principal must also be repaid, long term, the interest cover ratio needs to be comfortably over 1 to demonstrate sufficient capacity to repay capital.

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **EBITDA** | **17,259** | **18,546** | **20,936** | **23,385** | **25,599** |
| Less Capital Investment (Existing Properties) | (5,735) | (6,183) | (6,297) | (6,429) | (6,684) |
| **EBITDA MRI** | **11,524** | **12,363** | **14,639** | **16,955** | **18,915** |
| Net Interest Payable | (7,498) | (8,006) | (9,332) | (10,793) | (11,179) |
| **Interest Cover** | **1.54x** | **1.54x** | **1.57x** | **1.57x** | **1.69x** |

Interest cover is above 1 in all years of the projections and it shows an upward trend over the 5 years of the projections. Once the remaining new build units are complete and peak debt is reached, the ratio strengthens further over the remainder of the plan. This demonstrates the continued importance of managing DCH's cost base.

Over the longer term it is projected that debt can be repaid in year 19 of the plan with £531.6m of cash generated by year 30.

iii. Asset cover

One of the metrics which governs overall borrowing limits is the value of the owned asset base. The Dunedin Canmore investment and development programme is supported by intra-group borrowing from WFL1 which operates on a Group wide borrowing and asset security basis. Assets are typically based on the cash flows associated with these assets, business decisions, e.g. in relation to rent growth, will have an impact on asset values.

## 5. Risk analysis

We have performed sensitivity analysis showing the potential impact on the plan of key risk factors such as inflation and the cost base. These scenarios are presented in the below table, and consider changes to multiple Business Planning assumptions, the impacts of these, and mitigating measures.

| | | EBITDA MRI Interest Cover | | | | | Cash flow | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Nr** | **Risk description** | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Peak net debt £m** | **Debt repaid** | **Cash (Year 30)** | **Mitigation** |
| **Base Case** | | **1.54** | **1.54** | **1.57** | **1.57** | **1.69** | **254.7** | **19** | **531.6** | |
| 1 | Cost inflation decreases to 2.5% from year 3 | 1.54 | 1.54 | 1.57 | 1.58 | 1.70 | 252.7 | 19 | 565.9 | As expected this has a positive impact on the Business Plan, more so in later years as the compound effect of lower than assumed inflation results in improved performance and cash flows. Whilst there is no change to the year of debt repayment, cash at year 30 increases by £34.3m. |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 2 | Rent increase reduced from 3.5% to 3% for duration of plan | 1.54 | 1.53 | 1.54 | 1.52 | 1.63 | 258.1 | 21 | 392.6 | Reduction in rental income results in a reduction of interest cover, and decreases cash by £139m delays the debt repayment by 2 years. In mitigation costs, efficiency savings and review of services required to reduce costs. |
| 3 | Bad debt increases by 1% | 1.50 | 1.50 | 1.53 | 1.53 | 1.64 | 257.7 | 20 | 503.4 | The increase to bad debt causes debt repayment to be delayed by one year, with peak debt increasing £3.0m, and year 30 cash decreasing by £28.2m. The monthly reporting process would identify any trend towards a deterioration of the bad debt position, allowing for time to understand the reasons and work towards resolution. |
| 4 | Management costs are £250k higher each year from year 2 | 1.54 | 1.51 | 1.54 | 1.54 | 1.65 | 256.7 | 20 | 512.7 | Interest cover is only marginally affected, and remains on trend. Peak debt increases by £2.0m and closing cash is reduced by £18.9m. Operational cost efficiencies would be sought elsewhere in order to mitigate any impact from increased management costs. |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 5 | Repairs & maintenance costs are 5% higher from year 1 | 1.51 | 1.51 | 1.54 | 1.54 | 1.65 | 256.7 | 20 | 513.6 | As with management cost increases, there is a slight reduction to EBITDA MRI, the main impact is on peak debt (increasing £2.0m) and closing cash (decreasing £18.0m), with debt repayment being delayed by one year. In mitigation cost efficiencies would be sought elsewhere in the event of increasing repairs costs. |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 6 | Additional investment spend of £3m required over years 2-3 for new quality standard or regulations | 1.54 | 1.34 | 1.37 | 1.54 | 1.66 | 258.9 | 20 | 521.6 | The additional investment has a significant impact on interest cover in years 2 and 3 due to the effect of additional capex reducing cash surplus, and increased interest costs as a result of additional debt funding. Peak debt increases by £4.2m and repayment is delayed by one year to year 20. Closing cash reduces by £10.m. In mitigation any non-essential works would be delayed in order to accommodate investment priorities, and cost efficiencies would be sought within the operational cost base and new build programme. |
| 7 | New build programme accelerated (180 units brought forward by two years) | 1.54 | 1.54 | 1.58 | 1.52 | 1.59 | 253.7 | 19 | 534.2 | Worsening of interest cover in short term due to earlier debt requirement however earlier delivery of units results in a benefit to plan over the longer term. Consideration would need to be given to impact of changes in programme on overall borrower group |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 8 | New build programme delayed, (c. 300 units delayed by one year) | 1.54 | 1.54 | 1.63 | 1.65 | 1.67 | 255.6 | 19 | 528.8 | Reduction in debt in short term results in improvement in interest cover in years 3 and 4. Over the longer term cash is reduced due to delay in receipt of rental income. Impact could be mitigated by procurement and efficiency savings and performance management. |
| 9 | Problem with new build scheme result in 1 year delay and increase in build costs of 10%, no increase in grant | 1.54 | 1.54 | 1.61 | 1.58 | 1.64 | 258.8 | 19 | 523.7 | Additional development costs and delay in receipt of rents result in increase in debt and worsening of interest cover by year 5. Investment in existing properties could be delayed to offset the impact or additional efficiency or procurement savings sought. |

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Dunedin Canmore

# Report

**To:-** **Dunedin Canmore Housing Board**

**By:-** **Hazel Young, Managing Director**

**Approved by:-** **Olga Clayton, Group Director of Housing and Care**

**Subject:-** **Inspiring Ambition, Unleashing Potential: Our Strategy 2020-25**

**Date:-** **6 February 2020**

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## 1. Purpose

1.1 This report seeks the Board's approval for the Dunedin Canmore strategy 2020-2025: "Inspiring Ambition, Unleashing Potential". This follows the approval of the Group strategy in October 2019 by the Wheatley Group Board.

## 2. Authorising context

2.1 The Intra Group Agreement as well as the Group Authorising Framework sets out that the Group Board is responsible for the agreement of a Group strategy, with a Subsidiary Board responsible for approving:

- Their own individual subsidiary strategy;
- Their own strategic priorities; and
- How the strategy is implemented in a way that reflects their specific circumstances.

## 3. Risk appetite and assessment

3.1 Developing our strategy for 2020-2025 will involve discussions across all risk areas. These discussions will reflect agreed risk appetite levels in each area.

## 4. Background

4.1 During 2019, the Board considered our strategic ambitions to be included within the new strategy for 2020-25. The results of this were presented to the Wheatley Board in October 2019 where the Group's strategy "Inspiring Ambition, Unleashing Potential" was approved. This strategy includes the strategic priorities highlighted by this Board.

## 5. Discussion

The approved Group strategy

5.1 The draft Group strategy was well-received by Boards across the Group, and remains as exciting and ambitious as it was when we first presented it a year ago. However, reflecting on some of the feedback from Subsidiary Boards and discussions at the Group Governance Event and Group Board residential, some changes have been made. These changes ensured that the final Group strategy reflects our latest thinking and strategic direction, in particular the potential growth of the Group into Dumfries & Galloway. Subsequently, at the October 2019 Group Board, the Group strategy for 2020-25 was approved.

5.2 In the period since the Dunedin Canmore Board feedback and October 2019 approval of the Group strategy, work has been undertaken to refine the proposed summary Dunedin Canmore Strategy 2020-25. The key updates are summarised below.

(i) *Restructuring of strategic themes to draw out our work in changing lives and communities more strongly.*

5.3 Initially, four key strategic themes were proposed. In response to Board feedback we have amended these slightly; splitting the “Creating Customer Value” theme into two; one theme based on services (“Delivering Exceptional Customer Experience”) and a specific theme to emphasise the importance of our role in “Changing Lives and Communities”. The latter covers our care and wraparound services through Wheatley 360, but also introduces a new strategic outcome of *Supporting economic resilience in our communities*, which picks up our work on employment, education, training and poverty alleviation through the Wheatley Foundation.

5.4 We have also renamed the theme “Building Communities and Engagement” as “Making the Most of our Homes and Assets” to make it clearer that this theme relates to our physical assets and infrastructure. Engagement as a topic is threaded throughout the strategy, not just linked to our physical assets.

5.5 The revised set of strategic themes is:

- *Delivering Exceptional Customer Experience;*
- *Making the Most of our Homes and Assets;*
- *Changing Lives and Communities;*
- *Developing our Shared Capability; and*
- *Enabling our Ambitions*.

*(ii) Updated strategic outcomes*

5.6 The strategy sets out the key strategic outcomes we will achieve by 2025. These have been amended to:

| ***Delivering Exceptional Customer Experience*** | ***Making the Most of Our Homes and Assets*** | ***Changing Lives and Communities*** | ***Developing Our Shared Capacity*** | ***Enabling Our Ambitions*** |
|---|---|---|---|---|
| Progressing from Excellent to Outstanding<br><br>Enabling Customers to lead<br><br>Developing a customer led repairs service<br><br>Differentiating Lowther from its competitors | Increasing the supply of new homes<br><br>Investing in existing homes and environments<br><br>Setting the benchmark for sustainability and reducing carbon footprint<br><br>Building community voice, engagement and resilience | Shaping Care services for the future<br><br>Developing peaceful and connected neighbourhood<br><br>Supporting economic resilience in our communities | WE Think – creating our Think Yes culture together<br><br>WE Create – driving innovation<br><br>WE Work – strengthening the skills and agility of our staff | Raising the funding to support our ambitions<br><br>Maintaining a strong credit rating and managing financial risks<br><br>Evolving digital platforms to support our activities<br><br>Influencing locally and nationally to benefit our communities |

*(iii) Reflect Dumfries & Galloway Housing Partnership as part of Wheatley*

5.7 In addition to the investment and new build, reference has been added to the specific characteristics of Dumfries & Galloway and the key objectives we have for our partnership. This includes provision to review the service model locally to develop an approach that best serves DGHP's customers, recognising the unique geography; to bring the repairs service in-house, and develop increasing coordination and cooperation between our three repairs "hubs"; and our plans to deliver 500 jobs, apprenticeships and training places locally.

*(iv) Updating our plans for the repairs service*

5.8 In the last year we have been reviewing our repairs service across Group. The content in the strategy has been updated to reflect the sequencing of work to deliver service improvements.

*(v) Greater focus in care on supporting existing customers*

5.9 The care section of the Customer Value chapter (now part of the "Changing Lives and Communities" chapter) set out a vision for an expanding care operation; including participation in new ventures such as alliancing and in new parts of the country. Reflecting on the latest outlook for the care market, we have refocused more on supporting existing customers, with the target for internal service income for care now increased from 15% to 25% by 2025.

The proposed summary Dunedin Canmore strategy

5.10 The proposed summary Dunedin Canmore Strategy 2020-25 is provided at Appendix 1. In addition to capturing changes made in the Group strategy as discussed above, the updated summary captures the emphasis that the Dunedin Canmore Board were keen to see around customer focus and further differentiating our service for different customer groups, ensuring that there is a high degree of customer engagement which helps to shape this. The role of our Customer Panel will also be reviewed with full input from the Customer Panel.

5.11 The summary also identifies the need to review the pre-1919 tenement strategy as part of our overall asset management approach. Our asset management approach will also consider future demand across our housing stock.

5.12 As discussed at the Board meeting on 30 May our values have been updated for the new strategy. Our values underpinning our new strategy are:

- **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 fulfil their potential
- **Trust** – we inspire customers and staff…….to shape the future.

From strategy to implementation

(a) Delivery Plans

5.13 To set out a clear plan on how we will deliver on our strategy, each of the strategic objectives have been mapped into one of four Delivery Plans. These set out more detailed explanations of how we will deliver our strategic intent, as well as detailed delivery plans and milestones.

5.14 These delivery plans are:

- Digital;
- Assets;
- People; and
- Customer Value.

5.15 Over the next year, we propose to bring each Delivery Plan to this Board.

(b) New Performance Management Framework

5.16 In light of the new strategy we are also proposing a new Performance Management Framework to monitor compliance with achievement of our planned outcomes. This is detailed below.

5.17 The proposed strategy makes significant changes to our priorities. A series of new "golden threads" will run through all the work that we do. The key changes that need to be incorporated within the new Performance Management Framework ('the Framework") are:

- shifting the balance of power towards the customer;
- refocusing our performance indicators away from just “business value’ measures to include a new focus on “customer value” measures;
- key customer facing cycles (ie repairs, complaints, anti-social behaviour and allocations) have been mapped and new customer and business value measures are being developed;
- engaging differently to build resilience; and
- harnessing technology to blend the digital with personal.

5.18 We plan two new ways of measuring performance. To ensure we are monitoring against our strategic themes (ie our “golden threads”), we are proposing the following approach to monitoring performance for each Subsidiary. The new approach focusses on the 5 Group strategic themes (this will be tailored for Group wide and individual Subsidiary reporting). In addition, we will revise how we monitor performance. Previously, we have focussed on business measures and completion of annual projects. We have also incorporated feedback from the recent EFQM report and plan to measure performance under 4 distinct areas. These are:

- *Key Performance Indicators (KPIs)* – these are the key measures which have been linked to the strategy.
- *Projects* – these are the priorities detailed in the strategy and detailed in the Group wide supporting chapters. We will monitor achievement of planned business outcomes along with achievement of milestones.
- *Impact Measures* – the strategy includes a number of actions which will have a positive impact on our customers’ lives eg reducing the cost of running a household by 10% and building the confidence and resilience of our communities. This new reporting area will monitor achievement of these areas. We plan to work in partnership with specialists in this area (eg the Fraser of Allander Institute) to develop an approach which would index our impact on our customers, our communities and national wellbeing. This will also provide external assurance on our impact in these areas.
- *Operational Measures* – these will be the routine measures used at an operational level to monitor performance (eg ARC measures) and will continue to be used.
- Further detail on the implementation of the Performance Management Framework will be provided to the Board in early 2020.

## 6. Value for money implications

6.1 Our ambition to positively impact on the key drivers of value identified in our value for money framework will underpin the development of the onward strategy.

## 7. Impact on financial projections

7.1 The impact of proposed strategic commitments will be assessed as part of the development process.

## 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 Influencing relationships and partnerships is a key theme for the onward strategy. Engagement will include discussions with stakeholders about their contribution to helping us deliver our strategic outcomes, as well as involving staff and customers in refining our proposals.

## 10. Implementation and deployment

10.1 Support will be provided by Wheatley Solutions to deliver the extensive engagement programme, ensure sufficient focus around the work needed to continue to develop and refine the new Group strategy, and support Managing Directors and Subsidiary Boards across the Group to develop their 2020-2025 Strategic Plans.

## 11. Equalities impact

11.1 Equalities impact considerations will continue to underpin the development and refinement of our strategic proposals. The engagement programme has been designed to be inclusive and ensure the voices of groups with specific needs are heard.

## 12. Recommendation

12.1 The Board is asked to approve the summary Dunedin Canmore Strategy 2020-2025: *Inspiring Ambition, Unleashing Potential.*

**List of Appendices**

Appendix 1 – Summary Dunedin Canmore Strategy 2020-25: Inspiring Ambition: Unleashing Potential

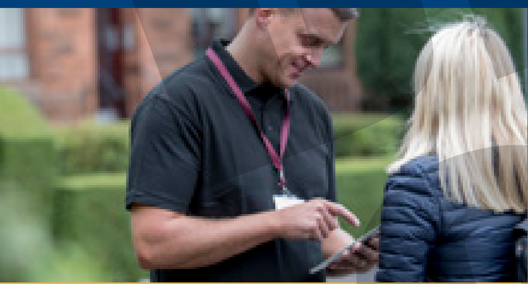
Dunedin Canmore

Wheatley Group

# Inspiring Ambition, Unleashing Potential



# 2020-2025

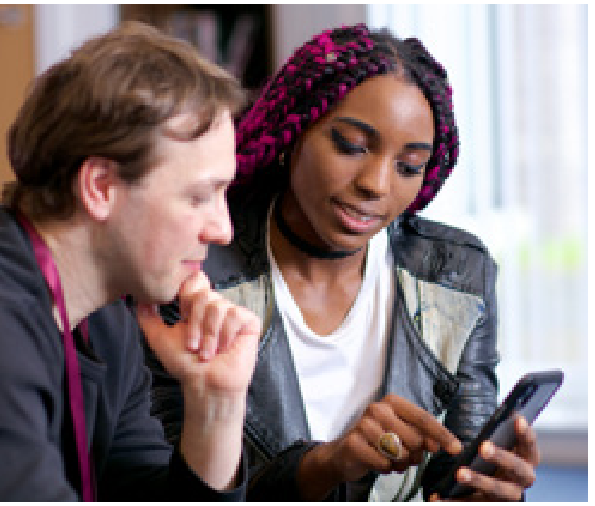


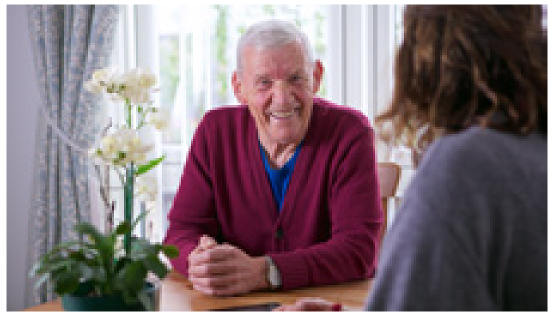


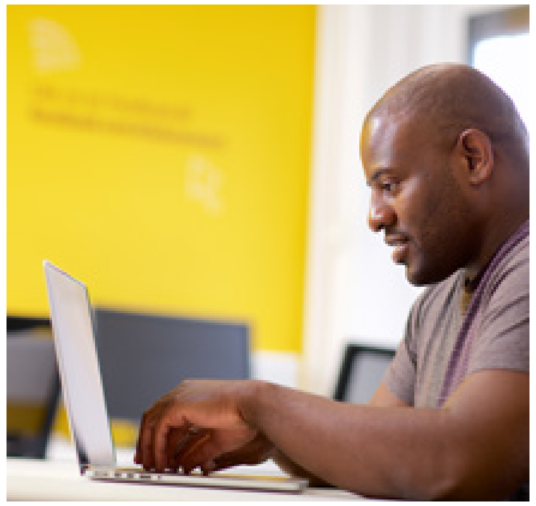

Dunedin Canmore

**Our five-year strategy**









## Contents

# OUR VISION FOR 2020 TO 2025

**Dunedin Canmore, part of Wheatley Group, is rooted in its local communities and committed to delivering outstanding, customer-focused services.**

**Inspiring Ambition, Unleashing Potential**, sets out how we will take our services to the next level on this, the next stage of our journey, from 2020 to 2025.

An ambitious, new-build programme has seen us work closely with our key partners in Edinburgh, East Lothian, West Lothian and Midlothian and the Scottish Government, to bring forward hundreds of much-needed new affordable homes. Over the lifetime of this strategy we will build hundreds more homes while continuing to invest in the fabric of our existing homes.

But our mission is, and always will be, focused on much more than just bricks and mortar. "**Better homes, better lives**", is what guides us on now, and as we look to the next five years.

Having the keys to one of our homes will continue to lead to a new world of opportunity. We will remain committed to helping people break down the barriers, too often created by disadvantage and poverty. That will include offering people in our homes real opportunities – such as jobs and training – to improve their lives and have more control over what happens in their area. We will also work with our partners and tenants, to create safe, peaceful and connected communities.

Our tenants will be at the heart of our decision making and we will offer people more choice in how they engage with us as well as how they access our services.

**We will deliver our vision for our communities against a backdrop of significant external challenges, not least of all the impact of** Welfare Reform, digital exclusion, rising levels of poverty, continuing public spending cuts and the continuing gap between housing need and supply.

By 2025, we know that the expectations of our customers and our staff will be very different. We will evolve how we work, listening and responding so that Dunedin Canmore remains in the best possible shape to deliver on its ambitions. Key to this is understanding the needs of customers across our different areas and customer groups so that we can provide a more tailored and responsive service for different customer needs. We have communities in five local authority areas (Edinburgh, East Lothian, West Lothian, Midlothian and Fife) varying from city centre locations to more rural environments. We will also update the information we have on the condition of our housing stock which ranges from pre-1919 tenement flats to new build houses, so that we can ensure our asset management approach is reflective of our diverse housing stock.

**At the heart of our strategy for 2020 to 2025 are five key outcomes:**

- Deliver exceptional customer experience
- Make the most of our homes and assets
- Changing lives and communities
- Developing our shared capability
- Enabling our ambitions.

# OUR VISION – DUNEDIN CANMORE IN 2025

Our vision is to enable our customers to reach their potential for a brighter future for themselves and their families. Our strategy for making this real will deliver an unprecedented shift in the balance of power and control towards our customers, empowering them to make their own choices about the services they want, ensuring they are properly equipped to do things for themselves and involving them in the design of products and services from start to finish.

We will deliver this vision through five strategic themes, under which we have defined 16 key outcomes. These are summarised below.

**Our purpose:**
Making Homes and Lives Better

**Our vision:**
Customers have increased control over their services, their communities and their lives, with new opportunities for building skills and resilience.

We will work ethically and sustainably, ensuring our homes and services are affordable for our customers, sharing our expertise and collaborating with others to improve the fabric of our customers' lives while creating great communities.

**Strategic themes:**

| | | | | |
|---|---|---|---|---|
| Delivering exceptional customer experience | Making the most of our homes and assets | Changing lives and communities | Developing our shared capability | Enabling our ambitions |

**Strategic outcomes:**

| | | | | |
|---|---|---|---|---|
| Progressing from excellent to outstanding | Increasing the supply of new homes | Developing peaceful and connected neighbourhoods | W.E. Think – creating our "Think Yes Together" culture | Raising the funding to support our ambitions |
| Enabling customers to lead | Investing in existing homes and environments | Supporting economic resilience in our communities | W.E. Create – driving innovation | Maintaining a strong credit rating and managing financial risks |
| Developing a customer led repairs service | Setting the benchmark for sustainability and reducing carbon footprint | | W.E. Work – strengthening the skills and agility of our staff | Evolving digital platforms to support our activities |
| | Building community voice, engagement and resilience | | | Influencing locally and nationally to benefit our communities |



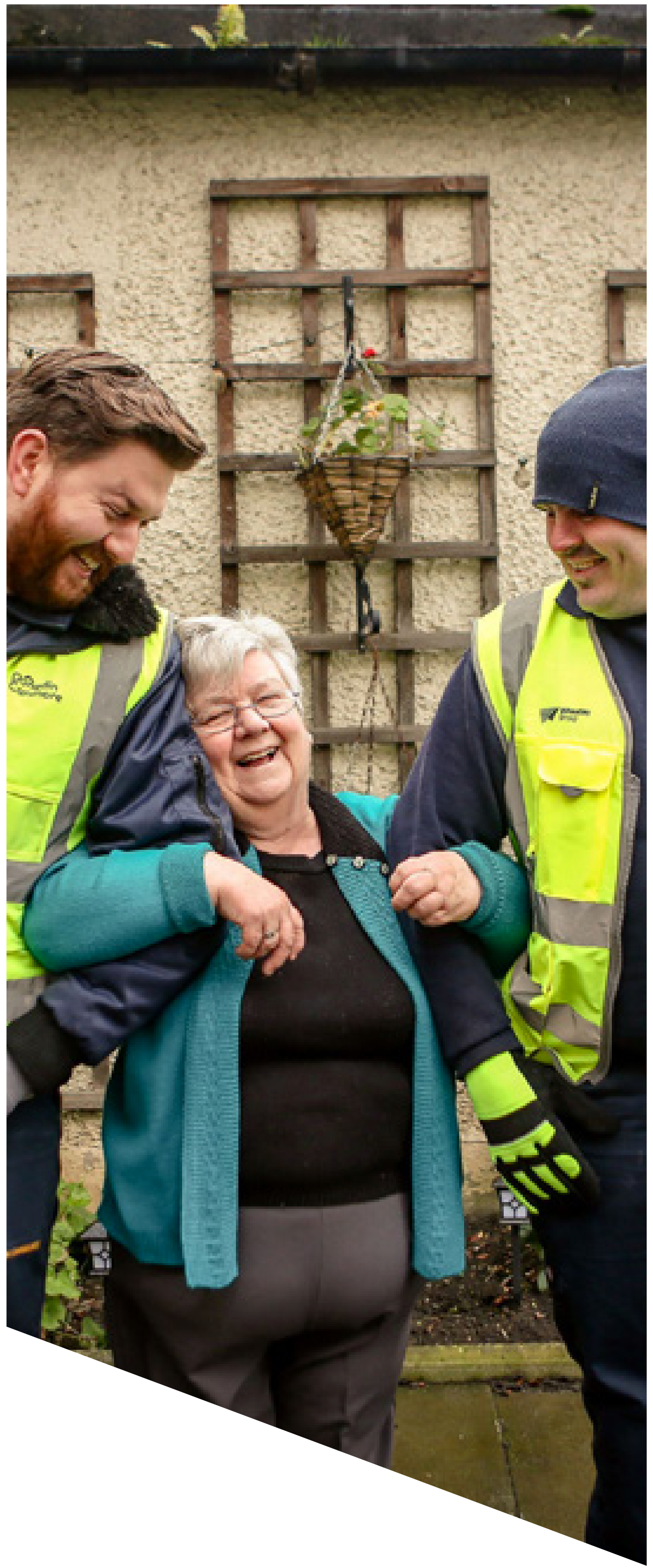


These themes and outcomes align the strategic priorities across our Group. The particular priorities of Dunedin Canmore's strategy for 2020-25 are detailed in the following sections of this document under each strategic theme.

We have reviewed and updated our values for this new strategy and these are set out below.

Performance indicators will be measured and monitored on a regular basis. These are detailed below each of the relevant themes within this document. The impact measures will quantify our societal and economic impact and provide evidence of statements made in the strategy. These will generally require periodic evaluation studies to assess the results. Our impact measures relate to the following key areas:

- **Strengthening the Economy** – this will include tracking the significant impact this strategy will make to the Scottish GDP. It is projected by Dunedin Canmore that the operating and capital spend over the 2020-25 period is estimated to support up to 530 jobs, training places and apprenticeships annually and have a total impact up to £140m on GDP.
- **Reducing Poverty and Improving Wellbeing** – this will include measuring how we are reducing the cost of running a home and tracking the positive impact of our support services are making to both customers' financial circumstances and overall wellbeing and resilience.
- **Improving our Environment and Mitigating Climate Change** – this will include reducing our corporate carbon footprint by 50% (from 2012 baseline), reducing the $CO_2$ emissions in our Wheatley homes by at least 1,000 tonnes and raising the environmental standard of our New Build homes making them more energy efficient and cheaper to run.
- **Strengthening our communities** – this will include increasing customers' social capital, expanding our engagement methods and measuring the positive impact this is making to our customers and our communities. We will also track how our increased community cohesion is helping to make our neighbourhoods more 'peaceful'.



## *Our 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 fulfil their potential
- **Trust** – we inspire customers and staff ...to shape the future.

# 1. DELIVERING EXCEPTIONAL CUSTOMER EXPERIENCE

Excellence is embedded in Dunedin Canmore's culture and we want to build on this foundation of excellence to deliver even more outstanding services.

Our vision is that services will be easy to access and feel seamless for our customers. We'll have a renewed focus on their overall 'experience' with us, seeking to improve our existing high levels of customer satisfaction.

Following our past success in achieving top quartile performance, we will work with our customers to define what 'outstanding' service means to them now and what it will mean in future. Understanding what creates value for our customers will help us improve services and track the impact of changes we make.

We will prioritise services which mean most to customers and engage with customer groups who tell us they are less satisfied so we better understand their needs.

We want to offer quick resolutions to issues which affect how satisfied people feel with our services. That's why we'll build engagement channels into the development of services so that we capture and respond to customer feedback.

Analysis shows that families tend to be less satisfied as they struggle to deal with competing demands on their time and money so we will develop a Whole Family Approach to support them through every stage of life.

Our new **Whole Family Approach** is focused on improving outcomes for Dunedin Canmore's families. Children and young people will become part of decision-making in our neighbourhoods, such as assessing our environments and reflecting on how safe and child-friendly they are. In our homes, we'll look to develop more child-friendly features such as better storage for family equipment such as bicycles. New-build homes will be designed to suit modern family living. As children grow we will support families with employment and training opportunities through the Wheatley Foundation. Young adult children in our homes will be offered a housing options consultation as they consider setting up their own home.

We will **drive digital transformation to deliver innovative solutions to issues facing Dunedin Canmore and our customers**, building thriving customer communities online as well as in the real world.

Our digital-based services, such as GoMobile and MyHousing, will continue to help us strengthen our **customer insight**, ensuring we can meet the different needs of customers. We will **work with partners locally and nationally** to **anticipate the profile and demography of our future customers** as well as the issues they will face in 2025 and beyond.

We will re-design the way we engage with customers. Enabling them to have more choices and control to make changes that are important to them. **Co-designing the transformation of our services** with our customers will ensure **no one is left behind**. This will build on the work we already do with our Customer Panel but will extend the range of customers who can become involved in co-designing services and extend the methods of co-design to appeal to this wider range of customers. Services will be tailored to meet the specific needs of customer groups, whether they are delivered digitally or face to face. We will encourage a diverse range of customers to talk about their experiences and the **issues that matter to them** and will encourage our **customers to challenge our performance** and outcomes.

Our co-design process will focus on the key customer journeys of repairs, allocations, complaints and anti-social behaviour as customers have told us these are the most important areas of service for them.

We will demonstrate Dunedin Canmore's progress towards the outcomes under **Delivering exceptional customer experience** through the following key performance indicators.

## *Our key performance indicators:*

- Overall customer satisfaction above 90%
- Implement "Rate it" score from book it, track it, rate it repairs approach and aim to improve performance by 10%
- Tenant satisfaction with value for money maintained at 85%
- Implement new approach to recording satisfaction with how complaints are handled and improve performance by 10% points over the strategy period
- Overall satisfaction amongst households with children improved to 90%
- 90% tenant satisfaction with the opportunities given to participate in our decision making
- 95% of customers actively engaged in shaping services feel they participate in decision making
- Satisfaction with the process of getting my new home is improved by 10% points
- Meet the agreed contributions to accommodation for homeless households in each local authority we operate in.

# 2. MAKING THE MOST OF OUR HOMES AND ASSETS

Our primary purpose of changing lives through providing quality homes remains unchanged. Building on the unparalleled success of the last five years we have set ourselves another challenging target. We will deliver a minimum of **960 new homes** between 2020 and 2025; with the potential for a further 400 subject to agreement from the Group's lenders to support an increased.

**Improving our existing customers' homes** remains a key strategic priority. We will use our financial strengths to invest a further £29.5m over the next five years in improving, modernising and maintaining homes, in addition to £23m on repairs. This will allow us to reduce the levels of emergency, reactive and maintenance repairs which create inconvenience to our customers as well as being poor value for money.

The safety and security of customers will continue to be of paramount importance.

Our new **engagement model will place the customer at the heart of how we plan and design** our improvement programme and new-build developments. We will maximise the use of technology to engage a diverse range of customers across our geographical footprint in both the investment planning process and the development of our new homes. We will help customers to both design and visualise their new kitchen or bathroom. When pre-allocating our new homes customers will be able to decide on kitchen preferences and finishes to interior décor.

We will harness **technology** to make home life more convenient for our customers and to support people to live independently for as long as possible. This can range from installing aids or adaptations for older or disabled people to improving digital access for all our customers.

Through to 2025, the transformation of our services will provide scope for us to look at how we organise our office spaces. More **agile working patterns** will be more suited to touch-down points rather than assigned desk spaces. This will further support our approach of delivering our services from bases within communities from **flexible spaces which are shared with customers, social enterprises and new local businesses**. We will work with partners to support creative community hubs and workspaces that look and feel very different from traditional offices and provide added value for our customers.

We will ensure our people are equipped with the skills and confidence they need to successfully make this transition and will **develop ways of working so that no staff member feels isolated or unsupported** due to more flexible working patterns.

**A warm, safe and energy efficient home in the right location** is a **life changing experience** for a household that can transform health and well-being, educational attainment and life opportunities. Over the next five years our ambition is to make a giant leap forward on our journey towards our long term aims of becoming carbon neutral and eliminating fuel poverty. We will build on the success of our Energy 2020 programme which reflects our commitment to addressing fuel poverty and achieving the Scottishs Governments EESSH standard. This includes installation of efficient heating systems, enhanced insulation and LED common lighting.

The wider social and economic benefits from increased house building activity are well documented and the continuing scale of our programme will deliver significant benefits in employment, training and apprenticeship opportunities for our customers and communities.

Our **Wheatley 24** homes will be highly adaptable and can easily change as the needs of the household evolves. This means homes will support people at all stages of life creating truly 'lifetime homes'.

In addition to the added value this brings to our customers, it will deliver significant business benefits, including reducing tenancy turnover and future-proofing our homes against changing demographics. We will work with innovative development partners to ensure our **house types evolve, and that they are sustainable, connected and intelligent homes for the future. They will be built as efficiently as possible** with the most **limited impact on the environment**.

Our new engagement model will **encourage customers to help shape initial house designs** and offer opportunities to stay connected throughout the project.

This approach will place the customer at the heart of how we plan and design our new-build developments. We will adopt the same approach and principles for major improvement programmes.

**Tackling fuel poverty, improving energy-efficiency** and mitigating increases in energy costs for our customer base continues to be key. We will prioritise solutions for electrically heated homes that **enhance control and cost savings** for customers, and draw on external research to solve long-standing challenges for improving energy efficiency in non-standard construction types.

We will demonstrate Dunedin Canmore's progress towards the outcomes under **Make the most of our homes and assets** through the following key performance indicators.


## *Our key performance indicators:*

- Develop up to 1360 new homes across all tenures
- Invest £186.2m of new public and private finance in new build housing
- 95% of customers satisfied with their new-build home
- Invest £29.5m in improving, modernising and maintaining homes
- Achieve a 60:40 ratio of planned to reactive repairs
- Reduce the volume of emergency repairs by 10%
- Maintain existing tenant satisfaction with the quality of their home at over 90%.

# 3. CHANGING LIVES AND COMMUNITIES


By 2025, we want **our customers and our communities to be more resilient**. Many of our communities face multiple challenges with many customers experiencing poverty and inequality.

Through the Wheatley Foundation, our Care services and Wheatley 360, we provide a portfolio of wrap-around services and opportunities which help change Dunedin Canmore tenants and their families' lives and encourage individuals not just to harbour aspirations but also to realise them. The **Wheatley Works** programme will continue to grow, helping customers **into jobs, training or apprenticeships and** our **Wheatley bursaries** programme will support customers to attend higher education.

We will create targeted learning opportunities to prevent homelessness and to support new approaches to housing those households, who are homeless through **Rapid Rehousing and Housing First**, supporting the Scottish Government and our five local authority partners in delivering their 5-year plan. This will help to **strengthen the pathways for homeless people** to ensure that they can access the different types of support they may need, easily and at the time they need it.

We will support our older tenants to be as active and independent as possible. We will review the **Livingwell model** which is in place in the West of Wheatley Group with the intention of developing an enabling approach in Dunedin Canmore to allow older people to use their skills to support others. Our existing Group services including Care and Wheatley 360 will be maximised to deliver support to older people and also tailored for other households who need this type of support.

Over the last five years we worked with our customers and communities to ensure our **neighbourhoods are peaceful and places customers are proud to live**. Using both online and offline platforms and approaches we will **support local engagement** and **encourage customers to work together to design local solutions in response to local priorities** building resilience, skills and confidence so people can make things happen for themselves. Our **Community Improvement Partnership** approach will take communities from being merely safe to ones which are improving, peaceful and with high levels of satisfaction. This will be based on building a **confidence cycle** with communities which will support communities to become more resilient through increased confidence to report crimes and other issues. In turn, this will help Dunedin Canmore and our partners to make customers feel safe in their neighbourhood, and communities stronger and more peaceful. A key focus of this work will be in our city centre environments where we know there are more issues around safety and fear of crime/anti-social behaviour. This will be supplemented by our high quality environmental services and our strong focus on best quality fire safety provisions which will help to reduce the incidence of fires.

Building on our Locality Planning approach, we will take a lead role in **influencing** other organisations and agencies in the interests of our customers. This will involve establishing common objectives, agreed and co-ordinated approaches, shared data and common indicators of success.

**Loneliness** is a real issue for many people in our communities. Our aim will be to put the 'Neighbour' back into our neighbourhoods, creating a modern version of '**Neighbourliness**' as a hallmark of our communities by 2025. We will seek to **co-create** opportunities with a focus on supporting families, young people and overcoming isolation across the generations. **Digital neighbourhoods** will provide a virtual forum where our customers can connect to further support each other and co-create local solutions to improve their local community. Our forum will provide an easy location for people to advertise community events and help increase the use of key community spaces.

We will work with communities to co-create a '**Place Measure**' that reflects the criteria our customers identify as the hallmarks of a successful and resilient community. We have listened to our customers and we recognise the importance of **connectivity** for communities, and work to **influence the improvement of transport infrastructure and services** for our communities. We will use **Voice of the Customer real-time digital feedback** to track the impact and progress of all our new developments, when we carry out major investment work, and for Wheatley Foundation activities.

Involving customers in co-designing with us will ensure our services are tailored to meet the needs of particular groups, whether they are delivered digitally or face to face. **Designing our digital services to ensure they feel personal** will be crucial for ensuring our customers continue to feel we care about them and they have a strong connection with us even though engagement is through digital channels.

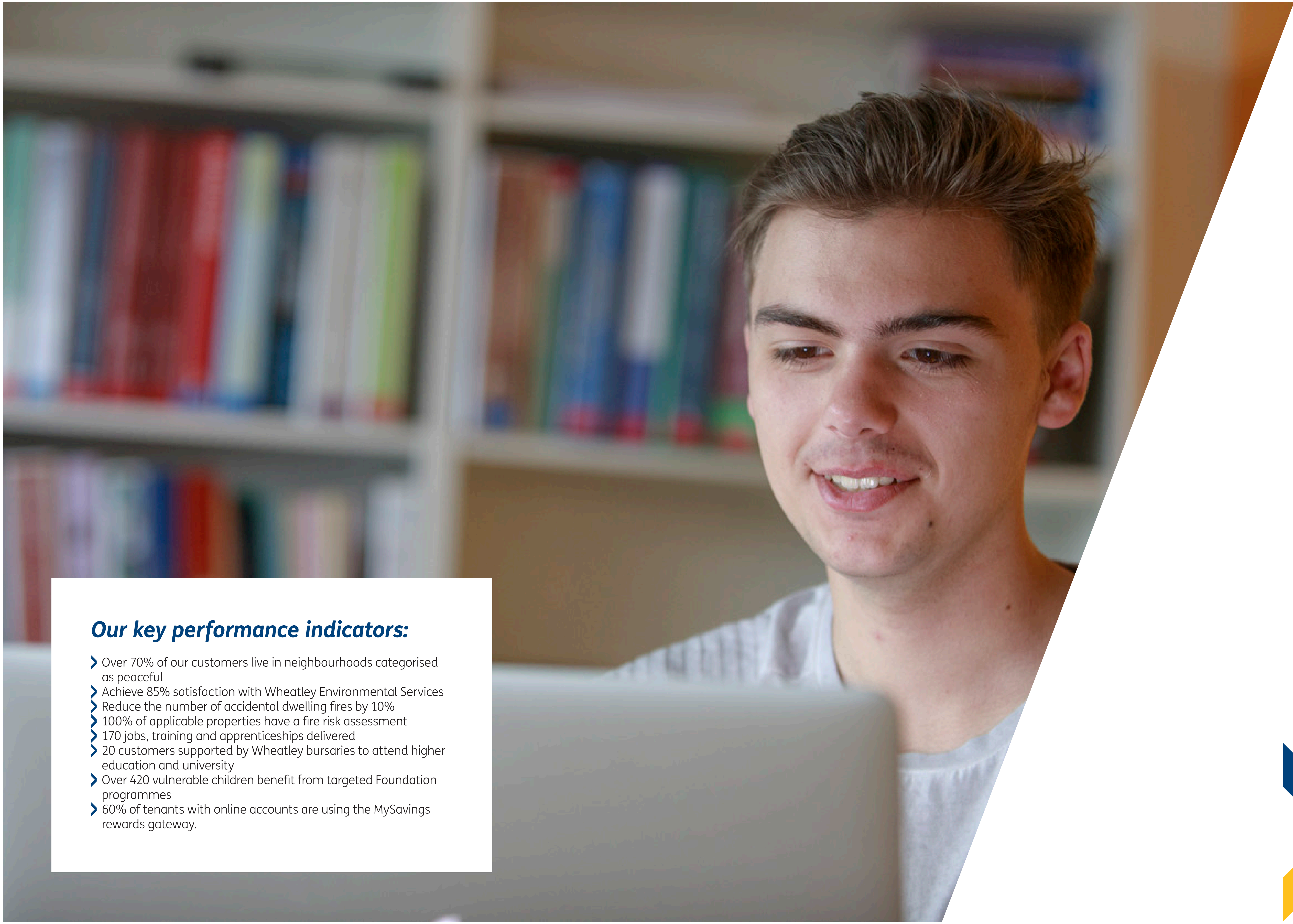
Extending our **Outcomes Star** approach from care into housing will help shift the balance of power and control to the customer and ensures the service they experience is personalised based on what is most important to them.

Our new **engagement models** will include an innovative **community led development approach**, involving our customers and wider communities in decision making at all the key stages of our work, whether it be new-build, in existing housing or around service development. As we move through key project milestones we will provide regular opportunities for communities and customers to re-engage, stimulating deeper and richer connection with the communities that we are investing.

**Tenant Control of Expenditure** – we will be open and transparent about how we are spending customers' money at both an individual and a community level, providing relevant performance information for customers to hold us accountable, and enabling customers to engage more meaningfully in decision making around repairs.

Our refined '**Community Benefit Model**' will involve engaging our customers and communities in identifying and prioritising the type of community benefits they most want to see derived from our investment in existing homes and new-build housing projects. We will continue to use our procurement frameworks to drive wider community benefits with our suppliers in order to expand the '**Wheatley Benefit for Customers**' providing them with a growing range of opportunities through the MySavings rewards gateway to save money and reduce the cost of running their home.

We will demonstrate Dunedin Canmore's progress towards the outcomes under **Changing lives and communities** through the following key performance indicators.



## *Our key performance indicators:*

- Over 70% of our customers live in neighbourhoods categorised as peaceful
- Achieve 85% satisfaction with Wheatley Environmental Services
- Reduce the number of accidental dwelling fires by 10%
- 100% of applicable properties have a fire risk assessment
- 170 jobs, training and apprenticeships delivered
- 20 customers supported by Wheatley bursaries to attend higher education and university
- Over 420 vulnerable children benefit from targeted Foundation programmes
- 60% of tenants with online accounts are using the MySavings rewards gateway.





# 4. DEVELOPING OUR SHARED CAPABILITY

Our ambition over the next five years is to stimulate innovation and learning in our communities as well as our workforce, enabling them to reach their potential for a brighter future for themselves and their families.

Our unique Think Yes culture inspires staff to develop innovative solutions and build insightful, trusting relationships with customers and communities. By 2025 our culture will have evolved still further under our **W.E. Think** approach so that our customers will increasingly be 'thinking yes' for themselves. As a result of our '**Think Yes Together**' culture, we will transform our culture and our thinking in order to create value for customers in different ways as they increasingly self-serve and build self-reliance.

The success of our transition towards self-directed services will require significant skill and capacity building for both staff and customers: **our shared capability**. As our service offerings change, the skill sets required to deliver them will also change. Investing in our people to ensure they have the exceptional skills, attitude, engagement and influence to deliver our strategic ambition will therefore be fundamental to our success. At the same time, building the capacity of our customers and communities over the next five years will be equally important in bringing about the new empowering relationship we are seeking to establish with them. We will create measures with both staff and customers on 'distance travelled', linked to our outcomes-based approach and showing the impact our staff make for their customers.

**W.E. Create** will drive innovation across all aspects of our business and in our communities. Dunedin Canmore tenants and communities will benefit from the creation of a **Community Academy**, taking the Academy on the road and into the heart of our communities with both **virtual and physical spaces** for innovation and learning. Creating environments and opportunities for our staff and customers to learn together will re-enforce our Think Yes Together culture. By 2025, our Community Academy will:

- embed customer driven learning, ensuring learning is designed with customer involvement
- focus on building individual capacity to help customers prepare for the world of work
- bring access to Wheatley Scholarships and apprenticeships to our customers' doorstep
- provide opportunities for customers to come into our business and get work experience through a Wheatley Customer Work Experience programme.

**W.E. Work** will deliver the transformational changes to our roles and operating model required to ensure this Strategy is delivered. For example, by 2025 our customer-facing roles will have evolved to include developing relationships of trust online, building the capacity of customers to do things for themselves, helping communities have a stronger voice, linking people with their neighbours, helping them being involved in activities and engaging with influence.

We anticipate the workforce of 2025 will be significantly different from the workforce of today; fully digital and increasingly looking for more flexible career models, work arrangements, reward programmes and career development opportunities. We predict that up to 75% of our workforce will no longer work a traditional Monday to Friday pattern by 2025. Our aim is to deliver a gradual and smooth transition towards a new workforce model that is more agile in responding efficiently to changes in customer requirements. We will:

- explore opportunities for **co-designing modern employment terms and conditions and working practices** that appeal to our evolving workforce and ensure maximum flexibility to meet changing needs
- **re-design our work roles**, rationalising and professionalising the number of different roles to reflect the creativity and agility of our staff to deliver our vision
- introduce a **new career marketplace platform**, putting staff in control of managing their own career and encouraging leaders to share talent for the benefit of the business
- value staff who are highly skilled in **building and managing relationships** and have the capacity to lead creative outcomes.

In addition, we will work to improve gender equality.

**Our Future 250** programme in Wheatley Group will provide a sought-after route for young people to develop their talent, attracting an external talent pipeline for our evolving business requirements. Each year, a cohort will be identified and provided with structured opportunities to move around the business to build their skills and experience portfolio, honing their talents and demonstrating their potential. At Dunedin Canmore we will encourage young people in our communities to engage with this programme and we will provide opportunities for those on the programme. We will demonstrate our progress towards the outcomes under **Developing our shaped capability** through the following key performance indicators.

## *Our key performance indicators:*

- Over 90% of staff say they feel appreciated for the work they do
- Staff absence is maintained at 3%
- Staff turnover remains at less than 7%
- Over 80% of customer's self-report positive distance travelled towards 'self-reliance'
- Improve gender equality
- 40% of promoted posts filled with internal candidates.

In addition to the above Dunedin Canmore specific KPIs, Dunedin Canmore will also contribute to and monitor against the following Group-wide KPIs:

- 50 graduates provided with opportunities to work and gain experience in our sectors
- 250 young people provided with structured opportunities to build their skills within the Group.

# 5. ENABLING OUR AMBITIONS

The funding platforms we put in place provide a strong basis to **raise the funding to support our ambitions**. However, new facilities will be required in the latter years of the strategy period and we will look to bond, bank and other potential sources to identify the most advantageous options. Access to Scottish Government grant, which was such a vital element of the new-build programme we delivered from 2015-20, will continue to be key to our ambitions.

Our continuing focus on social rented housing, supported by Scottish Government subsidy, will help in our objective to **maintain a strong credit rating and manage financial risks**. We will test our business plan against a set of financial golden rules and ensure we have mitigating actions ready to address a wide range of adverse scenarios and stresses.

By 2025 Dunedin Canmore's customers and staff will become the **most digitally enabled in Scotland**. Our **evolving digital platforms will help to support our activities and** provide a **rich portal** for customers to draw down services, save money on fuel bills, interact with their community and tap into a host of other benefits. Importantly, the transition that our customers and staff make to self-managed services must be both successful and sustainable as well as being based on offerings that fundamentally **improve services beyond that which is possible in an off-line environment**. To achieve this, we will optimise digital channels for customers to drive positive engagement and give them finger-tip access to the data they need to make informed decisions.

**Technology and digital innovation** will also **augment the work that is done by people** in the organisation. Creating a **single source of trusted, secure information** for all core front line staff will ensure our decision-making is informed in real time and that our decisions strategically, tactically and operationally are **intelligence led**.

To support our ambitions and ensure that our investments are properly focused on those areas that will realise both customer and business value, we will continue to mature our model for assessing digital investment to consider strategic fit, complexity, risk, people and quality measures as well as financial considerations. We will explore opportunities to measure the progress in our **digital maturity** against others in our sector and beyond.

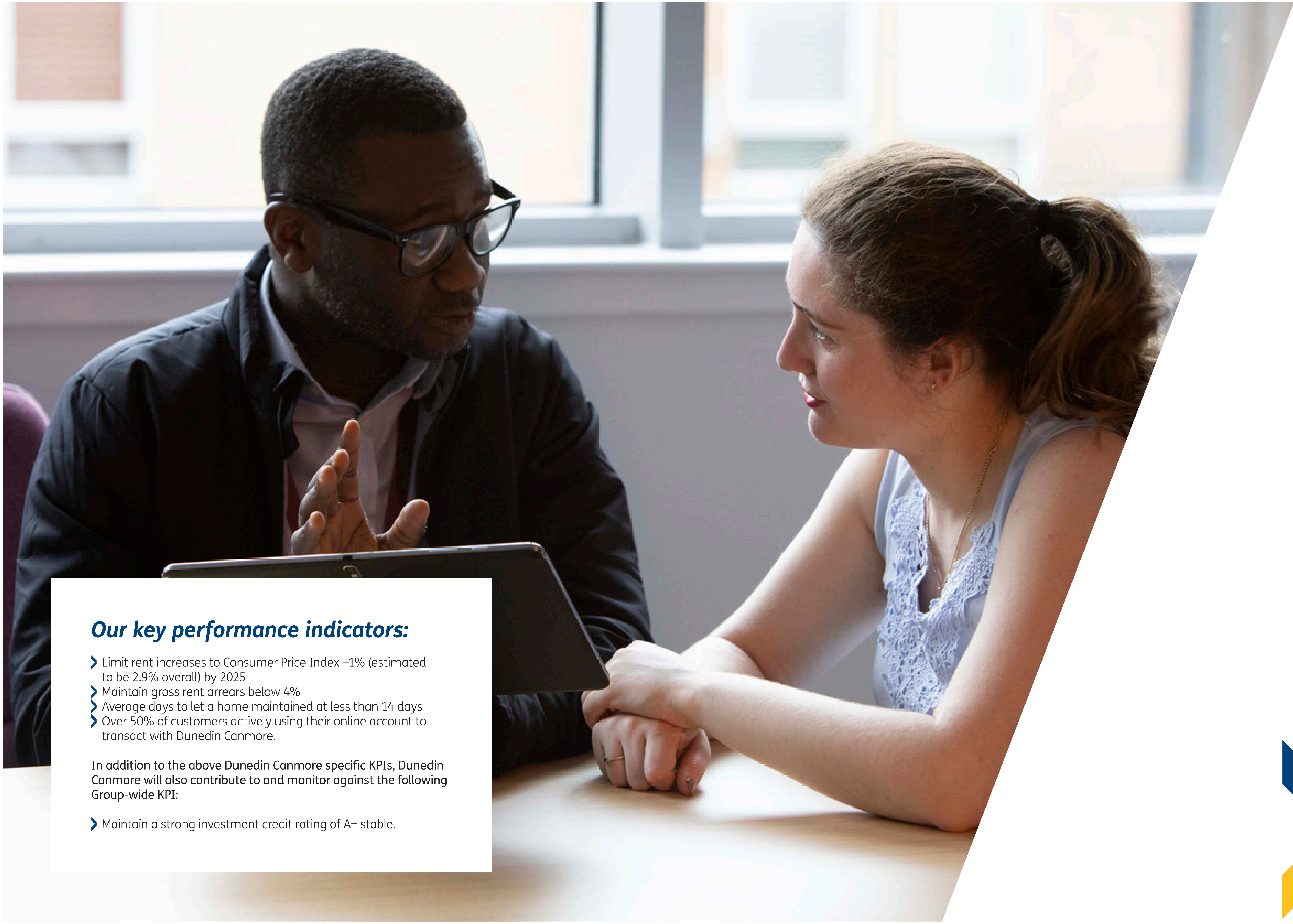
Our success over the last five years has ensured Wheatley has been accepted and recognised as a force for good in Scotland. Building on these strong foundations, we are well positioned to confidently and deliberately take a leading role on the UK and international stage **influencing locally and nationally to benefit our communities in Dunedin Canmore**.

Over the next five years Wheatley Group will also adopt an **international dimension** to our search for best practice. Identifying and exploring different ways of working and solutions developed across a broader range of contexts will stimulate and inform our thinking. This will **enhance our international profile and reputation** through showcasing our own role-model approaches across the world.

Dunedin Canmore staff will increasingly be **recognised as thought leaders and practice experts** in their particular discipline. Staff will increasingly liaise with, inform and **influence strategic decision makers** in Scotland through membership of committees and advisory groups.

As part of our evolving business intelligence approach we will map and maintain **strategic profiles** across our existing and potential future footprint. This will ensure we systematically identify new opportunities for growth and partnership working to maximum effect.

We will demonstrate Dunedin Canmore's progress towards the outcomes under **Enabling our ambitions** through the following key performance indicators.



## Our key performance indicators:

- Limit rent increases to Consumer Price Index +1% (estimated to be 2.9% overall) by 2025
- Maintain gross rent arrears below 4%
- Average days to let a home maintained at less than 14 days
- Over 50% of customers actively using their online account to transact with Dunedin Canmore.

In addition to the above Dunedin Canmore specific KPIs, Dunedin Canmore will also contribute to and monitor against the following Group-wide KPI:

- Maintain a strong investment credit rating of A+ stable.


**www.dunedincanmore.org.uk**

## Our values are what unites everyone at Wheatley

Wheatley Group

www.wheatley-group.com

**Wheatley Group**, Wheatley House
25 Cochrane street, GLASGOW G1 1HL

## Report

| | |
|---|---|
| **To: -** | **Dunedin Canmore Housing Board** |
| **By: -** | **Hazel Young, Managing Director**<br>**Stephen Devine, Director of Lowther and Business Growth** |
| **Approved by: -** | **Olga Clayton, Group Director of Housing and Care** |
| **Subject: -** | **Update on programme the proposal to transfer Barony housing stock** |
| **Date of Meeting: -** | **6 February 2020** |

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## 1. Purpose

1.1 This paper provides the Board with an update to the proposed transfer of Barony's housing stock to Dunedin Canmore and sets our next steps for agreement.

## 2. Authorising context

2.1 Under the Group Authorise/Manage/Monitor Matrix, the Dunedin Canmore Board has responsibility for authorising new operating/service delivery models in its areas.

## 3. Risk appetite and assessment

3.1 The possible transfer of stock from Barony is covered by the *Operating model (modernising services etc) category* in the Group's risk appetite framework. Risk appetite in this area is ***"Hungry"***. This level of risk tolerance is defined as "eager to be innovative and choose options offering potentially higher business rewards (despite greater inherent business risk)". The key high-level risks associated with the possible transfer of Barony's stock to Dunedin Canmore are:

| High level risk | Mitigation and controls |
|---|---|
| **Barony tenants do not agree the transfer** | • Develop a compelling offer for Barony tenants<br>• Engage Barony tenants in developing the offer to ensure they understand it and can shape it |
| **The transfer has an adverse impact on Dunedin Canmore's financial position or operation** | • Detailed business and operating planning to ensure the transfer adds value for Dunedin Canmore |

3.2 The update in this report addresses both these identified risks through providing results from the tenant ballot and due diligence on Barony respectively.

## 4. Background

4.1 The Dunedin Canmore Board agreed to the possible Transfer of Engagements (ToE) from Barony at its meeting in May 2019. The Board also noted progress, including the basis for tenant consultation at its August 2019 meeting and the tenant transfer proposal at its October 2019 meeting. If the transfer goes ahead, 131 properties owned and managed currently by Barony would transfer to Dunedin Canmore at nil cost along with its lease interests. The value of these assets and financial information relating to them are shown below.

| | |
|---|---|
| **Asset value (current stat accounts)** | £6.0m |
| **Net Income** | £1,000,000 |
| **Operating Costs (excluding depreciation)** | £600,000 |
| **Operating Profit** | £400,000 |

4.2 Going forward a particular priority will be on ensuring that Dunedin Canmore welcomes tenants transferring from Barony and that its expanded capability, especially with properties that meet particular care needs is understood among stakeholders.

4.3 Developing the possible transfer from Barony to Dunedin Canmore is part of wider restructuring which also includes combining Barony and Loretto Care's care operations in a one company (Loretto Care) and transferring Barony's housing stock in West Lothian to WLHP. The inter-dependencies between these aspects has been reflected in the approach taken to, and timing of, the transfer.

## 5. Discussion

5.1 Following the new care company being established the proposed transfer of Barony's housing stock involves 1) the transfer of Barony properties in West Lothian and Bo'ness to WLHP and 2) a Transfer of engagements from Barony to Dunedin Canmore (this paper) which will include its stock elsewhere (Edinburgh, Fife, Falkirk and Clackmannanshire) as well as all remaining Barony assets and liabilities.

5.2 To support the proposed transfers a detailed proposal on the implications for tenants was developed and consulted on. This included:

| Aspect | What was proposed |
|---|---|
| **Investment** | Accelerated and additional investment of up to £1 million to address identified need in properties |
| **Rents** | Rents increases capped at 2% for next 3 years |
| **Services** | No change, customers will continue to enjoy the same high quality housing and care services they have currently |
| **Landlord capacity/coverage** | Tenants would transfer from Barony to Dunedin Canmore and customer needs locally will be better served through becoming part of larger organisations |

5.3 In-depth, engagement and consultation took place with tenants on the proposal and the transfer more generally last year. As part of this, TPAS (Tenant participation Advisory Service) was available throughout to provide independent advice to tenants. Our tenant engagement included a ballot, that was conducted independently by Civica ERS, between 21 November 2019 and 18 December 2019 inclusive, in line with legislative requirements on potential transfers.

5.4 Overall 51.9% of eligible tenants (i.e. those with Scottish secure tenancy) in Barony voted in the ballot, with 83.6% tenants voting in favour and 16.4% against. The table below provides a breakdown in relation to tenants that would transfer to Dunedin Canmore.

| | Yes | No | Turnout |
|---|---|---|---|
| **Tenants transferring to Dunedin Canmore** | 69.4 %(25) | 30.6% (11) | 52.9% (36) |

5.5 In parallel with the successful ballot, light touch diligence – reflecting the extensive knowledge available on Barony and its operation in the group and the intra-group nature of the transfer - has been carried out on Barony. Diligence was focused on 3 particular areas:

| | Advisor | Purpose |
|---|---|---|
| **Tax** | EY | To ensure that the proposed transfer to Dunedin Canmore had no adverse implications |
| **Pension** | Spence and Partners | To ensure that Barony's existing pension arrangement did not present a risk to Dunedin Canmore or the group more generally |
| **Legal** | Harper MacLeod LLP | To ensure there were no unforeseen issues with Barony and that any liabilities associated with the transfer were well understood |

<u>Tax</u>

5.6 EY have reviewed the proposed transfer and advised that '*the transfer of BHA's remaining assets to DCH via transfer of engagements agreement should not result in any adverse corporation tax consequences, nor should the income derived from these assets be subject to corporation tax in DCH'*.

5.7 They have identified, as with Dunedin Canmore's activities currently, that rental income for social housing is exempt for VAT purposes and that VAT on costs that relate directly to these supplies should be irrecoverable. EY has identified that LBTT (land and building transaction tax) would apply to property purchases by Dunedin Canmore but that there is charities relief available provided the properties from Barony continue to be used by Dunedin Canmore for charitable purpose i.e. as Dunedin Canmore does now with its existing properties. Overall, there is nothing in EY's analysis at Appendix 1 to indicate, provided necessary steps are taken in completing applicable returns, that the transfer from Barony would result in tax liabilities for Dunedin Canmore.

Pensions

5.8 There are no pension related implications or liabilities for Dunedin Canmore as a result of the transfer.

5.9 [redacted]

5.10 The attached report from our pensions advisors, Spence and Partners at Appendix 2 provides further details on pension arrangement for information and assurance that necessary progress is being made.

Legal diligence

5.11 Harper MacLeod's legal due diligence report is provided at Appendix 3. This report confirms, as might be expected given our group structure, that there are minimal legal obligations specifically relating to Barony. In conclusion Harper MacLeod have indicated:

> *'as a general conclusion to our review, our findings are consistent with what in our experience might reasonably be expected of a Scottish registered social landlord of a similar size and breadth of activities to Barony, and we have not come across any particular matters or concerns which we regard as being sufficiently material for us to recommend that they should prevent DCH from proceeding with the transfer of engagements.'*

5.12 Key points from the report are listed below by section:

| Aspect | Key point |
|---|---|
| **Overview** | SHR formal consent is not needed, but Barony has to consult and ballot tenants (see 5.3 and 5.4 above)<br><br>Harper Macleod have not reviewed loan documentation but funder consent is required and in place subject to concluding CPs (conditions precedent). The Dunedin Canmore Board agreed the consent letter at its meeting on 10 October 2019.<br><br>Dunedin Canmore does not require to change its Rules for the ToE |

| | |
|---|---|
| **Corporate data and structure** | There is nothing in Barony Rules that presents material risk from the transfer to Dunedin Canmore |
| **Funding** | Provided, as Dunedin Canmore's is, through the Group WFL1 funding arrangements |
| **Corporate and commercial arrangements** | Barony has no standalone contracts (other than care related which are dealt with separately) out with Wheatley and there is nothing that would be subject to termination/alteration as a result of the transfer |
| **Assets (Excl heritable property)** | Barony has no notable material assets (other than the properties) |
| **Heritable properties** | See below |
| **Employment** | Not covered by Harpers – see 5.9 above for staff related aspects |
| **Pensions** | Not covered by Harpers – see Separate Spence report |
| **Intellectual property rights** | No rights held, owned etc by Barony |
| **Computer systems** | Provided, and will continue to be provided, by Wheatley Solutions |
| **Litigation** | No material on-going litigation etc |
| **Insurance** | No circumstance likely to give rise to a claim, and nothing that will make arrangements invalid |
| **Consents** | Has all necessary consents, licences etc |
| **Environmental** | Not aware of any complaints or breeches |
| **Health and Safety** | Not aware of any investigation |
| **Tax** | No matters that are in dispute and Barony is up to date with filings – see 5.6 and 5.7 for specific analysis |
| **Compliance** | Confirmation that no circumstance etc are known that could cause compliance issues |
| **SHR/OSCR** | No notifiable events or investigations |
| **Any other matter** | Nothing that has not been disclosed that is important to Barony's operation |

5.13 As part of its diligence, Harper Macleod reviewed Barony heritable property – the stock that would transfer to Dunedin Canmore through the transfer of engagement. With a transfer of engagements there is no need for conveyancing because Dunedin Canmore effectively replaces Barony in terms of title. Existing standard security associated with the properties is also expected to remain in place with no need to reconstitute the Security Trust deed as a consequence of the transfer to Dunedin Canmore.

5.14 The diligence highlights anomalies with some properties that are owned by Barony currently. None of these are identified as being material and they have existed since before Barony joined Wheatley. The report identifies various actions that might be taken to address the issues identified. Our normal approach has been to address such title anomalies as and when required (e.g. as part of securing the property). We have discussed this with Harper Macleod and they see no issue with maintaining this approach.

5.15 The diligence report identifies lease arrangements that Barony has with third parties as a landlord or tenant. These leases are required and continuing under tacit approval, except for the lease on Barony's headquarters (Canal Ct) which will expire in June 2020. Negotiations on-going on dilapidation costs and provision will be made as part of the transfer, so that costs are accrued and met from Barony resources.

5.16 In order to complete the ToE, Barony's shareholding members will need to agree specific resolutions over the course of two special general meetings. Dunedin Canmore's Board will also need to agree to the transfer at a Board meeting that is held between the two SGM. The timing of these meetings is likely to be around the end of March although this is still to be finalised. Precise timing will depend on the completion of activities as part of the wider restructuring of Barony; notably the transfers of stock to WLHP and care activities to Loretto Care.

## 6. Key issues and conclusions

6.1 The proposed ToE to Dunedin Canmore is progressing to plan. Identified risks including the need for Barony tenant to approve the transfer and diligence on Barony to ensure that the positive impact on Dunedin Canmore from the transfer is realised have been addressed. We are now working to conclude the transfer, taking account of the interdependencies with the wider restructuring involving Barony's care activities and properties that are not transferring to WLHP.

## 7. Value for money implications

7.1 The proposed transfer from Barony to Dunedin Canmore is expected to positively impact our *investment in homes* value driver through accelerating improvement works for tenants in homes that transfer from Barony.

## 8. Impact on financial projections

8.1 The impact of the proposed transfer from Barony has been assessed previously on the Dunedin Canmore business plans. No Issues have been identified as work has progressed to adversely impact the positive effect of the transfers presented previously or the Board's decision to progress the transfer.

8.2 Dunedin Canmore's business plans for 2020/21 includes the proposed changes being in place for the start of that financial year and is presented as a separate report to this meeting.

## 9. Legal, regulatory and charitable implications

9.1 Separate legal advice has been sought and due diligence undertaken on Barony, and no issues have been identified of significance to call into question what is proposed.

## 10. Partnership implications

10.1 Partners, including the SHR and funders have been kept informed throughout and we are working with them, as necessary, to conclude the aspects of the transfers that are applicable to them.

## 11. Implementation and deployment

11.1 The transfer of engagement to Dunedin Canmore will require various systems and operational changes including migrating to Dunedin Canmore's operating and performance management environment. A group wide implementation team bringing together expertise from Dunedin Canmore, finance, ICT, assurance etc has been established to ensure a smooth migration. We expect necessary changes to be in place in line with the proposed transfer.

## 12. Equalities impact

12.1 The particular needs of individual tenants were considered and support provided through Housing Officers and TPAS, as part of the consultation and engagement process.

## 13. Recommendations

13.1 The Dunedin Canmore Board is asked to:

1) note progress in developing the ToE from Barony including the positive result of the tenant ballot and findings from due diligence;
2) agree that the ToE be developed to a conclusion; and
3) note that a meeting of the Dunedin Canmore Board will be held to confirm the ToE, between the two Barony SGM that will be held for this purpose.

**List of Appendices**

Appendix 1 – EY's tax due diligence report [redacted]
Appendix 2 – Spence's pension due diligence [redacted]
Appendix 3 – Harper MacLeod's legal due diligence report [redacted]

## Report

| | |
|---|---|
| **To:** | **Dunedin Canmore Housing Board** |
| **By:** | **Elspeth Lang, Development Manager** |
| **Approved by:** | **Tom Barclay, Group Director of Property and Development** |
| **Subject:** | **Five Year Development Programme** |
| **Date of Meeting:** | **6 February 2020** |

---

### 1. Purpose

1.1 To advise the Board of the proposed five year development programme.

1.2 A presentation on the five year programme will be made at the meeting.

### 2. Authorising context

2.1 The overall strategic direction and associated priorities of the Group are reserved to the Wheatley Housing Group Board. In relation to the development programme, this includes the geographical areas in which we operate.

2.2 The responsibility for governance oversight of the Group development programme and the approval of new projects now rests with the Group Development Committee, in line with the Committee's terms of reference approved by the Wheatley Housing Group Board. This is in the context of the Dunedin Canmore Housing's approval of the five year development programme.

2.3 A copy of the Group five year development programme was presented to the Group Development Committee on 23 January 2020 will be presented to the Wheatley Housing Group Board in February 2020.

### 3. Risk appetite and assessment

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

3.2 Our future strategic direction envisages an ongoing development programme, beyond the assumptions in our current strategy. At Group level this is in the order of 650 units per annum. Our development programme represents a significant element of the Group's expenditure, in the form of borrowing to fund construction. We currently spend c.£100m every year across the Group on development-related activity.

3.3 The income from the construction of new homes represents a correspondingly significant element to increasing rental income to continue to service borrowing. Additionally, the development programme plays a key role in reducing unit management costs for developing RSLs, as overheads are spread over a greater number of units.

3.4 A key risk is that we do not identify a pipeline of development opportunities to realise our assumed development programme at Group and in the Dunedin Canmore Housing programme. This could lead to us not constructing enough units to repay our borrowing levels or achieve assumed reductions in management cost levels. A further headline risk is Grant availability beyond March 2021. This is a major focus across all developing RSLs and local authorities. It is likely to be later this calendar year (summer 2020) before there is housing budget certainty for 2021/22.

## 4. Background

4.1 Since joining the Group DCH has completed 585 new affordable homes with a further 232 units currently on site. Our current Group business plan assumes DCH complete 966 units of affordable housing new supply units over the five financial years from 2020/21.

4.2 Table 1 below sets out the DCH programme by year to 2024/25.

**Table 1 – DCH programme**

| RSL | 20/21 | 21/22 | 22/23 | 23/24 | 24/25 | Total |
|---|---|---|---|---|---|---|
| **DCH** | 0 | 185 | 248 | 321 | 212 | 966 |

## 5. Discussion

<u>Development Footprint</u>

5.1 An important consideration for our future pipeline is understanding the areas where opportunities may emerge. For DCH this will be driven by the respective local authority housing strategies and the Strategic Housing Investment Programmes that flow from them.

5.2 The Wheatley Group Board in April 2019 agreed that:

- **DCH** to continue to be the principal developer in Edinburgh and Lothians;
- our East Programme should extend to include Stirling local authority area;
- WLHP should retain its development footprint in West Lothian only;
- Cube and Loretto should extend their development footprint to include: Falkirk, Renfrewshire, East Dunbartonshire and South Lanarkshire council areas; and
- GHA will be our principal developer for the City of Glasgow, and over time will consider development in Greater Glasgow.

5.3 Under the proposals, our own strategic footprint would expand to include Stirling. We would develop in West Lothian alongside West Lothian Housing Partnership. In totality this would see our development footprint cover:

- City of Edinburgh;
- East Lothian;
- Midlothian;
- Stirling; and
- West Lothian.

5.4 Barony has identified a small number of potential re-provisioning requirements in Fife that could generate the need for a small number of new builds in the Fife authority area, circa 15 units. It is intended that DCH will undertake a limited development role in Fife to deliver this requirement if new build provision is required.

5.5 The planning of our development programme involves discussions with City of Edinburgh Council and East, Mid and West Lothian Councils, in their role as strategic housing and planning authorities. We also engage with City of Edinburgh and the Scottish Government as Grant funders. This is in addition to our work with a network of private sector developer contacts. A presentation on the five year development programme and the key strategic housing drivers, will be made at the Board meeting.

Development appraisal criteria

5.6 The Board in May 2019 approved the criteria as set out in in Table 2 below, that forms the basis for assessing new development opportunities for inclusion in DCH's five year development programme.

| Criteria | Measure/Test |
|---|---|
| **Local Housing Strategy** | Contribute to the Local Housing Strategy of the respective local authority. The project appraisal should detail which of the LHS outcome(s) the project will contribute. |
| **Building and strengthening strategic partnerships** | Contribute to strengthening our relationship with local authorities and developers. The appraisal will identify the strategic partnerships and/or relationships to which the project will contribute. |
| **Improving customer choice** | The housing mix will be developed in consultation with DCH Housing Management and respond to known and anticipated housing need for social rented housing and in conjunction with Lowther Homes for our future mid-market rent programme. |
| **Housing Market Areas** | Within the agreed local authority areas unless otherwise agreed with the Group Board and DCH Board. |
| **Internal Rate of Return** | The Internal Rate of Return shall be a minimum of 6.2% |
| **Debt** | Borrowing required would not exceed total assets. |
| **Borrowing** | Borrowing will be repaid within 30 years. |
| **Valuation Growth** | Projects will be valuation positive on our balance sheet and assumed to deliver valuation growth within 3 years. |

5.7 Where any of the criteria are not met the project may be referred by the Group Development Committee, where it considers there to be an exceptional reason for proceeding, to the DCH Board for consideration. If new opportunities arise in year that do not feature in the DCH approved five year development programme then those proposed projects will in the first instance be presented to the DCH Board for consideration.

5 Year Development Programme

5.8 Attached at appendix 1 is DCH's draft five year development programme. All RSL Boards will consider their own programmes during this cycle of meetings.

5.9 There are no programmed completions expected in 2020/21. This is in part due to early handovers at Lang Loan which had been contractually due to complete in 2020/21 but is now expected to complete early in 2019/20.

5.10 While no completions expected, there will be a high number of units under construction during the course of 2020/21. We expect there to be 8 projects providing over 500 units under construction by the end of 2020/21.

5.11 Over the course of the five year plan new developments are anticipated across all five local authority areas identified in DCH's development footprint.

5.12 We plan to deliver our opportunities with a range of private developer partners including Persimmon Homes, Cala Homes, Springfield and Dandara amongst others. The development at West Craigs will be procured through Wheatley's contractor framework.

## 6. Key issues and conclusions

6.1 DCH's five year development programme sets out an ambitious and challenging programme that would continue to see both DCH continue as a key delivery partner for Scottish Government in the provision of new supply affordable housing.

6.2 There remains uncertainty on the likely scale of funding for affordable housing beyond 2021. We will continue to stay closely engaged with senior Scottish Government officials in monitoring this position and will report back to the Board as future grant funding arrangements become clear.

## 7. Value for money implications

7.1 Value for money will continue as a key focus in the programme. This can be achieved via both our use of Group and external contractor frameworks and our consultant frameworks, combined with seeking to extend developer partnerships giving rise to more development opportunities.

7.2 This combination will allow us to achieve tangible benefits for tenants as increased efficiency can enable us to deliver better value for money.

## 8. Impact on financial projections

8.1 Our business plan assumes circa £186m of development over the next five years for DCH. Spend for 2020/21 is expected to be circa £23.5m. The successful delivery of the development programme helps us to realise the wider assumptions within DCH's financial projections. The summary of the development costs and grant over the next five years is presented in the table below:

| **New Build Programme** | | **2020/21** | **2021/22** | **2022/23** | **2023/24** | **2024/25** | **Total** |
|---|---|---|---|---|---|---|---|
| | | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Development Costs | | 23,577 | 45,770 | 57,789 | 26,516 | 32,410 | 186,063 |
| Grant Income (cash received) | | 15,135 | 33,684 | 18,033 | 7,855 | 17,777 | 92,483 |
| **Net Cost** | | **8,442** | **12,087** | **39,756** | **18,662** | **14,633** | **93,580** |
| Completed Units | | 0 | 185 | 248 | 321 | 212 | 966 |

## 9. Legal, regulatory and charitable implications

9.1 On a regular basis details of the Group development programme are shared with the Scottish Housing Regulator.

9.2 The Wheatley Solutions Property Legal Team continues to provide support to the programme through provision of advice supporting procurement, contracts and site acquisition.

## 10. Partnership implications

10.1 We seek funding agreements with the Scottish Government and the local authorities through inclusion of our projects with their Strategic Housing Investment Plan. Progress on the current year's grant programme is monitored through quarterly meetings with the Scottish Government, City of Edinburgh and the relevant local authorities.

10.2 DCH is a key partner in the delivery of affordable housing in Edinburgh. The council has made a commitment to deliver 20,000 new affordable homes between 2017-2027. We have 515 units either complete or under construction towards this target, with a further circa 500 Edinburgh units included for completion in the five year development plan.

10.3 We have recently been nominated by CEC as the preferred affordable provider for a number of new projects not currently included in the five year development programme, generating a future pipeline of over 700 units. These developments include Buileyon Road (South Queensferry, Cala Homes), Maybury Road (developers tbc) and Redford Barracks (developer tbc).

## 11. Equalities impact

11.1 Within the programmes, all new build units are designed to Housing with Varying Needs (Part 1). The inclusion of wheelchair units on a number of sites is a standard funding requirement.

## 12. Recommendations

12.1 The Board is asked to:

1) approve the DCH five year development programme as summarised in this report; and
2) note that the five year development programme will be reviewed annually and presented for approval to the Board, in conjunction with the presentation of the Group Business Plan.

## List of Appendices

Appendix 1 – DCH five year development programme

# Five Year Development Programme

DCH Board
6 February 2020
**Elspeth Lang**

| LA | Developer | Project Name | Tenure | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|---|---|
| CEC | Persimmon | South Gilmerton | Social | | 52 | | | |
| CEC | Cala | Newmills Rd, Balerno Ph 2 | Social | | 12 | | | |
| CEC | Cala | Newmills Rd, Balerno Ph 2 | MMR | | 15 | | | |
| ELC | Crudens | Longniddry | MMR | | 10 | | | |
| CEC | Springfield | The Wisp Ph3c | Social | | 34 | | | |
| ELC | Balfour Beatty | MacMerry | Social | | 36 | | | |
| CEC | Dandara | Kirkliston | Social | | 26 | | | |
| ELC | TBC | Wallyford Ph 2 | Social | | | 46 | | |
| ELC | TBC | Wallyford Ph 2 | MMR | | | 14 | | |
| CEC | TBC | Lanark Road | Social | | | 12 | | |
| CEC | Persimmon | Greendykes Ph 5 | Social | | | 25 | | |
| CEC | TBC | Edmonstone Ph 1 | Social | | | 60 | | |
| CEC | TBC | Edmonstone Ph 1 | MMR | | | 20 | | |
| CEC | Ediston | Dundas Street | TBC | | | 41 | | |
| CEC | TBC | West Craigs Plot 4 | Social | | | 30 | 60 | 22 |
| CEC | TBC | West Craigs Plot 4 | MMR | | | | 40 | |
| MLC | Culross | Newtongrange | Social | | | | 18 | |
| ELC | Persimmon | Old Craighall Phase 2 | Social | | | | 20 | |
| ELC | Persimmon | Old Craighall Phase 2 | MMR | | | | 18 | |
| MLC | Springfield | Bonnyrigg | Social | | | | 40 | |
| WLC | Springfield | Gavieside Ph1, Livingston | Social | | | | 85 | |
| WLC | Springfield | Gavieside Ph1, Livingston | MMR | | | | 40 | |
| CEC | TBC | West Craigs Plot 5 | Social | | | | | 80 |
| CEC | TBC | West Craigs Plot 5 | MMR | | | | | 60 |
| SC | TBC | Stirling project | Social | | | | | 10 |
| ELC | TBC | Wallyford Ph 3 | Social | | | | | 30 |
| ELC | TBC | Wallyford Ph 3 | MMR | | | | | 10 |
| | | | | **0** | **185** | **248** | **321** | **212** |

# Newmills Phase 2, Balerno

Dunedin Canmore

| SR | MMR |
|---|---|
| 12 | 15 |
| 27 | |

| | House | Flat | |
|---|---|---|---|
| 1 bed | | 10 | 10 |
| 2 bed | | 17 | 17 |
| 3 bed | | | |
| 4+ bed | | | |
| | | 27 | 27 |

# Newmills Phase 2, Balerno

Dunedin Canmore

# Longniddry Phase 1

| SR | MMR |
|---|---|
| | 10 |
| 10 | |

| | House | Flat | |
|---|---|---|---|
| 1 bed | | 6 | 6 |
| 2 bed | | 2 | 2 |
| 3 bed | 2 | | 2 |
| 4+ bed | | | |
| | 2 | 8 | 10 |

# Longniddry Phase 1

# The Wisp Ph3c

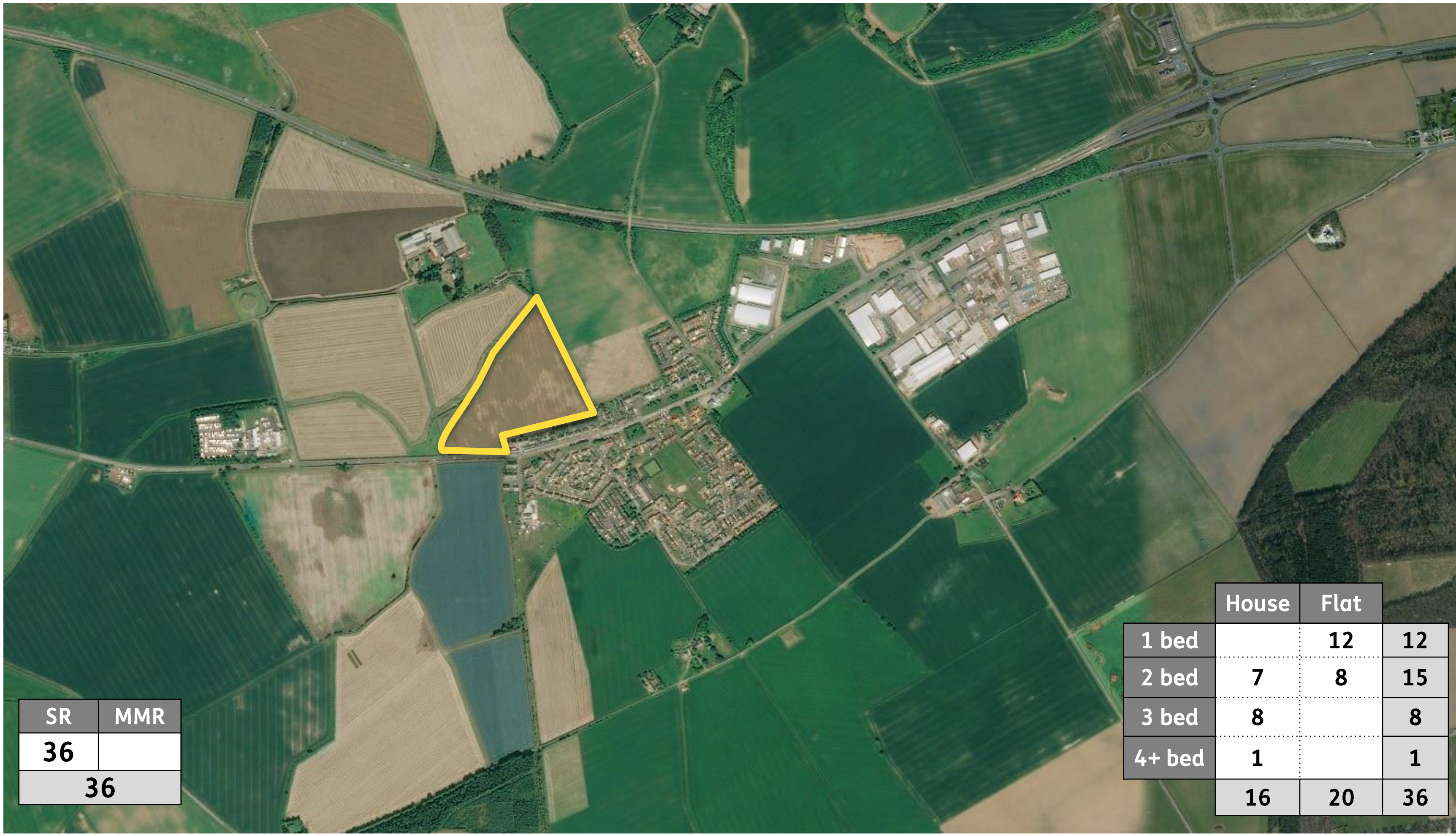
Dunedin Canmore

| | House | Flat | |
|---|---|---|---|
| 1 bed | | 8 | 8 |
| 2 bed | | 22 | 22 |
| 3 bed | | 4 | 4 |
| 4+ bed | | | |
| | | 34 | 34 |

| SR | MMR |
|---|---|
| 34 | |
| 34 | |

# The Wisp Ph3c

# Macmerry



| SR | MMR |
|---|---|
| 36 | |
| 36 | |

| | House | Flat | |
|---|---|---|---|
| 1 bed | | 12 | 12 |
| 2 bed | 7 | 8 | 15 |
| 3 bed | 8 | | 8 |
| 4+ bed | 1 | | 1 |
| | 16 | 20 | 36 |

# Macmerry

# Kirkliston

Dunedin Canmore


| SR | MMR |
|---|---|
| 26 | |
| 26 | |

| | House | Flat | |
|---|---|---|---|
| 1 bed | | | |
| 2 bed | 15 | 6 | 21 |
| 3 bed | 5 | | 5 |
| 4+ bed | | | |
| | 20 | 6 | 26 |

# Kirkliston

# Wallyford Ph2

| SR | MMR |
|---|---|
| 46 | 14 |
| 60 | |

| | House | Flat | |
|---|---|---|---|
| 1 bed | | 8 | 8 |
| 2 bed | 20 | 10 | 30 |
| 3 bed | 20 | | 20 |
| 4+ bed | 2 | | 2 |
| | 42 | 18 | 60 |

# Wallyford Ph2

# Lanark Road

| SR | MMR |
|---|---|
| 12 | |
| 12 | |

| | House | Flat | |
|---|---|---|---|
| 1 bed | | 8 | 8 |
| 2 bed | | 3 | 3 |
| 3 bed | | 1 | 1 |
| 4+ bed | | | |
| | | 12 | 12 |

# Greendykes Ph5


| SR | MMR |
|---|---|
| 25 | |
| 25 | |

| | House | Flat | |
|---|---|---|---|
| 1 bed | | | |
| 2 bed | 5 | | |
| 3 bed | 20 | | |
| 4+ bed | | | |
| | 25 | | 25 |

# Edmonstone

Dunedin Canmore

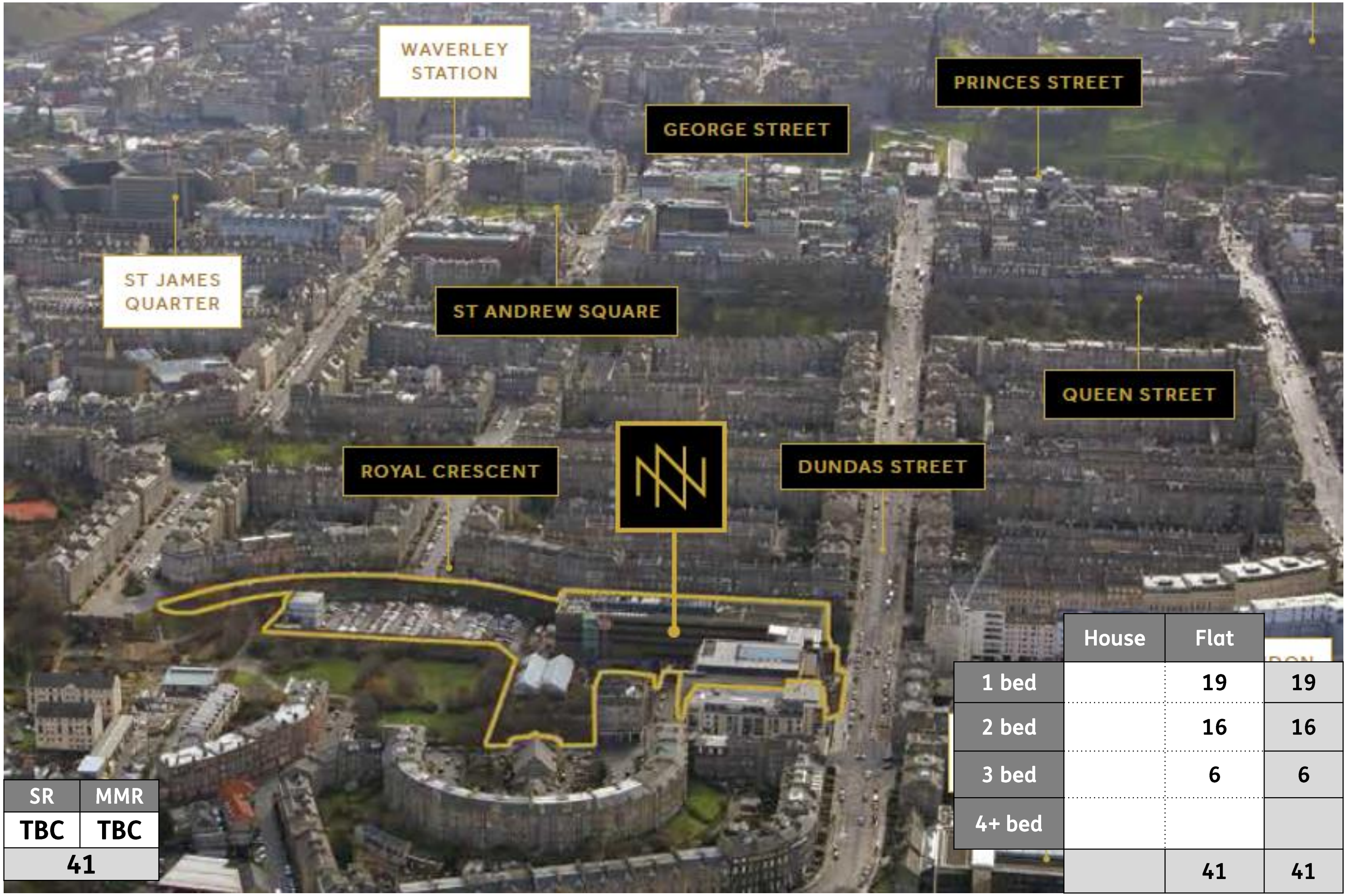
| SR | MMR |
|---|---|
| 60 | 20 |
| 80 | |

| | House | Flat | |
|---|---|---|---|
| 1 bed | | | |
| 2 bed | | | |
| 3 bed | | | |
| 4+ bed | | | |
| | TBC | TBC | |

# Edmonstone


CONSENTED DEVELOPMENT
CONSENTED DEVELOPMENT
ACCESS 2
PED CONN. TO OLD DALKEITH ROAD

# Dundas Street




| SR | MMR |
|---|---|
| TBC | TBC |
| 41 | |

| | House | Flat | |
|---|---|---|---|
| 1 bed | | 19 | 19 |
| 2 bed | | 16 | 16 |
| 3 bed | | 6 | 6 |
| 4+ bed | | | |
| | | 41 | 41 |

# West Craigs

# West Craigs Plot 4

Dunedin Canmore

| SR | MMR |
| --- | --- |
| 112 | 40 |
| 152 | |

| | House | Flat | |
| --- | --- | --- | --- |
| 1 bed | | 30 | 30 |
| 2 bed | 19 | 84 | 103 |
| 3 bed | 10 | 5 | 15 |
| 4+ bed | 4 | | 4 |
| | 33 | 119 | 152 |

# West Craigs Plot 4

# West Craigs Plot 5

Dunedin Canmore

| SR | MMR |
|---|---|
| 80 | 60 |
| 140 | |

| | House | Flat | |
|---|---|---|---|
| 1 bed | | 24 | 24 |
| 2 bed | 38 | 39 | 77 |
| 3 bed | 15 | 14 | 29 |
| 4+ bed | 10 | | 10 |
| | 63 | 77 | 140 |

# West Craigs Plot 5

# Morris Road, Newtongrange

Dunedin Canmore

| SR | MMR |
|---|---|
| 18 | |
| 18 | |

| | House | Flat | |
|---|---|---|---|
| 1 bed | | 2 | 2 |
| 2 bed | | 10 | 10 |
| 3 bed | 5 | 1 | 6 |
| 4+ bed | | | |
| | 5 | 13 | 18 |

# Morris Road, Newtongrange

corner of bryan's road and morris road elevation

Dunedin
Canmore

**To:** Dunedin Canmore Housing Board

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

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

**Subject:** Fire Safety update

**Date of Meeting:** 6 February 2020

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## 1. Purpose

1.1 The purpose of this report is:

- To present Board with a progress update on the on-going implementation of our Fire Prevention & Mitigation Framework (The Framework); and
- To provide Board with an update on the most recent outputs from the Scottish Government's Ministerial Working Group on Building and Fire Safety.

## 2. Authorising context

2.1 The Group's Authorise/Monitor/Manage (AMM) matrix sets out what matters are reserved to Boards/Committees and what is delegated to the Group Chief Executive. This report relates to strategy implementation, as such the proposals within the report fall within the powers that are delegated to the Group Chief Executive which are exercised via the Group Executive. Dunedin Canmore Board are responsible for monitoring service and performance within Dunedin Canmore.

## 3. Risk appetite and assessment

3.1 Our risk appetite relating to issues of technical compliance is averse, defined as avoidance of risk and uncertainty is a key organisational objective.

3.2 The Board reviewed "Delivering Safer Communities: Our Fire Prevention and Mitigation Framework" in2017. This report provides Board with assurance in relation to the on-going implementation of the Framework and our ability to respond to new guidance and legislation.

## 4. Background

4.1 Investing in our Futures (IioF) acknowledges that feeling safe and secure in their homes is of paramount importance to our customers and, in recognition of this, commits to a shared vision and passion for improving the homes and lives of those in our communities.

4.2 Over the last five years this high level strategic commitment has translated into the development and implementation of sector leading fire safety services that allows all Group Subsidiaries to evidence an outstanding record of preventing and mitigating the risk of fires.

4.3 In the years prior to the CIP the period 2003-12 GHA tenants accounted for 52% of all accidental dwelling fire fatalities in Glasgow. In the first four years of the partnership, between 2013-2016, zero fire fatalities were recorded in GHA/WG properties, this helped reduce the Groups fire fatalities to 16% of Glasgow's accidental dwelling fire fatalities between 2013-19. The high volume of HFSV completed in the past nine years has contributed to a 78% reduction in accidental dwelling fires comparing figures from 2011/12- 2018/19. In 2018/19 the Group increased HFSV from 1,550 to 2,812 an increase of 81% which had the positive effect of reducing accidental dwelling fires from 269 to 240 a reduction of 11%.

4.4 The CIP have only been able to start providing us with figures for Dunedin Canmore since October 2019. This is due to the way the Scottish Fire and Rescue Service segment their data. In this period there have been 2 accidental dwelling fires.

4.5 Our (CIP) Fire Safety Operating Model has already been recognised as a Fire Prevention Exemplar by the Scottish Governments, Building Safer Communities, and Unintentional Harm Hub. However, fire safety, and keeping our customers and communities as safe as they possibly can be, will always be of paramount importance to the Group; we will therefore continuously strive to innovate and set new standards for excellence in this extremely important area of work. This commitment to delivering unrivalled fire prevention and mitigation services has been carried over into our new Group 2020-2025 Strategy: Inspiring Ambition, Unleashing Potential, in which we clearly state that fire safety will remain a top priority. The DC strategy (also on tonight's agenda) also highlights fire safety as a top priority.

4.6 Our commitment to excellence in this area is further evidenced by our unique partnership approach with the Scottish Fire and Rescue Service (SFRS.) Developing ground-breaking partnerships such as this allowed us to jointly draft and agree our Fire Prevention Charter. The Charter, **the first of its kind in Scotland**, sets out our joint approach to further improving community safety, fire prevention and home safety, while also addressing inequality and enhancing the wellbeing of our customers.

4.7 As a key strategy for the Group, the Framework was approved by the Wheatley Board on 30th August 2017. It was recognised at this time that the Framework was particularly relevant to GHA and Cube, both of whom have a significant percentage of Multi-Storey Flats (MSFs) within their stock profile (circa 20% GHA & circa 50% Cube). However, this aspect is also of interest to the Dunedin Canmore Board, given that our reputation is affected by the reputation and performance of other RSL subsidiaries across Group. Following the 14th June 2017 Grenfell tragedy the Board has previously been provided with reassurance that the materials and systems used in our multi-storey investment programmes meet, and in many cases exceed, building standards and regulations for this type of property. None of the Group's MSFs have the same cladding material used in Grenfell and the MSF compartmentalisation design has been extremely successful in containing fires and ensuring, when they do occur, they do not spread to neighbouring apartments.

4.8 As a Group we are nationally and internationally recognised for defining excellence and have an outstanding record in delivering sector leading levels of service and innovation in all fields in which we operate. The development and implementation of our Fire Prevention and Mitigation Framework was yet another highly visible example of this and, importantly, it clearly demonstrated to our tenants, staff and partners the importance we place on ensuring our homes are constructed, managed and maintained in a way which maximises fire safety for our customers.

4.9 The Framework clearly sets out the range of ways in which we will take this forward and, by doing so; further improve the safety of tenants and customers whilst also continuing to protect our assets. These interventions have been set out against four ‘P’s or Pillars’: ***P**reventing and Protecting, **P**eople and Communities, **P**artnership and Collaboration and **P**ioneering Products and Services.*


4.10 On the 04th December 2019 the Scottish Government formally launched their Practical Fire Safety Guidance for Existing High Rise Domestic Buildings document. The Guidance is for those responsible for fire safety in high rise domestic buildings; this includes landlords, owners, managers, property factors, property advisors, managing agents, enforcing authorities and those assessing fire risk in high rise domestic buildings. It provides practical fire safety advice on how to prevent fires and reduce the risks from fires in high rise domestic buildings. It aims to assist the assessment of fire risk and the adequacy of existing fire safety measures. Its focus is on communal areas and aspects of building design in private accommodation which could affect the safety of others. The Guidance applies only to Scotland and is not mandatory.

4.11 The Guidance also makes reference to The Grenfell Tower Inquiry, set up to examine the circumstances leading up to and surrounding the fire at Grenfell Tower. The Phase 1 report of the Grenfell Inquiry was published on 30 October 2019. Within the Guidance the Scottish Government commits to studying the findings of the Phase 1 report and assessing if there are lessons to learn to further strengthen safety in buildings and then, if appropriate, to update their guidance accordingly.

4.12 In addition to the Guidance mentioned above the Scottish Government also launched their High Rise Fire Safety Campaign Leaflet (see Appendix 1) – ***‘Keeping yourself and others safe from fire in your high rise building’*** on the 04th December. The Government aims to deliver a copy of this leaflet to the occupiers of all high rise flats across Scotland in the coming weeks. Additional leaflets will also be available in libraries and community centres in the local authorities across Scotland which have been identified as containing high rise domestic property. **Importantly, both the leaflet and guidance strongly advocate the continued use of the Stay Put Policy in Scotland.**

## 5. Discussion

Delivering on our Fire Prevention and Mitigation Framework Commitments

5.1 We have a workplan across Group to ensure we deliver on the Framework. Detailed below is a summary of progress within Dunedin Canmore.

Preventing and Protecting

5.2 In delivering against the commitments in this Pillar we have carried out some significant investment.

5.3 We have completed 43% of our LD2 program at a cost of over £600k. We are installing a AICO hybrid system that radio links all detectors that will produce an event log of all activations for each property. Within the next few weeks we are carrying an out a pilot with the new Aico 3000 series that will allow live data to forwarded via a cloud based gateway. This information and event log can assist the CIP team with vulnerable customers.

5.4 We have completed fire mitigation works to 43 units at our retirement housing scheme Fraser Court, this work included new flat and corridor FD60 doors, new corridor ceilings and fire stopping at a cost of £150k.

5.5 We have commenced work to 85 units at 507-511 Gorgie Rd, that includes our 45 units retirement housing at Chesser Court, this work includes new FD60 flat doors at a cost of £85k.

5.6 We have completed works to 36 units at Malcom Court, this is the installation of new FD60 flat doors at a cost of £36k.

5.7 We have commenced work to 14 Units at Fitzgerald Place, the works include new FD60 doors at cost of £17k.

5.8 All work identified above will be completed by March 2020.

People and Communities

5.9 The development of this Pillar recognised the importance of designing and delivering services that are informed by a real understanding of the factors that put our tenants, customers and properties at risk of fire. Further, we also acknowledge the importance of our staff having the skills and knowledge to identify risk and make the appropriate referrals. Detailed below are examples of the recent progress delivered within this work-stream:

- Fire Risk Assessment training and qualifications for all Fire Safety Officers and Health & Safety Officers;
- The continued delivery of our mandatory Fire Safety Awareness training for all staff, with this being refreshed every 3 years; and
- Specialist training in fire door examination/maintenance for all our Fire Risk Assessors and a selection of investment officers, trades operatives and managers.

5.10 The CIP Fire Safety Officers continue to work closely with our Housing Officers and other frontline staff to identify vulnerable customers and provide sector leading fire safety products and services. From April- December 2019 the CIP Fire Safety Team have visited 28 vulnerable households and provided fire prevention products and services.

5.11 Our 'Stay Safe' fire safety campaign to raise awareness amongst our customers continues to be very successful. Our website has dedicated sections on fire safety and prevention. Our 'Stay Safe' content regularly appears on our Facebook and Twitter channels encouraging people to sign up for a home first safety visit and pushing people to the Stay Safe sections on our websites. Information on the following issues has been covered in our newsletters and Connect magazine:

| | | | | | |
|---|---|---|---|---|---|
| Mitigating the Risk of Scalding | Staying Safe at Xmas | Staying Safe from Falls | White Goods Safety | Home Fire Safety Visits | Smoke & Heat Detectors |

Partnership and Collaboration

5.12 The development of the draft **Fire Prevention Charter** with SFRS is a sector leading example of our approach to developing unique partnerships that enhance our ability to deliver fire prevention services. The Charter sets out our joint approach to further improving community safety, fire prevention and home safety, whilst addressing inequality and enhancing the wellbeing of our customers. Detailed below are examples of the recent progress delivered within this work-stream:

- The CIP SFRS Watch manager now has access to fire incident data for all Group Subsidiaries – we have been included in this since October 2019. This is updated onto PIMMS (our Group Asset Management database) twice weekly and is made available to all relevant staff; and
- The CIP has organised a meeting with the SFRS Deputy Assistant Chief Officer (Strategic Planning and Performance) to discuss the potential for creating a fire incident Business Intelligence Toolkit. This approach, similar to the one we previously developed with Police Scotland, will significantly improve our ability to map and analyse our data.

Pioneering Products and Services

5.13 We continually drive innovation in all that we do; developing pioneering fire safety products and services is no exception. Our approach to identifying and investing in new and innovative products and services is informed by a detailed and on-going analysis of the comprehensive data and intelligence sets that are now available to us.

5.14 Group are continuing to invest in our Microsoft Power BI platform that enables us to extract fire incident and vulnerable household intelligence rapidly and accurately. Our partners at SFRS have also invested in this platform and meetings with their strategic planning team will ensure that we can provide them with our maps and data and, by doing so, influencing the deployment of their Community Action Team resources. This approach will be used to jointly agree our future 'Fire Safety Days of Action'.

5.15 We know from Group fire incident data that 79% of all accidental dwelling fires are cooking related; this has resulted in us sourcing and purchasing a number of Air Fryers. These are now available to our FSOs to replace traditional chip pans that are being used by some of our most vulnerable and high risk customers.

Our Approach to Undertaking Fire Risk Assessments (FRAs)

5.16 A key commitment within our Framework is the development of a FRA Methodology that reflects current UK best practice. Best practice defines a robust FRA as a process involving the systematic evaluation of the factors that determine the hazard from fire, the likelihood that there will be a fire and the consequences if one were to occur. Building on these basic principles our Fire Safety Officers have developed a FRA methodology and, over the last few months, this has been tested in eleven GHA MSF blocks. Importantly, this methodology was created by one of the expert witnesses to the on-going Grenfell Enquiry and we are confident that it not only meets, but exceeds, the recommendations detailed with the Scottish Government Guidance. From an assurance perspective The Local Government Association (England & Wales) “Fire Safety in Purpose-Built Blocks of Flats” manual endorses our proposed methodology and the Chief Fire Officers’ Association also deems it to be suitable.

5.17 GHA and Cube are commencing with a detailed 3-yearly cycle of FRAs across all of their MSF stock. This will be supplemented, as per the Scottish Government Guidance with an annual review.

Scottish Government Practical fire safety guidance for existing specialised housing and other supported domestic accommodation

5.18 This guidance, currently at draft stage, has been designed to meet the needs of all individuals that may need additional support in terms of fire safety in domestic accommodation which is not already covered by the ‘relevant premise’ regime set out in the Fire Safety Regulations. It will cover homes of people who are vulnerable to the risk of fire by virtue of characteristics / conditions or behaviours which require an element of care / support e.g. retirement housing, supported housing, domestic care homes, other supported domestic accommodation.

5.19 It includes a two pillar approach which includes risk assessment of the individual and the building where they live. We are currently assessing the implications for our customers but expect to utilise our experience of undertaking fire safety risk assessments in homes of multiple occupation (HMOs) and undertaking home fire safety visits to meet the new requirements. The guidance is expected to be published by Scottish Government early in 2020.

## 6. Key issues and conclusions

6.1 The safety of our tenants and customers is of paramount concern to Dunedin Canmore and Wheatley Group. We already have an outstanding track record of fire prevention delivered through a range of proactive approaches.

6.2 The continued implementation of our Framework and approach to FRAs further builds on this, and clearly demonstrates to tenants and stakeholders our commitment to improving fire safety across our Group.

6.3 Our Framework commits us to substantial investment, which is funded from our investment and cyclical maintenance programmes. This physical investment is complimented by a range of awareness raising and behaviour changing programmes with staff, tenants and customers right across our group supported by the use of assistive technology to promote behaviour change.

6.4 We will continue to review and action, where appropriate, all relevant guidance that is issued by the Scottish Government.

## 7. Value for money implications

7.1 Two of the three key value drivers identified in our VFM framework were the repairs service offered to tenants and home improvements. The delivery of our Fire Prevention and Mitigation programme is directly linked to this as we continue to demonstrate to customers, through our maintenance and compliance works in relation to fire safety, our commitment to the safety of our tenants and the protection of their homes.

## 8. Finance implications

8.1 All current identified costs will be paid from existing investment and repairs budgets.

8.2 Should they become a legislative requirement, or part of the Scottish Government Guidance, implementing some of the recommendations would have a significant financial impact.

## 9. Legal, regulatory and charitable implications

9.1 Our Framework ensures that our practice is far beyond what is required in current legislation.

## 10. Partnership implications

10.1 Our Framework and Fire Safety Charter will ensure that we maintain and develop strong relationships with our partners across all the areas in which we operate, setting out our shared aims and priorities.

## 11. Implementation and deployment

11.1 The Group CIP operating model has introduced four fire safety officers. This wider CIP team coordinates activities across the Group drawing on resources from subsidiaries and Wheatley Solutions to deliver key elements, particularly around training, communications and raising awareness. This is further supplemented by the mandatory Fire Safety Management Training delivered by the Group Health & Safety team specifically for managers. This will provide further knowledge and understanding with respect to roles, responsibilities and expectations.

11.2 The Group's approach to fire safety compliance and assurance is set out in the Group Health and Safety policy and is supported by a single group-wide health and safety management system. The first line of assurance is provided by the Group Health and Safety team who monitor compliance through a performance framework. The second line of assurance is through the regular review of fire safety compliance through the Fire Liaison steering group, lead by the Executive Director of Property & Development. The second line of assurance is provided by the Group Assurance team. Updates on fire safety compliance are regularly provided to Dunedin Canmore and other boards across the Group. The third line of assurance is through providing assurance to the Audit Committee. An audit of fire safety compliance is planned for early 2020. Its findings will be reported to the Audit Committee in 2020.

## 12. Equalities impact

12.1 No negative equalities impacts have been identified.

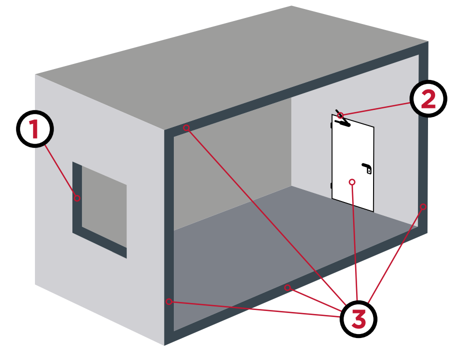
## 13. Recommendation

13.1 The Board is asked to note the annual update of the implementation of the Framework.

## List of Appendices

Appendix 1 – High Rise Fire Safety campaign

## WHAT TO DO IF THERE IS A FIRE IN YOUR BUILDING




**1** Fire resisting cavity barriers around windows

**2** Self closing device (various kinds)

**3** Fire resisting door, walls and floors

### STAY PUT, STAY SAFE

Most high rise domestic buildings are built with the principle of 'stay put' in mind. This means that flats will be designed to resist the spread of fire. Because of this, a fire is not likely to spread from one flat to another.

If there is a fire in your building - but not in your flat - you should stay in your home and keep the front door closed **unless**:

- you are directly affected by heat, smoke or fire
- or the Fire and Rescue Service or Police tells you to get out

### IF YOU ARE TRAPPED

It is rare for people to be trapped by fire. If you are:

- Go to a 'safe room' which should have a window and a phone and gather everyone there.
- Call the Fire and Rescue Service and pack bedding or towels around the door to keep out smoke.
- Open the window to breathe clean air and try attracting attention by waving a sheet if it is safe to do so.

If you have any questions, you should speak to the person responsible for fire safety in your building.

## FOR MORE ADVICE

SCOTTISH FIRE AND RESCUE SERVICE
Working together for a safer Scotland

Safer Scotland
Scottish Government

# Keeping yourself and others safe from fire in your high rise building

Visit **www.firescotland.gov.uk**, or talk to your local firefighters. You'll find contact details on our website, in your local library and in the phone book.

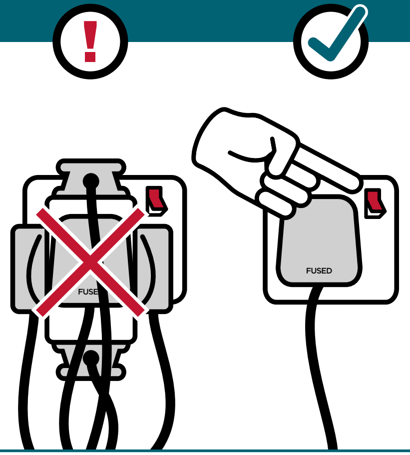
TO BOOK A FREE HOME SAFETY VISIT
**Call 0800 0731 999, Text 'FIRE' to 80800**
or visit **www.firescotland.gov.uk**

**IN AN EMERGENCY CALL 999**

**USE AND KEEP THIS LEAFLET**

Make sure everyone in your home is clear on these actions. Put it somewhere handy to remind you - pinned to the wall or the fridge door.

# ACTIONS TO STOP FIRES HAPPENING




## AT HOME

### IN THE KITCHEN

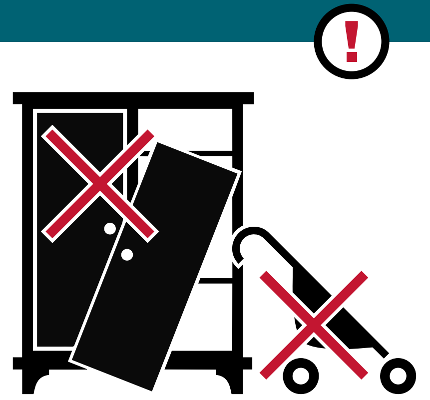
- Never leave cooking unattended - keep an eye on your cooker when it is on.
- Deep fat fryers or oven chips are much safer than using open chip pans.
- If you use a chip pan do not fill it up too much (no more than 1/3 full).

### SMOKING

- Make sure cigarettes are put out properly in a sturdy ashtray.
- Don't smoke in a chair if you have been drinking alcohol or feel sleepy.
- Do not smoke when sleepy or in bed.
- Keep lighters and matches away from children.

### ELECTRICS

- Do not overload sockets by plugging in too many electrical appliances.
- Turn electrical appliances off at the wall, this is safer than leaving them on standby.
- Don't leave appliances on when sleeping or out of the house - this includes washing machines, dishwashers and tumble dryers.



## COMMON AREAS

### STAIRS, HALLS AND CORRIDORS

- Make sure stairs, landings and corridors are clear for escape. Remove bikes, prams and other objects that could get in the way.
- If you have arranged for items to be taken away, do not leave these in common areas.
- Make sure all rubbish is disposed of properly using the communal bins provided.
- If you have questions about common areas, contact the person that manages your building.

# PREPARE FOR ESCAPE AND GET EARLY WARNING

## AT HOME

- Close all doors when you go to bed – especially the doors to the lounge and kitchen.
- Plan an escape route out of your home and keep it clear so you can leave quickly if you have to.
- Make sure everyone knows the escape plan.
- Make sure you've got working smoke and heat alarms, and test them weekly.

### IF YOU HAVE TO LEAVE

- Get out as quickly as you can, closing doors behind you to stop smoke and fire spread.
- Use the stairs to get down to the ground floor - never take the lift.
- Once you get out, call the Fire and Rescue Service and stay out.

### TO RAISE THE ALARM

If the fire is where you are - in your home or in a common area - leave the building immediately if it is safe to do so and **call the Fire and Rescue Service on 999.** Tell other residents if you can, but don't put yourself at risk.

**Report**

| | |
|---|---|
| **To:-** | **Dunedin Canmore Housing Board** |
| **By:-** | **Hazel Young, Managing Director** |
| **Approved by:-** | **Olga Clayton, Group Director of Housing and Care** |
| **Subject:-** | **Dunedin Harbour - Service Report and Governance Arrangements** |
| **Date of Meeting:-** | **6 February 2020** |

## 1. Purpose

1.1. The purpose of this paper is to provide an update on the homeless service provision of Dunedin Harbour and to provide an overview of the management and governance arrangement between Dunedin Canmore and the care subsidiary.

## 2. Authorising context

2.1. Under the terms of the Intra-Group Agreement it is the responsibility of Boards to monitor the performance of all services including regulatory and legislative compliance.

## 3. Risk appetite and assessment

3.1. The appetite for risk, in relation to care growth and diversification is 'open'. This level of risk tolerance is defined as; "Willing to choose the option that is most likely to result in successful delivery, whilst also providing an acceptable level of reward and value for money".

## 4. Background

4.1. In the latter part of 2019, the Executive Team, Care and Dunedin Canmore Boards agreed that the care subsidiary would assume management responsibility for Dunedin Harbour, to coincide with the development of one care company (from 1st February 2020). The key driver was to ensure that standards of service delivery remained consistently upheld across all care provision within group.

4.2. From early 2019 Care have been working more closely offering advice, support and services specifically in respect of contract negotiations, training, learning and development and care compliance and regulatory requirements.

4.3. In the latter quartile of 2019, Care Senior Management have been working closely with relevant colleagues in Dunedin Canmore to facilitate a smooth management transition to care. Primarily this has involved Senior Management Teams of both subsidiaries agreeing the management arrangements and priorities, reviewing Dunedin Harbour's existing contracts and working to build professional working relationships between the relevant personnel.

4.4. Dunedin Harbour has been providing supported temporary accommodation, funded by the City of Edinburgh Council (CEC), since February 2001. In response to the recommendations made by the Homelessness Task Force in the late 1990s, Dunedin Harbour was tasked by the CEC to provide accommodation that removed existing barriers which homeless people were experiencing. The service is therefore a 'wet hostel', where service users can consume alcohol in their own rooms.

4.5. The service also accommodates couples and pets. With regards to substance misuse, the hostel operates a proactive harm reduction approach. Throughout the 19 years Dunedin Harbour has been operating, it has successfully accommodated service users with complex and multiple needs, who have experienced great difficulty in maintaining accommodation in other services that are also designed for supporting complex need.

4.6. Dunedin Harbour is situated in Leith and the building is owned by Dunedin Canmore Housing. The property was formerly a council run hostel which was refurbished in 2002 to create high quality accommodation, consisting of a 35 bed hostel and 6 one bedroom self-contained flats. The hostel is comprised of 5 'flats', offering 25 bedrooms (a mix of single, twin and couple rooms), all of which have en-suite facilities and a shared kitchen.

4.7. Dunedin Harbour works closely with housing management colleagues, and collectively introduced a Nomination Agreement in 2007. This agreement has allowed the service to nominate service users from the 6 'Resettlement' flats onsite, for direct entry into mainstream tenancies. This created a mutual benefit for Dunedin Harbour, the housing service and individuals who use the service, as it provided a direct route into permanent accommodation from the hostel. Our housing service has benefited from gaining tenants who are equipped with support networks to manage well within their own tenancies, leading to increased levels of tenancy sustainment.

4.8. In 2014, Dunedin Harbour expanded its provision by creating an expanding Resettlement Scheme. This core and cluster model allowed the service to enhance the staged programme of resettlement, providing service users with the opportunity to gain independent living skills and continuing support. This scheme aims to help build each individual's confidence so that they can manage a tenancy independently. The scheme is currently comprised of 16 flats, with a dedicated Resettlement Worker, who provides support. This has created a seamless pathway into permanent accommodation.

4.9. The staged programme of resettlement, which encompasses the three elements of homeless provision at Dunedin Harbour, is known as "Positive Pathways". From moving into the hostel, all service users have the opportunity to progress through the supported or resettlement flats into their own tenancy. Dunedin Harbour is the only service in Edinburgh that can offer this complete pathway out of homelessness. It also allows our service users to build trusting and supportive relationships with staff throughout that journey. This is a critical element, as many of our service users have experienced trauma in their lives, and building trust is vital to accessing the required support and achieving successful resettlement.

4.10. The Registered Manager for Dunedin Harbour is accompanied in the team by 2 Deputy Managers and 10 Project Workers who provide support, assessment and monitoring. The team work shifts and there are 3 members of staff available on each shift to create the necessary capacity and fulfil support ratios. A dedicated nightshift team of 4 Support Assistants provide crisis support interventions and maintain the safety and security of the building throughout the night (currently a 2 staff cover).

4.11. The service provides 24hr residential support, with a waking nightshift.

4.12. The staff complement across the service is:

| Grade | Whole Time Equivalent |
|---|---|
| Service Manager | 1.0 |
| Deputy Managers | 2.0 |
| Project Workers | 10.0 |
| Nightshift Support Assistants | 4.0 |
| Resettlement Worker | 1.0 |

## 5 Discussion

The scope of the service provision

5.1. All referrals to the service are currently made by CEC for individuals who are assessed as non-intentionally homeless, and who have a local connection. Service users are accommodated until permanent housing is accessed.

5.2. The vast majority of service users present to the hostel with multiple complex needs, inclusive of housing need. Common support needs are mental and physical health, a history of trauma, and drug and alcohol misuse. Staff work with individual service users to identify support needs and create a Personal Support Plan.

5.3. The service is committed to building trust with the people who use the service, and enabling them to recognise and address their own support needs. The central aim of the hostel is to help service users to develop independent living skills and encourage them to find positive activities which support them with their general wellbeing; consequently, building personal confidence and resilience.

5.4. Dunedin Harbour is currently commissioned by the City of Edinburgh Council (CEC) to provide temporary accommodation, and was awarded a contract for 3 years from July 2019 on the Accommodation with Support Framework. This framework is intended for individuals with low to medium support needs. It was acknowledged by CEC, at the time of the contract implementation, that all service users accommodated within Dunedin Harbour had complex and multiple needs. At a re-provisioning meeting held in November 2019, attended by the Senior Management Team from Care along with management representation from Dunedin Harbour, CEC stated that there were no funds available to make retrospective payments. However, CEC suggested they could make a business case for Dunedin Harbour to move onto a Complex Needs Framework.

5.5 At this time, CEC also invited Dunedin Harbour to move onto the Rapid Access Framework (CEC's preferred option), which would result in individuals being referred from outreach work, and result in a higher rate of payment per person.

5.6. In collaboration with the management team at Dunedin Harbour, the Care Senior Management Team have begun to explore this option based on its financial and legal viability. The change in contract would provide Dunedin Harbour with sufficient funds to implement a staffing complement that supports the complex nature of support offered on a 24 hour basis. Additionally, the Senior Care Management Team will lead Dunedin Harbour in complying with registration requirements by the Care Inspectorate by providing them with an update on the new management arrangements under the developing 'one care company'.

5.7. In-line with outcome and evaluation tools utilised by Care, Dunedin Harbour utilises Outcome Star for the purposes of support planning, monitoring and evaluation. The visual aspects of this tool have proven to be a very effective, as the service users are actively engaged in the identification of their own outcomes and goals.

5.8. Effectively, the tool allows the service to evidence the progress that individuals have made and the work that remains to be undertaken to help individuals secure their own tenancy. Moving forward, individual progressive journeys will be evidenced, measured and recorded through the care subsidiary's Key Performance Indicators - the analysis of which will influence the development of the service.

<u>Multidisciplinary working</u>

5.9. A primary focus is to signpost/refer individuals who use the service to a range of statutory and voluntary organisations for ongoing support (that cannot be offered by the hostel staff). The experienced staff team, who run the hostel, have an in-depth knowledge of the sector and have established a number of close professional working relationships with key partners to ensure that individuals receive the support they need when they move onto permanent accommodation.

Regulatory requirements - Care Inspectorate

5.10. Dunedin Harbour is a registered Housing Support Service with the Care Inspectorate.

5.11. The most recent inspection was completed on 16th May 2017, with the service achieving grades of:

6 – Excellent, for “Quality of Care and Support”; and
6 – Excellent, for “Quality of Management and Leadership”.

5.12. Eight people returned Care Standard Questionnaires. Two of the eight “agreed” and the other six “strongly agreed” that they were happy with the quality of support provided by Dunedin Harbour. Comments included:

*“Great staff, gives you a good start to life”*

*“I really rate Dunedin. 5 stars as it’s a great hostel”*

*“I feel that the service here has helped me no end and I’m lucky. In fact very helpful and I come up leaps and bounds since being aware of the support”*

5.13. The Care Inspectorate Officer also spoke with three service users during the visit. They were all happy with the service, spoke highly of staff and informed them about the positive difference the service had made in their lives. One person told them:

“*all the support you need and want is there, but you have to want to use it”*

5.14. In summary, the report stated that the vast majority of people achieved positive outcomes from using the service. As a result, they took the next step to permanent housing, moved to a permanent tenancy, reduced their alcohol and drug use and/or improved their mental and physical health.

5.15. The service had introduced Outcomes Star to further improve people’s control over their support. Everyone was very positive about how this helped to empower choice about the changes individuals needed and wanted to make, what they could do to make those changes and what support they needed.

5.16. People expressed a confidence in project staff. They found them knowledgeable, experienced, approachable, available and respectful. They said:

*“The staff are so respectful. They help you with anything and I am happy with the service. I get all the help I need.”*

*“The staff are brilliant. It is a high standard of care.”*

5.17 The inspection report added that staff were excellent at getting alongside people so they could use the right services; they were good at judging the level of support needed.

5.18 People benefited from experienced managers who encourage strong leadership; staff felt valued, listened to and well supported. Overall the service provides excellent support to it residents and staff.

5.19 Dunedin Harbour has implemented a Service Improvement Plan, which is reviewed and updated annually, to ensure that quality and improvement of delivery of services is continuously sought. The most notable improvement since the last inspection has been a focus on becoming more trauma aware.

5.20 The service had previously invested in a significant amount of development around Psychologically Informed Environments (PIE), which laid the foundations to further understand the effects of trauma and the challenges this presents when engaging with service users. Namely, this involves working with individuals who are reluctant to build trusting relationships. Subsequently, the hostel has invested in further staff development to gain a greater understanding of individual trauma related behaviour, such as self-destructive traits and a reluctance to interact with staff in a positive way.

5.21 This has proven to be of great help to staff, and has been implemented in a practical way, especially when dealing with challenging situations. This development work was further supported by some fantastic joint working with the Willow Project, who support young women with mental health issues.

Staffing – SSSC compliance and SVQ

5.22 In-line with legislative requirements, from 1 October 2018, all new staff employed by Dunedin Harbour are required to be registered with the SSSC within 6 months of starting in post. There was a planned/phased programme in place for the registration of existing staff and they are now all registered.

5.23 All permanent staff at Dunedin Harbour have gained, or are currently working towards SVQ Level 3 Health & Social Care. This is above the regulatory requirement but aligns to the standard the service believes meets the level of knowledge required to provide a high quality of service, in a challenging environment. The service has continued to be successful in gaining grant funding from the Voluntary Sector Development Fund to meet the majority of these qualification costs, and now has a programme in place to ensure all relief staff can gain the level 3 qualification. The management team are all qualified at SVQ level 4 and also hold the Management and Leadership in Care award or equivalent for registration purposes.

5.24 Care will monitor compliance levels with Scottish Social Services Council (SSSC) registration and ensure that all requirements for professional registration, such as qualifications and continuous professional development (CPD), are met.

Achievements and Successes

5.25 During 2019, 72.5% of the people we work for made a positive move, securing suitable accommodation. 17% of these moved on through the internal Positive Pathways route and continued to sustain their secure accommodation afterward.

5.26 The Sensory Room located within the Hostel was an initiative implemented by a Project Worker in collaboration with service users. It provides a safe, calming and reflective space where individuals can go and relax. The room has music (MP3 player), various items to look at and touch, a weighted blanket and comfortable chair. It was decorated in muted colours with some artwork the service users created. Individuals who have used the room have spoken about how it has helped them and how much it means to know that there is a space they can go to when they are feeling overwhelmed.

5.27 Dunedin Harbour was fortunate to receive grant monies from the DC Foundation for Health and Wellbeing, and have utilised this to create a number of projects and activities. The staff asked service users for their ideas and invested in the following:

- Fitness equipment – Given the absence of a large dedicated space for fitness machines, smaller items were purchased that service users could use in their rooms or in the TV lounge. This included small weights, a pedal machine and other small items.

- Cooking Classes – A qualified teacher came to the hostel from Cyrenians (a voluntary organisation), and ran a 4 week certified course. The content included planning, budgeting and buying the ingredients to prepare a nutritiously balanced 3 course meal. Four service users attended the course and received a certificate for their contribution and engagement. Each attendee reported that they really enjoyed the course, and one went on to do a more advanced class with the Cyrenians Good Food Project.

- Wellbeing Class – Weekly sessions are facilitated by a qualified therapist, who teaches service users positive coping techniques to better manage their mental health.

- Music Group – This new weekly project is facilitated by a musician/producer. This group is inclusive as it is not focussed on musical ability but the enthusiasm to be involved.

- Art Materials – A range of art materials were purchased, for the purpose of therapeutic intervention, and have been used for group sessions and individual use.

5.28 A qualified Advisor provides Welfare Rights advice to individuals who reside within Dunedin Harbour. This is an invaluable service which has supported many service users to maximise their income and ensure they are in receipt of all of the benefits they are entitled to. Since the introduction of Universal Credit, access to this expertise has become even more salient to ensure that service users can successfully navigate the new system and avoid any sanctions. These sanctions ultimately impact on Housing Benefit claims, causing income issues, including income to pay for the service.

5.29 Since 2013 we have worked with the Scottish Drug Forum (SDF) as a placement provider for their Addictions Worker Trainee Programme (AWTP). All trainees must have previous addiction issues and can apply to participate in the programme once they have been abstinent for a period of 3 years. As often is the case, individuals with addiction issues have limited work experience and often a history of offending behaviour. The primary goals of the AWTP programme is to offer individuals the chance to build up a work history and develop new skills and qualifications. All trainees graduate with an SVQ2 in Health and Social Care. Dunedin Harbour has now provided placements for 7 years and all the trainees have made a significant contribution during their time here. In terms of positive outcomes resulting from this programme, the service has gone on to employ a number of the trainees. These individuals are now a valued part of our team and contribute a wealth of knowledge and personal experience to the project.

5.30 In order to provide a Psychologically Informed Environment, and help staff build their own resilience, the service introduced Practice Discussion Meetings several years ago. These meetings provide staff with a safe and confidential environment to discuss their feelings and develop coping mechanisms for working in a particularly emotionally challenging environment. As a result of the feedback from these meetings, the staff now engage in Practice Discussion Meetings weekly rather than fortnightly, to allow more staff to be involved and benefit from this support.

5.31 Both Deputy Managers and two Project Workers participated in development sessions, hosted by St. Columba's Hospice, that focussed on palliative care for homeless individuals. The development work was centred on case studies from Dunedin Harbour and other service providers such as health and social work. This is a very challenging area of support for staff to provide and this training was very helpful in terms of building knowledge from the perspective of multi-disciplinary working/intervention.

5.32 An undergraduate student from Heriot Watt University has approached the service to conduct research on the resilience of homeless people. Initial discussions have taken place about the potential impact of the research, and staff and service users alike have agreed to participate in interviews and complete questionnaires. This will start within the next month and once completed, and analysed, the findings will be fed back to all participants. Dunedin Harbour hopes to use these research findings to promote resilience in the individuals who pass through its doors.

Finance information

5.33 Currently the service is performing well financially with an operating surplus at period 9 favourable to budget by £66k at £119K.

5.34 Working more closely with the new care organisation will enhance the already excellent service provision at Dunedin Harbour and allow a collective view of Care across Group.

5.35 A service audit is being carried out with care senior management and the Harbours management team early February to determine the priority plan for 2020 to ensure resources are directly appropriately.

## 6 Key issues and conclusion

6.1. Dunedin Harbour currently offers niche services for homeless individuals with complex need in Edinburgh. Care are working collaboratively with Dunedin Harbour to review contracts and ensure they secure the rate of payment that aligns to the complex services delivered.

6.2. From 1st February 2020, Dunedin Harbour will be managed by Care with agreements reached about reporting cycles and performance reporting to DC Board and the Managing Director.

6.3. The groundwork for Dunedin Harbour’s management transition from Dunedin Canmore to Care began in 2019 to aid a seamless transition.

6.4. The excellent support and creative services already provided by Dunedin Harbour will be enhanced by working with Care and ensuring continuous improvement through the monitoring and evaluation of services rendered.

## 7. Impact on financial projections

7.1. The service is financially viable on the current funding levels to provide Accommodation with Support. Since 2017, Dunedin Harbour has not been funded at the correct level to adequately support service users with complex needs and robust discussions continue with senior CEC staff to rectify this.

7.2. If the service moves to the Rapid Access Accommodation Framework, which is currently being explored, there is potential to significantly increase the level of funding for the service, which would allow for the appropriate level of resources to support the implementation of the model e.g. an additional night shift worker.

7.3. A 40k annual management fee has been agreed between DC and Care.

## 8 Legal, regulatory and charitable implications

8.1 Discussions are underway with the Care Inspectorate to ensure they fully understand the management arrangement, purpose and implications.

## 9 Partnership implications

9.1. Since its inception, Dunedin Harbour has continued to build an excellent reputation for its care provision and support for complex need in Edinburgh and surrounding areas. In latter months, strengthening partnerships have been established between Dunedin Harbour and the care subsidiary. This partnership has instigated discussion with CEC regarding re-provisioning for its services, additional informed support and quality assurance in accordance with agreed care standards.

## 10 Implementation and deployment

10.1 The implementation plan has been agreed and is being deployed. Following service audit in February 2020 a full priority implementation plan will be developed.

## 11 Equalities impact

11.1. There is no direct impact from this report.

## 12 Recommendations

12.1. The Board is asked to:

1) Note the content of the report; and
2) Comment on the management arrangement between Care and Dunedin Canmore.

## Report

**To:** **Dunedin Canmore Housing Board**

**By:** **Morgan Kingston, Finance Manager**

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

**Subject:** **Finance Report for the period to 31 December 2019**

**Date of Meeting:** **6 February 2020**

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### 1. Purpose

1.1 The purpose of this report is to provide the Board with an overview of the finance report for the period to 31 December 2019.

### 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, the Board is responsible for the on-going monitoring of performance against agreed targets, including the on-going performance of its finances.

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".

### 4. Background

4.1 This report outlines performance against budget approved by the Board on 28 March 2019.

4.2 The appendices provide more detail on the financial results.

## 5. Discussion

Finance Report for Period to 31 December 2019

5.1 Dunedin Canmore has reported a statutory surplus of £4,770k for the period to 31 December 2019, which is £2,193k adverse to budget.

Key points to note:

- A strong letting performance for the period to date has resulted in a £90k favourable variance on the net rental income line at the end of the period. This is largely due to the early completion of new build properties at North Berwick and Greendykes which has meant additional rental income has been collected.

- Grant income recognised in the year of £4,564k relates to the completion of units at Ravelrig Road, North Berwick, Greendykes, Aberlady and Lang Loan.

- Other income is reporting a favourable variance of £104k to budget, and includes additional MMR lease income from Lowther Homes following the early completion of units at Ravelrig Road and North Berwick.

- Repairs and maintenance expenditure is £58k adverse to budget with the responsive repair line reporting a £236k adverse variance, partially offset by the cyclical repair line which is reporting a £177k favourable variance. There has been an increase of 10% in the number of responsive repair jobs year on year.

- Interest payable relates to the borrowing costs on our direct loans and borrowings from WFL1. This is reporting a £192k favourable variance in the year to date following lower than expected borrowings at March 2019.

5.2 Dunedin Canmore has reported net capital expenditure of £16,669k for the period to 31 December 2019, which is £295k lower than budget. Key points to note are:

- The variance of £4,588k on the investment income line relates to the timing of grant claims only; additional grant was claimed and received early, in Q4 of 2018/19. This is held on the balance sheet as deferred income until the development is complete.

- The core investment programme reports spend £1,030k higher than budget. This is primarily driven by accelerated works and high levels of capitalised repairs.

- New build spend is reporting spend of £5,945k lower than budget, driven by the delayed acquisition of the South Gilmerton site and the acceleration of spend at Gullane in Q4 of 2018/19.

Quarter 3 Forecast

5.3 The quarter 3 forecast shows a forecast operating surplus of £25,225k which is £1,390k lower than budget. The forecast statutory surplus of £17,747k is £1,198k adverse to budget. The main driver of this variance is the lower level of grant income recognised in the year, following early completions in 2018/19 at North Berwick, Greendykes, New Mills Road and Ravelrig Road as well as the budgeted new build development at Kirk Lane moving to the West Lothian Housing Partnership pipeline.

## 6. Funding update

6.1 At its meeting on 10 October 2019 the Board received an update on the development of the single care vehicle. As part of this, the Board considered and approved the consent and amendment letters to our funding agreements. These were required to (i) allow the activities of Barony Housing Association to be consolidated elsewhere within group so that (ii) Barony could thereafter be dissolved. Some of the amendments were required in order to reflect the factual position following the re-organisation, including a change to arrangements for Loretto Care's working capital facility.

6.2 At present, Loretto Care and Loretto Housing Association have a £1m on-lend agreement, allowing Loretto Housing Association to lend Loretto Care up to £1m from funds obtained via WFL1 (note that this facility has never been used). While the arrangement is currently directly between Loretto Housing Association and Loretto Care, the RSLs share the potential exposure to Loretto Care via the cross-collateral agreement in the WFL1 Limited facilities.

6.3 Following the creation of the new single care vehicle, the £1m on-lend agreement will no longer be a direct relationship between Loretto Housing Association and the single care vehicle. Instead, a new intra-group on-lend agreement would permit the new care vehicle to access a maximum amount of £1m from any of the RSLs. A copy of the agreement is attached at appendix 2. The exposure to WFL1 Limited remains unchanged; a maximum of £1m on-lending is permitted. Following the previous approval, it is our recommendation that the Board accept the current proposal presented.

6.4 As Barony Housing Association is also a guarantor for Syndicate and HSBC facilities, a letter of resignation will also be sent to each funder to request acceptance of the resignation from the facility agreement.

## 7. Value for money implications

7.1 Delivery of our cost efficiency targets is a key element of continuing to demonstrate value for money. Dunedin Canmore has reported a statutory surplus to 31 December of £4,770k, which is £2,193k adverse to budget. After excluding the impact of non-cash grant income, adjusted statutory surplus is £545k favourable to budget.

## 8. Impact on financial projections

8.1 The 2019/20 Business Plan was approved by the Board at the February 2019 meeting. No material changes have been noted since this date.

## 9. Legal, regulatory and charitable implications

9.1 No implications.

## 10. Equalities impact

10.1 Not applicable.

## 10. Recommendations

10.1 The Board is requested to:

1) Note the management accounts for the period to 31 December 2019; and
2) Approve the intra-group facility agreement and delegate authority to the Chair, any Board member, Group Chief Executive, Group Director of Finance, Director of Treasury or Group Company Secretary to sign this agreement.

### List of Appendices

Appendix 1: Period 9 – 31 December 2019, Finance Report
Appendix 2: Loretto Care intra-group facility agreement [redacted]

Dunedin Canmore

# Period to 31 December 2019
# Finance Report

# 1) Period 9 – Operating Statement

| | Year to 31 December 2019 | | | Full Year |
|---|---|---|---|---|
| | Actual £ks | Budget £ks | Variance £ks | Budget £ks |
| **INCOME** | | | | |
| Rental Income | 20,953 | 20,913 | 40 | 28,006 |
| Void Losses | (181) | (230) | 49 | (310) |
| **Net Rental Income** | **20,773** | **20,683** | **90** | **27,696** |
| HAG Recognised in the Year | 4,564 | 7,302 | (2,738) | 18,636 |
| Other Income | 1,670 | 1,566 | 104 | 2,340 |
| **TOTAL INCOME** | **27,006** | **29,551** | **(2,544)** | **48,672** |
| | | | | |
| **EXPENDITURE** | | | | |
| Employee Costs - Direct | 3,468 | 3,498 | 30 | 4,664 |
| ER/VR | 0 | 0 | 0 | - |
| Employee Costs - Group Services | 1,152 | 1,168 | 16 | 1,554 |
| Direct Running Costs | 2,249 | 2,293 | 44 | 3,030 |
| Running Costs - Group Services | 676 | 682 | 7 | 910 |
| Revenue Repairs and Maintenance | 2,873 | 2,815 | (58) | 3,826 |
| Bad Debts | 79 | 202 | 123 | 269 |
| Depreciation | 5,853 | 5,853 | - | 7,804 |
| | | | | |
| **TOTAL EXPENDITURE** | **16,350** | **16,510** | **160** | **22,057** |
| | | | | |
| **NET OPERATING SURPLUS / (DEFICIT)** | **10,656** | **13,041** | **(2,384)** | **26,615** |
| *Net Operating Margin* | *39%* | *44%* | *-5%* | *55%* |
| | | | | |
| Interest receivable | 4 | 5 | (1) | 6 |
| Interest payable | (5,890) | (6,083) | 192 | (7,676) |
| | | | | |
| **STATUTORY SURPLUS / (DEFICIT)** | **4,770** | **6,962** | **(2,193)** | **18,945** |

| | Year to 31 December 2019 | | | Full Year |
|---|---|---|---|---|
| | Actual £ks | Budget £ks | Variance £ks | Budget £ks |
| **INVESTMENT** | | | | |
| **Total Capital Investment Income** | **2,380** | **6,968** | **(4,588)** | **9,832** |
| | | | | |
| Total Expenditure on Core Programme | 5,329 | 4,299 | (1,030) | 5,738 |
| New Build & Other Investment | 13,568 | 19,513 | 5,945 | 22,005 |
| Other Capital Expenditure | 151 | 120 | (31) | 479 |
| **TOTAL CAPITAL EXPENDITURE** | **19,048** | **23,932** | **4,884** | **28,222** |
| | | | | |
| **NET CAPITAL EXPENDITURE** | **16,669** | **16,964** | **295** | **18,390** |

**Key highlights year to date:**

- Net operating surplus of £10,656k is £2,384k adverse to budget. Statutory surplus for the year to date is £4,770k, £2,193k adverse to budget.
- Net rental income is reporting a £90k favourable variance following a strong letting performance in the year to date. Gross rental income is £40k favourable to budget largely due to the early completion of new build properties at North Berwick and Greendykes. Void losses in the year to date are 0.86% against a budget of 1.1%.
- Grant income recognised in the year of £4,564k relates to the completion of units at Ravelrig Road, North Berwick, Greendykes, Aberlady and Lang Loan. The adverse variance of £2,738k has arisen following completions which were budgeted in the current year but were accelerated and actually handed over in 2018/19. It should be noted that although there were are number of completions at Greendykes which were ahead of schedule, the remaining units were expected to be completed by period 8 but these are now not expected to be completed until Q4.
- Other Income is £104k favourable to budget and includes additional MMR lease income from Lowther Homes following the early completion of units at Ravelrig Road and North Berwick. DC Property Services ("DCPS") has generated a profit of £69k in the YTD. This is £10k favourable to budget.
- Total expenditure is £160k favourable to budget with lower levels of bad debt, direct running costs and direct employee costs to date. The bad debt budget was set prudently following the roll out of universal credit. Staff costs are reporting a favourable variance due to vacancies in the structure. Repairs and maintenance costs are £58k unfavourable to budget as a result of spend on reactive repairs which is £236k higher than budget. This is offset by lower levels of cyclical spend. The number of reactive repair jobs has increased by 10% year on year and is driven by customer demand.
- Interest expenditure is £192k favourable to budget, due to the timing of funding drawdowns. Borrowings are linked to the new build and core investment programmes.
- Investment expenditure on existing properties is £1,030k higher than budget. This is primarily driven by accelerated works and high levels of capitalised repairs.
- New build spend of £13,568k is £5,945k behind budget. Lower levels of spend is reported across a number of sites. The largest variance relates to South Gilmerton where the acquisition is taking longer than anticipated but is expected to be completed in January.

# 2) Period 9 - Property Services Operating Statement

| | Year to 31 December 2019 | | | Full Year |
|---|---|---|---|---|
| | Actual £ks | Budget £ks | Variance £ks | Budget £ks |
| **INCOME** | | | | |
| Internal Subsidiaries | 9,905 | 8,856 | 1,050 | 11,830 |
| External Customers | 185 | 159 | 26 | 213 |
| **TOTAL INCOME** | **10,090** | **9,015** | **1,076** | **12,042** |
| | | | | |
| **COST OF SALES** | | | | |
| Staff | 2,775 | 2,587 | (188) | 3,449 |
| Materials | 2,467 | 2,520 | 53 | 3,360 |
| Subcontractor & Other Costs | 3,123 | 2,281 | (842) | 3,061 |
| **TOTAL COST OF SALES** | **8,365** | **7,387** | **(977)** | **9,870** |
| | | | | |
| **GROSS PROFIT/(LOSS)** | **1,726** | **1,628** | **98** | **2,173** |
| Margin % | 17% | 18% | -1% | 18% |
| Overheads | 1,656 | 1,568 | (88) | 2,090 |
| **NET PROFIT/(LOSS)** | **69** | **60** | **10** | **82** |

| Staff Utilisation | Year to 31 December 2019 | | |
|---|---|---|---|
| | Actual % | Budget % | Variance % |
| Billable Work | 83.3% | 79.5% | 3.8% |
| Travel Time | 7.9% | 11.2% | -3.3% |
| Sick Leave | 3.9% | 3.8% | 0.1% |
| Multi-Operative College Training | 0.7% | 1.4% | -0.7% |
| Stocktake | 0.1% | 0.2% | -0.1% |
| Internal Meetings | 0.3% | 0.8% | -0.5% |
| Specific Identified Training | 0.5% | 1.1% | -0.6% |
| Van Allowance | 0.3% | 0.2% | 0.1% |
| Special Leave | 0.2% | 0.7% | -0.5% |
| Other | 2.8% | 1.1% | 1.7% |
| **TOTAL** | **100.0%** | **100.0%** | **0.0%** |

**Key highlights year to date:**

- In the year to date the workshop is reporting a surplus of £69k, £10k higher than budget.
- Income of £10,090k in the YTD is £1,076k favourable to budget with accelerated investment works in DC and a higher level of capitalised repairs against budget.
- Correspondingly, cost of sales are reporting a £977k unfavourable variance to budget. Subcontractor costs relate primarily to the accelerated levels of investment works.
- Gross profit of £1,726k is £98k favourable to budget which is linked to lower levels of travel time and higher utilisation of staff on billable work.
- Overhead expenditure includes vehicle rent and running costs, rates, insurance and other staff and office related costs. These are £88k adverse to budget for the year to date. The largest overspend relates to waste disposal which is £35k over budget. This reflects the higher volume of jobs as well as house clearances and bulk uplifts.

**Staff Utilisation**

- The labour rate charge is based on an assumption of staff “utilisation” running at 79.5%, after stripping out holiday allowance i.e. 79.5% of an operative’s time should be delivering repairs to customers. The remaining 20.5% allowance is for travel, training, sickness, and other downtime requirements.
- Actual results to the end of December report a utilisation rate of 83.3%, with travel time at 7.9%. Sick leave is tracking 0.1% higher than budget at 3.9%. This has further decreased further from period 8 when it was 4%.

# 3) Period 9 – Dunedin Canmore Harbour

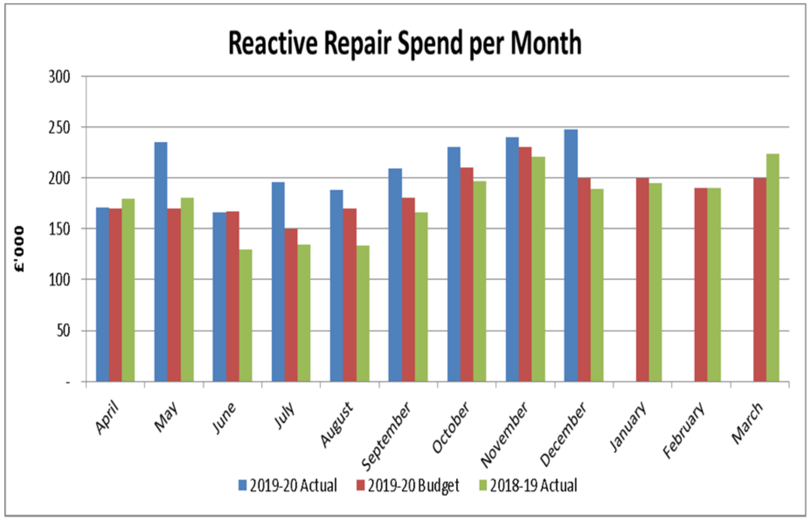
| | Year to 31 December 2019 | | | Full Year |
|---|---|---|---|---|
| | Actual £ks | Budget £ks | Variance £ks | Budget £ks |
| **INCOME** | | | | |
| Rental Income | 617 | 564 | 53 | 754 |
| Void Losses | (25) | (28) | 3 | (38) |
| **Net Rental Income** | **592** | **537** | **56** | **716** |
| Local Authority Contract Income | 275 | 284 | (9) | 384 |
| Other Income | 0 | 0 | 0 | 0 |
| **TOTAL INCOME** | **867** | **821** | **47** | **1,100** |
| | | | | |
| **EXPENDITURE** | | | | |
| Employee Costs | 530 | 524 | (6) | 698 |
| Direct running Costs | 185 | 192 | 7 | 263 |
| Revenue Repairs and Maintenance | 7 | 32 | 26 | 32 |
| Bad Debts and Depreciation | 7 | 0 | (7) | 0 |
| **TOTAL EXPENDITURE** | **728** | **748** | **20** | **994** |
| | | | | |
| **NET OPERATING SURPLUS / (DEFICIT)** | **138** | **73** | **65** | **106** |

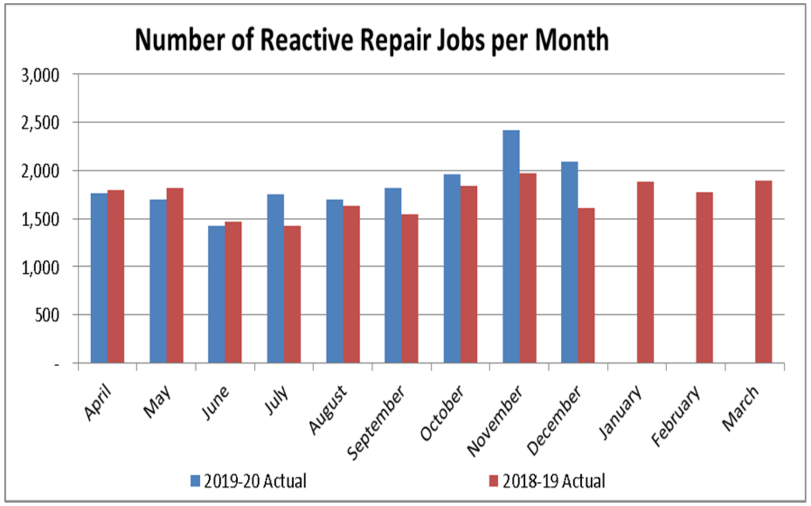
**Key highlights year to date:**

- Net operating surplus of £138k is £65k favourable to budget.
- Gross rental income of £592k is £56k favourable to budget in the year to date. This is largely due to higher than budgeted occupancy rates. Void losses of 4.1% are reported against a budget of 5%.
- Employee costs of £530k are £6k adverse to budget. Agency staff costs account for £7k of this variance, offset by underspends elsewhere. The structure includes 19.8 full-time equivalent staff.
- Running costs of £185k include insurance, travel, safety equipment, printing, stationary and mobile costs. Costs are £7k favourable to budget in the year to date.
- Repair and maintenance expenditure of £7k is £26k favourable to budget.

# 4) Management Information – Repairs

| | Year to 31 December 2019 | | | Full Year |
|---|---|---|---|---|
| | Actual £ks | Budget £ks | Variance £ks | Budget £ks |
| Reactive | 1,882 | 1,647 | (236) | 2,237 |
| Cyclical | 991 | 1,168 | 177 | 1,553 |
| | **2,873** | **2,815** | **(58)** | **3,790** |




**Comments:**

Reactive Repairs

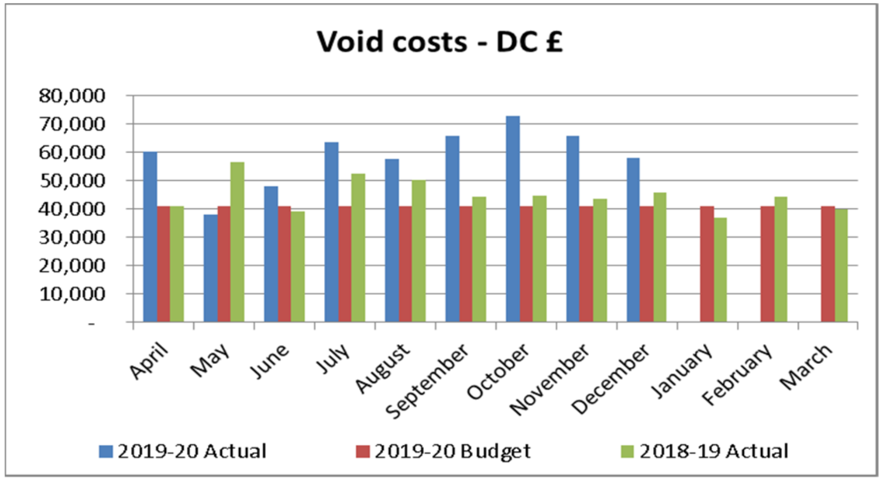
- Reactive repairs spend in the YTD is £1,882k against budget of £1,647k, £236k higher than budget.
- The volume of jobs is 10% higher than the same period in the prior year.
- Expenditure is monitored closely on a month to month basis, with high value jobs capitalised in line with policy.

Cyclical Repairs

- Cyclical repairs spend of £991k has been incurred in the YTD, £177k favourable to budget.
- The main work-streams in the year have been gutter clearing, PAT testing, TMV servicing and gas servicing.

# 5) Management Information – Investment

| | Year to 31 December 2019 | | | Full Year |
|---|---|---|---|---|
| | Actual £ks | Budget £ks | Variance £ks | Budget £ks |
| Void | 530 | 369 | (161) | 492 |
| Major | 4,237 | 3,349 | (888) | 4,471 |
| Capitalised Staff | 563 | 581 | 19 | 775 |
| **TOTAL** | **5,329** | **4,299** | **(1,030)** | **5,738** |




**Comments:**

Investment

- Major Repairs spend for the year to date has been £4,237k against a budget of £3,349k, an unfavourable variance of £888k. This variance is primarily driven by accelerated works and high levels of capitalised repairs.

- The core programme spend profile was reviewed in P6 and a revised profile prepared, designed to ensure spend is on track with budget by year end. It is currently expected that core programme expenditure will be in line with budget by year end.

- Investment covers all areas of our properties and external environment.

Void Repairs

- Void costs of £530k have been incurred to the end of period 9 against a year to date budget of £369k. This is £161k (44%) adverse to budget.

- The volume of voids has increased from the same period last year as has the average cost per void.

- 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 | 1,341 | 382 | (959) | 382 |
| BEAVERBANK | 2,309 | 3,217 | 908 | 3,837 |
| CRAIGMILLAR | 4 | 158 | 154 | 158 |
| DEWARPARK | - | 46 | 46 | 46 |
| ESKMILLS | 43 | - | (43) | |
| F'ASIDE | - | 53 | 53 | 53 |
| FOUNTAINBRIDGE | 1,182 | 1,249 | 66 | 1,249 |
| GORTON | - | 71 | 71 | 71 |
| GREENDYKES | 1,079 | 1,731 | 653 | 1,731 |
| GULLANE | 2,028 | 2,326 | 298 | 2,363 |
| HYVOTS | 5 | - | (5) | 41 |
| KIRK LANE | - | 586 | 586 | 782 |
| LANG LOAN | 2,352 | 2,346 | (6) | 2,772 |
| MUIRHOUSE | 119 | 116 | (3) | 116 |
| NEW MILLS ROAD | 2 | 47 | 45 | 103 |
| NORTHBERWICKPH2 | 420 | 952 | 532 | 952 |
| RAVELRIG ROAD | 2,263 | 3,000 | 737 | 3,000 |
| SOUTH GILMERTON | 11 | 3,013 | 3,002 | 4,017 |
| WESTCRAIGS1 | 83 | - | (83) | - |
| WESTCRAIGS2 | 57 | - | (57) | - |
| WESTCRAIGS3 | 27 | - | (27) | - |
| WISP | (2) | - | 2 | 39 |
| Capitalised staff costs | 247 | 220 | (27) | 293 |
| **Total Cost** | **13,568** | **19,513** | **5,945** | **22,005** |
| **Grant Income** | **2,380** | **6,968** | **(4,588)** | **9,832** |
| **Net New Build Costs** | **11,189** | **12,545** | **1,356** | **12,173** |

**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.
- £2,380k of grant income has been received in the year in relation to a number of developments including Beaverbank, Gullane and Ravelrig Road.
- The budget assumed £6,968k would be received to date. The variance relates to timing only. The biggest variance relates to South Gilmerton which is delayed. No income has been received in the year to date against a budget of £2,812k. This compares to the spend for this site which is below budget also. It is expected that both the first certificate will be received and the first grant claim will be made in January.

**New Build**

- In the year to date there have been 26 social rent completions at Greendykes (22) and North Berwick (4). In addition, there have been 51 MMR completions at Ravelrig Road (18), Aberlady (12) North Berwick (11) and Lang Loan (10).
- Expenditure of £13,568k in the YTD is £5,945k lower than budget.
- Lower levels of spend is reported across a number of sites including South Gilmerton where the acquisition is taking longer than anticipated and Gullane where there was a large value certificate in March 2019.
- All units at Ravelrig Road are now complete. Six units were completed in 2018/19 but the budget anticipated all units being completed in 2019/20 which has resulted in the current year variance of £737k.
- Kirk Lane project has been transferred to West Lothian Housing Partnership and spend at Beaverbank was accelerated in 2018/19.

# 7) Balance Sheet

**Period 9**

| | 31 December 2019 £'000 | 31 March 2019 £'000 |
|---|---|---|
| **Fixed Assets** | | |
| Social Housing Properties | 332,769 | 319,724 |
| Other Fixed Assets | 5,837 | 5,686 |
| Investment Properties | 21,520 | 21,520 |
| | 360,126 | 346,930 |
| **Current Assets** | | |
| Stock | 312 | 226 |
| Trade & Other Debtors | 3,837 | 3,228 |
| Cash & Cash Equivalents | 3,788 | 3,376 |
| | 7,937 | 6,830 |
| **Creditors: within 1 year** | | |
| Trade Creditors | (350) | (1,659) |
| Accruals & Deferred Income | (15,224) | (16,268) |
| Prepayments of Rent and Service Charge | (922) | (823) |
| Other Creditors | (345) | (462) |
| Amounts due to Group Undertakings | (1,534) | (2,495) |
| | (18,375) | (21,707) |
| **Net Current Liability** | (10,439) | (14,877) |
| **Long Term Creditors** | | |
| Loans | (33,041) | (32,677) |
| Amounts due to Group Undertakings | (134,823) | (122,323) |
| Pension Liability | (3,469) | (3,469) |
| **Net Assets** | **178,354** | **173,584** |
| **Capital and Reserves** | | |
| Share Capital | - | - |
| Revenue Reserve | 178,354 | 173,584 |
| **Association's funds** | **178,354** | **173,584** |

**Comments:**

- The balance sheet as at 31 March 2019 has been updated to reflect the audited statutory accounts for 2018/19. 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 2018/19 year end reported a £3.5m pension liability.
- The value of our **fixed assets** have increased by £13.2m in the year to date. This is due to £19.01m of investment expenditure less depreciation of £5.86m.
- **Trade & other debtors** of £3.8m include an intercompany balance of £2.7m and net rent arrears of £0.3m (after bad debt provision).
- **Cash at Bank** – At 31 December Dunedin Canmore had £3.8m 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 £18.4m includes £1.5m due to other Wheatley entities and £15.2m 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 £167.9m relate to funding drawn down from WFL1, and external funding of £33m due to THFC and Allia (inclusive of rolled up interest charges). In the year to date £12.5m of additional funding has been drawn, funding the investment programme.

# 8) Quarter 3 Forecast to 31 March 2020

Dunedin Canmore

| | 2019/20 Budget £ks | Q3 Forecast £ks | Variance £ks |
|---|---|---|---|
| **INCOME** | | | |
| Rental Income | 28,006 | 28,046 | 40 |
| Void Losses | (310) | (261) | 49 |
| **Net Rental Income** | **27,696** | **27,785** | **89** |
| HAG Recognised in the Year | 18,636 | 17,095 | (1,541) |
| Other Income | 2,340 | 2,444 | 104 |
| **TOTAL INCOME** | **48,672** | **47,324** | **(1,348)** |
| | | | |
| **EXPENDITURE** | | | |
| Employee Costs - Direct | 4,664 | 4,664 | - |
| ER/VR | 0 | 0 | - |
| Employee Costs - Group Services | 1,554 | 1,538 | 16 |
| Direct Running Costs | 3,030 | 3,030 | - |
| Running Costs - Group Services | 910 | 910 | - |
| Revenue Repairs and Maintenance | 3,826 | 3,884 | (58) |
| Bad Debts | 269 | 269 | - |
| Depreciation | 7,804 | 7,804 | - |
| | | | |
| **TOTAL EXPENDITURE** | **22,057** | **22,099** | **(42)** |
| | | | |
| **NET OPERATING SURPLUS / (DEFICIT)** | **26,615** | **25,225** | **(1,390)** |
| *Net Operating Margin* | *55%* | *53%* | *3%* |
| | | | |
| Interest receivable | 6 | 6 | - |
| Interest payable | (7,676) | (7,484) | 192 |
| | | | |
| **STATUTORY SURPLUS / (DEFICIT)** | **18,945** | **17,747** | **(1,198)** |

| | 2019/20 Budget £ks | Q3 Forecast £ks | Variance £ks |
|---|---|---|---|
| **INVESTMENT** | | | |
| **Total Capital Investment Income** | **9,832** | **4,992** | **(4,840)** |
| | | | |
| Total Expenditure on Core Programme | 5,738 | 5,738 | - |
| New Build & Other Investment | 22,005 | 17,811 | (4,194) |
| Other Capital Expenditure | 479 | 479 | - |
| **TOTAL CAPITAL EXPENDITURE** | **28,222** | **24,028** | **(4,194)** |
| | | | |
| **NET CAPITAL EXPENDITURE** | **18,390** | **19,036** | **(1,082)** |

**Comments**

- This table shows the 2019/20 budget presented to the Board compared to the Q3 forecast for 2019/20.
- The forecast operating surplus of £25,225k is £1,390k lower than budget. Statutory forecast surplus of £17,747k is £1,198k lower than budget.
- The main driver of this variance is the lower level of Housing Association Grant income recognised in the year, following early completions in 2018/19 at North Berwick, Greendykes, New Mills Road and Ravelrig Road as well as the budgeted completions at Kirk Lane moving to the West Lothian Housing Partnership pipeline.
- The YTD variances reported on the net rental income and other income lines are expected to be realised at the year end.
- Total operating costs are expected to be £42k adverse to budget for the year.
- New build expenditure and grant have been updated to reflect the updated pipeline and the early receipt of grant and accelerated spend in 2018/19.

**Report**

| | |
|---|---|
| **To:-** | **Dunedin Canmore Housing Board** |
| **By:-** | **Hazel Young, Managing Director** |
| **Approved by:-** | **Olga Clayton, Group Director of Housing and Care** |
| **Subject:-** | **Group Delivery Plan 2019-20: Quarter 3** |
| **Date of Meeting:-** | **6 February 2020** |

## 1 Purpose

1.1 This report outlines progress on the Delivery Plan Measures and Projects for Quarter 3. Appendix 1 contains the Performance Measures Dashboard and Appendix 2 provides progress on Strategic Projects.

## *2* Authorising context

2.1 Under the terms of the Intra-Group Agreement between Dunedin Canmore and the Wheatley Group, as well as the Group, Authorise, Manage, Monitor Matrix, the Board is responsible for monitoring performance against agreed targets. In the case of Dunedin Canmore. This includes the on-going performance of our services. In addition, the Group Authorising Framework states that the Board is responsible for approving any changes to our Service Delivery Model or arrangements which it may consider necessary in order to deliver the level of performance to achieve agreed targets.

2.2 The Framework is a key mechanism for ensuring sound governance and provides:

- The basis for a continued drive to performance excellence;
- A rounded view of strategic, operational and business plan information based on core measures but recognising the diversity of each Subsidiary; and
- Strengthened Community Governance through enhanced tenant and customer scrutiny.

## 3 Risk appetite and assessment

3.1 Our agreed risk appetite in relation to Board Governance is "cautious". This level of risk tolerance is defined as "*Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential reward*".

## 4 Background

4.1 The report outlines performance against the current Wheatley Group Delivery Plan as at 31 December 2019, with actions and updates where appropriate. Most of the key indicators which will be reported to the Scottish Housing Regulator as part of the Annual Return on the Charter (ARC) are included within this report.

## 5 Quarter 3 performance

5.1 We have 15 strategic measures in the Delivery Plan which we also report to the Scottish Housing Regulator as part of the ARC. 13 measures are on or above target and 2 are outwith target.

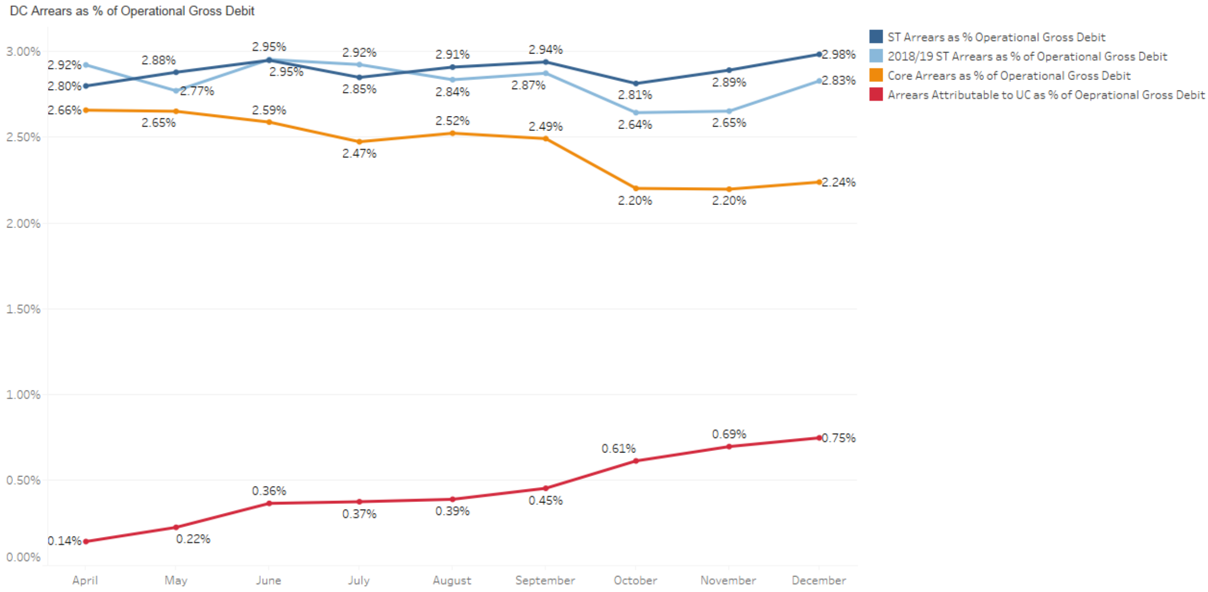
5.2 Our percentage of lettable houses that became vacant has moved very slightly over target (7.34% against a target of 7.33%) – we will continue to monitor this but have not identified any theme of concern to report to Board.

5.3 Our arrears are still above the target (4.37% against a target of 4.3%) but have been moving closer to target over the last few periods. We are in line with our profile to meet target at the end of March although this does rely on a number of DWP payments coming in this month. In the run-up to Christmas we had a strong focus on customers who from past records are more likely to miss payments at this time. We hope that focus will have reduced the traditional spike in arrears at this time.

5.4 Universal Credit continues to be our top challenge in relation to arrears management. For the purposes of Universal Credit monitoring we focus on sitting tenant (ST) arrears. ST arrears for Dunedin Canmore have increased by 0.18% from the beginning of the financial year to December 2019, from 2.80% to 2.98% of Operational Gross. We can split this down to:

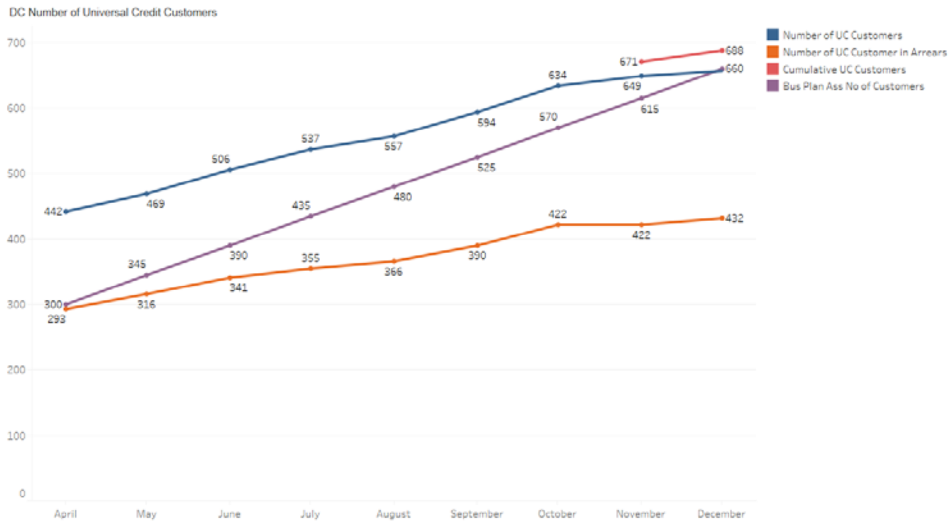
- arrears attributable to UC which have increased by 0.60%. The cash value of this increase is in line with expectations at £168,794; and
- core arrears have improved by 0.42%, from 2.66% to 2.24% from the start of this financial year. We are focussed on maintaining core arrears at or below the level of the previous year to mitigate the impact of UC.

**CHART 1: DC ST ARREARS AS A % OF OPERATIONAL GROSS DEBIT SPLIT TO CORE ARREARS AND ARREARS ATTRIBUTABLE TO UC**




5.5 The rate of customers moving onto UC has been slightly faster than the Business Plan had assumed for 2019/20. The assumption was that 660 customers would be on UC by December 2019, in reality we now have a cumulative total of 688 UC tagged customers.

**CHART 2: DC NUMBER OF UNIVERSAL CREDIT CUSTOMERS**



5.6 Our strong partnership with DWP, discussed at previous Board meetings, allows us to identify customers moving onto Universal Credit to offer support as required. The key actions for staff to support customers on UC are to establish early contact, secure a direct debit or other formal payment arrangements, make appropriate referrals to Wheatley 360 wrap around services and ensure customers understand the importance of keeping their Universal Credit information up to date.

5.7 The use of Expected Payment Plans (EPPs) for UC customers has increased by 12% since Quarter 2. The number of UC customers on a managed payment from DWP has also increased by 4%. 93% of EPPs are maintained and this has remained steady since Quarter 2.

5.8 We are currently seeing an average increase of 39 new UC customers each month this year, with housing officers now supporting around 25 UC customers per patch. 66% of UC customers are in arrears. The percentage of customers in arrears has remained steady throughout the year despite an increase in the number of customers on UC of over 3%.

5.9 We will continue to update the Board in respect of UC each quarter.

5.10 In terms of our non-ARC measures these are mainly on target. We are very slightly over target for sickness absence – this is due to a higher level of longer term sickness earlier in the year which is now resolved.

## 6 Strategic projects – progress at Quarter 3

6.1 Appendix 2 outlines progress on the strategic projects in the Delivery Plan at the end of Quarter 3. All strategic projects currently reported with slippage are due to complete this financial year with the exception of:

- Develop a proposal to support choice, innovation and efficiency in the delivery of adaptations – this project will move into 2020/21 to align with GCC and the Scottish Government who are reviewing their approach to adaptations.
- Develop 2020-2025 Group workforce development plan – linked to the Group People Strategy, workforce plan development will complete following approval of this Strategy and timescales will now move into 2020/21.

## 7 Key issues and conclusions

7.1 Performance in Dunedin Canmore remains strong with targets expected to be met at the end of the financial year.

## 8 Value for money implications

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

## 9 Impact on financial projections

9.1 No implications.

## 10 Legal, regulatory, and charitable implications

10.1 Registered Social Landlords are required to provide an Annual Return on the Charter to the Scottish Housing Regulator. The key indicators within this return are included in monthly performance reporting. RSL Subsidiary Boards approve the final return and this information is included in the year end performance report to the Wheatley Group Board. RSLs are also required to involve tenants in the scrutiny of performance (this is done through our Tenant Scrutiny Panel) and to report to tenants annually by October each year.

## 11 Partnership implications

11.1 Reports on the Delivery Plan can be used to identify areas where partnerships need to be strengthened or amended to help Wheatley achieve its strategic vision.

## 12 Implementation and deployment

12.1 Not required.

## 13 Equalities impact

13.1 There is no direct equalities impact from this report.

## 14 Recommendation

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

**List of Appendices**

Appendix 1: Measures dashboard
Appendix 2: Strategic projects dashboard

## Appendix 1 - Dunedin Canmore Board - Delivery Plan 19/20 - Strategic Measures

| Measure | 2018/19 | 2019/20 | | | |
|---|---|---|---|---|---|
| | 2018 | 2019 | | | |
| | Value | Value | Target | Status | Top Quartile |
| % All complaints responded to in full within SPSO timescales (includes YP) | 97.59% | 96.88% | 96% | | |
| Average time taken to complete emergency repairs (hours) – make safe | 2.62 | 1.95 | 3 | | |
| Average time taken to complete non-emergency repairs (working days) | 5.1 | 5.06 | 5.5 | | |
| % reactive repairs completed right first time | 96.93% | 96.45% | 95% | | |
| % repairs appointments kept | 100% | 100% | 98% | | |
| % properties requiring a gas safety record which had gas safety check by anniversary date | 100% | 100% | 100% | | |
| % of tenants who have had repairs or maintenance carried out in last 12 months satisfied with the R&M service (monthly) | 92.96% | 94.12% | 93% | | |
| % tenancy offers refused during the year | 11.72% | 14.69% | 21% | | |
| % anti-social behaviour cases resolved within locally agreed targets | 99.04% | 98.5% | 93.87% | | |
| % new tenancies sustained for more than a year - overall | 95.45% | 94.93% | 93% | | |
| % lettable houses that became vacant | 6.82% | 7.34% | 7.33% | | |
| % Tenants satisfied with the standard of their home when moving in | 95.74% | 98.26% | 94% | | |
| Average time to complete approved applications for medical adaptations (calendar days) | 7.56 | 8.9 | 25 | | |
| Gross rent arrears (all tenants) as a % of rent due | 4.3% | 4.37% | 4.3% | | |

| Measure | 2018/19 | 2019/20 | | | |
|---|---|---|---|---|---|
| | 2018 | 2019 | | | |
| | Value | Value | Target | Status | Top Quartile |
| Average time to re-let properties | 10.15 | 9.62 | 12 | | n/a |
| % lets to homeless applicants | | 56.42% | | | n/a |
| % avoidable contact | 18.46% | 17.93% | 18% | | n/a |
| % of payments made within the reporting period which were paid in 30 days or fewer (from the date the business receives a valid invoice) | 97.85% | 99.26% | 96% | | n/a |
| Dunedin Canmore - Total number of jobs, training places or apprenticeships created including Wheatley Pledge | 23 | 20 | 18 | | n/a |
| Sickness Rate | 2.82% | 3.02% | 3% | | n/a |

**Appendix 2 - Dunedin Canmore Board - Delivery Plan 19/20 - Strategic Projects**

| Strategic Project | Delivery Date | Status | % Progress |
|---|---|---|---|
| Develop and implement governance monitoring arrangements for the renewal of core strategies policies and frameworks | 31-Oct-2019 | | 100% |
| Review approach to service charges | 31-Oct-2019 | | 100% |
| Develop LivingWell specification for new build | 31-Oct-2019 | | 70% |
| Work with Police Scotland to develop a Group wide Antisocial Behaviour and Crime Prevention and Mitigation Framework | 30-Nov-2019 | | 70% |
| Develop a proposal to support choice, innovation and efficiency in the delivery of adaptations | 31-Dec-2019 | | 0% |
| Review service at Dunedin Harbour in the context of new CEC service specification and Wheatley Care vehicle opportunities | 31-Dec-2019 | | 100% |
| Develop Group Asset Strategy for Housing, Commercial and Care | 29-Feb-2020 | | 95% |
| Development Framework | 29-Feb-2020 | | 80% |
| Develop Group Homelessness Framework including rapid rehousing | 29-Feb-2020 | | 70% |
| Implement repairs improvement project phase 1 | 30-Mar-2020 | | 70% |
| New Wheatley Graduate Development programme in place | 31-Mar-2020 | | 75% |
| Develop 2020-2025 Group workforce development plan | 31-Mar-2020 | | 0% |
| Leadership and development framework implemented | 31-Mar-2020 | | 75% |
| Tenancy sustainment innovation - virtual home development (phase 3) | 31-Mar-2020 | | 50% |

| **Strategic Project** | Delivery Date | Status | % Progress |
|---|---|---|---|
| Mechanical & Electrical service contract procurement plan agreed and implemented | 31-Mar-2020 | | 100% |
| Deploy LivingWell Model East | 31-Mar-2020 | | 80% |
| Develop and deploy management agreement for DC Harbour Hostel | 31-Mar-2020 | | 90% |
| Co-create our new engagement approach | 31-Mar-2020 | | 80% |
| Implement tenancy Star - Phase 2 (Group wide project) | 31-Mar-2020 | | 60% |

## Report

**To:** **Dunedin Canmore Housing Board**

**By:** **Anthony Allison, Company Secretary**

**Subject:** **Application for Membership**

**Date of Meeting:** **6 February 2020**

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### 1. Purpose

1.1 Approval is requested for one application received for share membership.

### 2. Authorising context

2.1 In accordance with the constitution, the Board is responsible for approving share membership applications.

### 3. Background and discussion

3.1 One membership application has been received from the following tenant and requires to be approved by the Board:

[redacted]

### 4. Recommendation

4.1 The Board is asked to approve the share application from the above named tenant.