DUNEDIN CANMORE HOUSING LIMITED
BOARD MEETING
Thursday 13 August 2020 at 17.00 BY VIDEOCONFERENCE

A G E N D A

1. Apologies for Absence

2. Declarations of interest

3. Minute of Meeting held on 9 July 2020 and matters arising

4. Mobilisation of Services update

5. Anti-Social Behavior update (Presentation only)

6. Homelessness update (Presentation only)

7. Approach to tenant satisfaction survey

8. Development update

9. a) 2019/20 Financial Statements
   b) Annual Internal Audit Report and Assurance Statement 2019/20

10. Finance Report

11. 2020 SHR Five Year Financial Projections

12. Governance update

13. AOCB

Report

To:	**Dunedin Canmore Board**
By:	**Hazel Young, Managing Director**
Approved by:	**Olga Clayton, Group Director of Housing and Care**
Subject:	**Mobilisation of services**
Date of Meeting:	**13 August 2020**

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1. Purpose

1.1 To provide an update on planned staged approach to the remobilisation of business operations over the coming months, including the methodology for transitioning between stages and the fit with phases of the Scottish Government's publication, '*Scotland's route map through and out of crisis*'.

2. Authorising context

2.1. The Group CEO has responsibility for business operations across the Group. The Covid-19 situation has had a significant effect on these operations and has impacted on the delivery of the Group strategy. The Board's understanding is therefore sought to the principles of our approach for how we might continue to develop our services over the coming months, subject to the rate at which Scotland moves through the phases of Scottish Government's route map.

3. Risk appetite and assessment

3.1. The Board's risk appetite relating to laws and regulations is "averse"; defined as avoidance of risk and uncertainty is a key organisational objective. The Group strategic risk register identifies the particular risk associated with non-compliance with health and safety requirements.

3.2. Our priority in the coming months will continue to be protecting the health and safety of our customers, our staff and the other people they come into contact with. The approach in this paper builds on those noted by the Board at previous meeting in May and July 2020 now that we have moved from lockdown to phase 3 of the Scottish Government route map.

4. Background

4.1. The Board noted the framework for start-up and renewal of activity at its meeting on 28 May 2020 with a further update at the meeting on 9 July. This framework highlighted that since lockdown in mid-March, we had been running a significantly altered operating model, with many staff working from home or furloughed. The framework also set out a scenario, which has now become reality, where the rate of Covid-19 infection – the R rate - decreased sufficiently to allow easing of restriction of movement to some extent.

4.2. Under this scenario plans were set out for how key services might be reintroduced. Many of these plans have been, or are in the process of being, implemented.

4.3. The Scottish Government has provided information on the criteria that will determine when lockdown is eased, the phases this will follow and what it will mean for business and service operations. This information is contained in '*Scotland's route map through and out of crisis*' which was originally published on 21 May 2020. This route map is built around four phases with phase 3 being enacted on 15 July 2020. Aspects of the Scottish Government framework with the greatest impact on our business and service mobilisation are provided at Appendix 1. The aspects covered are:

- **Criteria/condition** which shows that R rate is the primary driver for movement between phases and needs to be below one and getting lower in order for restriction to be eased.
- **Protection** which shows that physical distancing, hand-washing, hygiene measures, cough etiquette, and wearing of face masks in public spaces will all be required through all phases including into phase 4 where the virus is under control.
- **Business** which shows that remote and flexible working where possible will continue throughout and that some non-essential indoor workplace can reopen – with suitable physical and hygiene measures from phase 2 – with more including call centres permitted in phase 3 although this aspect is still on hold. Construction sites were able to restart in phase 2.
- **Getting around** which indicates that until phase 4, travel demand should be managed through staggered start times as there will be reduced capacity.
- **Schools and childcare** which indicates that schools will reopen from 11 August. This date was confirmed by the First Minister on 30 July.
- **Public and community services** which will resume gradually through the phases with re-establishment of justice system processes at phase 3 but normal operations not back until phase 4.

5. Discussion

5.1. Our planning assumptions for how lockdown would ease have been consistent so far with the Scottish Government's position and route map. The May report to the Board set out an anticipated service model for the June to September time period, while progress through the Scottish Government route map is determined by the extent to which Covid-19 is contained. We therefore anticipate that our own service model stages may straddle multiple phases of the Scottish Government route map phases; i.e. we do not anticipate having four different service models over the remainder of 2020.

5.2. The Scottish Government has confirmed that sufficient progress has taken place to move to its phase 3, which took place on 15 July.

5.3. Our plans will continue to be refined, and will be adapted depending on the actual rate at which progress is made through the phases of the Scottish Government route map. Highlights from our planned remobilisation, mapped approximately to the first three phases in the Scottish Government route map are shown below.

	SG Phase1	SG Phase 2	SG Phase 3
Letting	Via Local Authorities for homelessness	Homeless accommodation / Housing First	Matched highest need customer
Income maximisation	Home working	Visiting Teams	Face to face teams and rent campaign
Fire safety	Vulnerable customers and ongoing incident management	Fire Risk Assessments	Household visits
ASB	Central team – advice, guidance and phone and limited face to face	Central team – investigate – phone and increased face to face	Central team - visits
Environmental	MSF focus	Grass cutting	Stair cleaning
Eatwell	Customers in difficulty	Tapering-off	Most vulnerable customers
Repairs	Life and Limb	Safety First	
Investment	Suspended	Test projects	External
Commercial	Letting and services suspended	Letting – high demand Internal repairs	Further service mobilisation in line with group approach
New Build	Site-prep	Restart	
Care	Core service - telephone support and home working	Limited face to face and office redesign	Increased face to face and phased office working return
Others	Back office working from home	Back office- no change	

5.5. As advised at the Board meeting on 9 July, in order to transition through the stages in our remobilisation plans in a structured way we have developed an **evaluation methodology.** This will be applied at the end of each stage before transitioning to the next stage. A copy of the evaluation methodology is attached at Appendix 2. No service will move between stages without all elements of the evaluation being agreed by the relevant parties.

5.6. In this report we adopt the following terminology:

Service Stage 1 – the period between the service model moving from a lockdown-based model into its next stage and approximately the end of September. The transition dates to Stage 2 for each service will be subject to detailed review and this timeline is therefore indicative at this stage. This broadly corresponds to Scottish Government phase 3.

Service Stage 2 – anticipated to be the period from September/October until at least December, covering phase 4

5.7. We will update this at the next Board meeting in October, taking account of progress nationally and the impacts on our services, including our anticipated proposals to return to full service models in each area.

Housing and Environmental

Letting and void management

5.8. We have moved forward with Service Stage 1 as outlined below:

Service Stage 1:

- Reintroduction of direct letting, with a new protocol for accompanied physical viewings involving social distancing, PPE (gloves/masks) and post-viewing cleaning routines
- Delivering on our commitment to provide homes for use as temporary accommodation
- Continue to deliver on our commitments made as part of the Housing First programme
- Work with Local Authorities to match highest need customers, including bed blocking, management transfers, homeless and Housing First, to properties
- Continue to work on voids where resources and availability of parts allow
- Performance Management information to monitor progress

Service Stage 2:

- Continue a letting service focused on highest need customers
- Void works completed on longer-term voids & backlog cleared

5.9. During July we let 68 properties – this comprised 34 new build lets; 25 secure tenancy relets; 8 lets at Dunedin Harbour; and one shared ownership property. Apart from the properties already allocated to customers prior to lockdown we were focusing on lets to homeless customers. There is a more detailed report on homelessness as a separate item on the agenda. At the beginning of August we had 82 void properties and we are gradually working through the repairs and letting process for these.

Income

5.10. Maximising and protecting our income will remain a key focus as we progress through the Scottish Government route map out of crisis. We are continuing our successful remote working rent and income collection approaches which now incorporate door step visits from Housing Officers for customers who are not engaging with us by phone or email. In more detail, our approach includes:

Service Stage 1:

- Patch Housing Officer continues to work remotely via phone, e-mail and text
- Housing Officer face to face teams in place – for issuing letters and carrying out essential visits
- A new suite of letters more aligned with our successful "talk to us" campaign which has been running in recent weeks and will continue to do so
- Continue with referrals to Group Debt Recovery Team
- Review all arrangements/Expected Payment Plans- shifting customers to Direct Debit or Alternative Payment Arrangements if required

- Introduce escalated telephone/video appointments with specialist welfare benefits team as required
- Review all non-engagement cases
- Focus on contacting customers who are furloughed and at risk of unemployment as this comes to an end
- Introduce Webchat for income & SMART rules for automating contacts

Service Stage 2:

- Review and reset all escalation currently within the system
- Introduce new rent demand letters
- Preparing cases for Court resuming
- Updated/refreshed rent campaign which may encompass the Christmas period
- Introduce secure messaging via customer self-service accounts – including arrears letters

Emergency legislation was enacted in April as part of the Coronavirus (Scotland) Act 2020 which extended the notice period required to be given to tenants before a landlord can apply for an eviction order due to rent arrears until end of September 2020. The Homelessness and Rough Sleeping Action Group (HARSAG) have recently produced a report which recommended that this is further extended until 31 March 2021. We are awaiting the decision from Scottish Government on this, but clearly there will be a potential negative impact on rent arrears if this is extended.

Our rent arrears at the end of July have decreased by almost £14k and our gross arrears is at 4.42%. This compares favourably against the June Scottish RSL average of 4.67%. Our UC arrears rose by almost £8k but the percentage of UC customers in arrears decreased again to 58.42%. Our non-UC arrears decreased by £21k.

Fire safety

5.11. As lockdown begins to ease we have increased our contact around fire safety as follows:

Service Stage 1:

- Fire Safety Officers ("FSOs") have returned to CIP Fire Safety Team
- Housing Officers have identified customers who fit SFRS 'Very High Risk' criteria
- FSOs are conducting telephone consultations with Very High Risk customers including new Housing First customers and deliver bespoke fire safety/prevent products

Service Stage 2:

- FSOs will carry out vulnerable household visits (PPE/Social distancing if required)

Anti-social behaviour (“ASB”)

5.12. We recognise that responding to ASB is a priority for customers and are seeking to respond to this in the remobilisation plan. The key stages we have put in place are:

Service Stage 1:

- Highest priority cases (known as “CAT A”) investigations prioritised and investigated by the ASB team
- CAT B investigations led by Housing Officers to allow specialist ASB team to prioritise most serious cases
- Patch and field Housing Officers will investigate all Cat B ASB to a resolution (telephone investigations – visits by exception)
- CIP Police Intelligence Team available to assist with all ASB investigations

Service Stage 2:

- Teams will be able to visit witnesses and perpetrators in person whilst adhering to social distancing guidelines
- Incremental return of CIP Police Team – subject to Police Scotland permitting this

5.13. More detail on our approach to anti-social behaviour and up-to-date performance information is provided at a separate item on this agenda.

Environmental maintenance services

5.14. With increased easing of restrictions we have been able to restart aspects of our environmental work such as grass cutting. All our properties have now had an initial cut and the NETs team are working through the second cuts across the area. Our approach to our environmental service involves:

Service Stage 1:

- Grass cutting & gardening services have commenced as well as arborist work.
- Repairs staff have taken on the role that Environmental staff had in supporting EatWell & Emergency Fund requests
- Stair cleaning will be progressively reintroduced
- Bulk uplifts to continue (these have been ongoing during lockdown stage)

Service Stage 2:

- Stair Cleaning fully resumed

EatWell

5.15. Unlike the other services discussed here, our focus for EatWell will be on striking an appropriate balance between making sure we support our customers when they are most vulnerable, and transitioning the EatWell service to its primary focus on our most vulnerable customers.

5.16. The Group received £350k from the Scottish Government in recognition of the critical role we have in our communities and DC Foundation has also supported the EatWell food parcels in Dunedin Canmore with a donation of £18k. As at Friday 31st July we had delivered 3319 parcels across Dunedin Canmore.

Service Stage 1:

- We are continuing to receive referrals and deliver food parcels for those in need across our housing areas
- At the beginning of July, we introduced a supermarket voucher for new referrals (approx £30 for single person) and we are now starting to see a reduction in the requirement for food parcel delivery as a result. 24 vouchers were provided during July to Dunedin Canmore customers

Service Stage 2:

- Revise/update criteria for ensuring we continue to target those in greatest need
- Review the impact of the changes above including the impact on staff resources on food voucher option
- Reduce staff levels as repairs staff move back to normal duties
- Continue to support referrals (at a significantly reduced level) across Group
- Formalise discussions with Fareshare on future 'community partner' status across Group

Repairs, investment and compliance

Repairs

5.17. In line with the easing of lockdown we have reassessed our repairs service which was operating on a 'life and limb' service. The restrictions still in place as part of phase 3 of the route map for easing lockdown mean that a full service still cannot be resumed.

Service Stage 1

5.18. We have introduced the Safety First Repairs service from the start of July. The table below sets out what is covered by this service:

Safety first repairs
Definition of service
▪ Serious damage to property ▪ Property is left Insecure ▪ Customer vulnerability ▪ Significant inconvenience ▪ Potential damage to property ▪ Persistent leaks ▪ All Fire Safety identified repairs are carried out

Examples of Safety First service
▪ Dangerous electrics ▪ No Power ▪ No cooking facilities ▪ No heating ▪ Dangerous ceiling ▪ Rain/water penetration ▪ Burst water supply pipes causing flooding ▪ Renew items e.g. .shower (subject to availability) for vulnerable customers ▪ Persistent leaks - identify source & prevent leak ▪ Choked W.C bowls ▪ Renew WC Bowls ▪ Leaks at W.C bowl or soil pipe ▪ Clear choked drains ▪ CCTV Survey of drains ▪ Secure front doors/windows ▪ Renew front doors/windows (subject to availability) ▪ Gain access where no keys available ▪ Renew Controlled entry handset ▪ Customer has alternative cooking facilities but not ideal longer term ▪ Temporary heating been in place greater than 7 Days

Service Stage 2:

- Full repairs service reintroduced

In stage 2 we will resume a full repairs service. A key element of the remobilisation plan is planning to mitigate the risk of a significant spike in demand from the resumption of a full service. This will be addressed in part by completing a large number of the more urgent backlog repairs during the Stage 1 period.

5.19. At the end of June we had delivered just over 2,500 repairs for Dunedin Canmore customers. This is approximately half the number of repairs we carried out for the same quarter last year, due to the restricted service model. Our time taken to complete an emergency repair is 1.31 hours on average, with non-emergency repairs being completed within 3.11 days.

<u>Investment and compliance work in existing homes</u>

Service Stage 1:

5.20. Our focus during the next phases of the Scottish Government's route map is on clearing the back-log of expired CP12 gas safety certificates through high intensity contact from our gas team, refreshed customer communications, doorstep contact from Housing Officers and where the customer is not engaging, reinstating our forced entry procedure. Going forward we will look to embed the high intensity outbound calling as part of our business as usual gas process, given its success to date in reducing no-accesses.

5.21. Over the lockdown period we missed the CP12 certificate anniversary for 107 of our properties. As at end of July we have been able to gain access to service 88 of these and have 19 still outstanding which we hope to service by the middle of August. We have carried out 3 forced entries for gas servicing. In total, since the start of lockdown, we have completed 1,535 gas services.

Service Stage 2:

5.22. We intend restarting external investment works and cyclical maintenance from late September, assuming progress continues through the phases of easing lockdown. In advance of this, we have restarted some projects that were put on hold at lockdown, to build experience in ensuring necessary safe-working practices and to provide customers with confidence on our approach and continued commitment in this area. At this stage, non-essential internal capital investment works (eg new kitchens where these are being replaced on a life-cycle programme basis) are not anticipated to take place until the new calendar year.

5.23. We plan to survey customers who are due to have any internal works done prior to the end of the financial year, to assess their views on having tradespeople in their homes and identify any concerns arising. In doing so, we will explain the measures we will take to mitigate health and safety risks, such as how we will operate social distancing principles and the PPE that will be used. We anticipate repeating this survey exercise around December/January in respect of customers scheduled to have internal investment/compliance work done in 2021/22.

5.24. We have a legislative requirement to provide integrated smoke and fire detection systems in our homes by 1 May 2021. This deadline was extended by the Scottish Government from 1 February 2021. Our installation programme was on hold during the lockdown period but we are planning to recommence this on 24 August and expect to complete this by the target date.

New build development

5.25. We have resumed activity on our sites and during July we let 34 newbuild properties at Beaverbank and Lang Loan, using our protocols for social distanced sign-ups. We are actively engaging with our developers on an ongoing basis to understand the implications of the new environment for our development programme.

Care

5.26. Our planning for the remobilisation of our retirement services is based on undertaking an assessment on a service by service basis. Whilst each remobilisation will take into account the assessment of individual services the overarching priorities will be:

Service stage 1

- staff continuing to work from home where possible and face to face contact kept to a minimum
- reviewing and revising all associated operational policies and procedures including health and safety arrangements such as increasing PPE supply, and use of public transport
- designing offices to ensure that they support social distancing and infection control requirements

Service stage 2

- increased face to face contact with our customers
- reintroduction of the use of some common spaces within our retirement complexes

5.27. Our care service at Dunedin Harbour has continued to provide an essential service to the service users there during the pandemic and will continue to do so using appropriate physical distancing and hygiene measures as lockdown eases in line with the Government route map. This has included implementing measures to reduce footfall within the physical environment, including a complete reduction in visitors and specific measures, such as changes in handover processes, to reduce the number of staff within the building at any one time.

5.28. In the initial stages of the lockdown period, staff at Dunedin Harbour reported a high level of anxiety in regards to the possible contraction of Covid-19, and the subsequent impact that this may have had on personal networks. With timely provision of PPE and ample communication, these anxieties were rapidly addressed, giving the staff team additional confidence to deliver tailored and person-centred support to each individual residing within Dunedin Harbour. This approach to increasing staff confidence was enhanced through the introduction of health and safety measures, including the implementation of multiple risk assessments, risk management plans and protocols; resulting in infection control practices, floor markings, signage and adaptations within the working environment that would encourage 2 metre social distancing.

5.29. Dunedin Harbour have experienced a reduction in staff numbers throughout the Coronavirus period. In total, 4 members of staff were required to shield and were provided with additional IT equipment to ensure that they were able to work from home; completing supporting documentation and providing outreach support to the individuals who reside within the resettlement flats. To ensure that the service was able to operate in accordance with regulatory and commissioning requirements, the service was supported in the workforce planning process to create 3 temporary, 3 month contracts that were successful in gaining commitment from Relief Workers who were already familiar with service delivery.

5.30. During the pandemic period, none of our service users have contracted Covid-19, and of the 5 individuals displaying symptoms, staff have supported all individuals by seeking immediate opportunities for testing, in liaison with the Edinburgh Access Practice (GP and wider multi-disciplinary team) based in Edinburgh. These individuals have required rapid and vigilant responses, requiring changes in management and support practices within Dunedin Harbour, to prevent individuals from potentially spreading the virus within DCHH, and from becoming a wider public health issue with individuals entering community spaces.

5.31. As the guidance from the Scottish Government continues to evolve, these changes continue to shape the fluid remobilisation plan that has been created specifically for Dunedin Harbour with the support of Wheatley Care. A significant amount of time and energy continues to be focused on the health and safety arrangements in place, ensuring that myriad procedures, risk assessments and materials are updated and shared timeously and communicated to all staff.

5.32. As a result of these measures, staff morale has remained high, only 2 staff members have been required to self-isolate (and both instances were based on external contact with individuals who were suspected to have Coronavirus). None of the service users, or the staff team, have been diagnosed with Covid-19 to date.

Back-office support services and governance

5.33. Our back-office support services will continue to be delivered through home working as present. Similarly, our governance approach will remain unchanged through Service Stage 1 to the end of September with virtual board meetings, reduced agendas and reduced board member numbers dialling in to allow easier management of conference calls/video calls. We will consider the potential for the October Board meeting to be face-to-face, subject to this being permitted by Scottish Government guidance.

Personal Protective Equipment ("PPE")

5.34. The service transitions above will require an increasing use of PPE. At present, we have sufficient supplies across Dunedin Canmore for the next 12-week period based on the anticipated Stage 1 service models of all remobilisation plans and we have robust supply lines. The confirmed availability is also a key element of the evaluation criteria for any service remobilisation progressing to Service Stage 2.

5.35. We have also made progress through the Scottish Government and we can now access additional supplies through an arrangement it has put in place with Lyreco. Group Procurement have tested this arrangement and it worked well with next day delivery. In addition, as a contingency, we have placed orders so as we will have a further 25% stock beyond what we expect to need. The stock will be held as 'emergency supplies' in our Bilston depot as well with Group partners in Dumfries and Glasgow.

6. Key issues and conclusions

6.1. The plans set out in this report will be kept under review and flexed as necessary depending on progress in the Scottish Government route-map. They will also be informed by the experience we gain from operating our interim service models. Prior to progressing to the next Stage, a detailed assessment and evaluation will take place in accordance with Appendix 2, and the Board will be updated on progress at its next meeting in October.

7. Value for money implications

7.1. The approach set out in this paper is designed to ensure we continue to deliver priority services for customers within government restrictions, focusing on keeping them and our staff safe. Customer feedback will form an important part of our assessments before moving to the next Stage service models.

8. Impact on financial projections

8.1. Our financial position is presented to the Board as a separate item on this agenda.

9. Legal, regulatory and charitable implications

9.1. The approach set out in this paper is based on latest the Scottish Government Framework and in particular '*Scotland's route map through and out of crisis'*. We will continue to refine our proposals as the detail of government advice develops including in light of progress through the identified phases. We continue to notify the Scottish Housing Regulator, as necessary, of changes to our operating model and services through their "notifiable events" web portal.

10. Implementation and deployment

10.1. The Managing Director will direct the deployment of the proposals set out in this paper for Dunedin Canmore.

11. Partnership implications

11.1 We will work with our partners where appropriate to deliver the proposals in this paper.

12. Equalities impact

12.1. We will continue to take special account of those who have underlying health conditions or are shielding. It is recognised their ability to work may be restricted by their health concerns.

12.2. Given the increased risk to BAME staff we will also undertake tailored risk assessments to ensure these staff are appropriately protected as part of the remobilisation.

13. Recommendations

13.1 The Board is asked to:

- note the update provided in this report
- note that a further update on our service models will be provided to the next meeting in October

List of appendices:

1- Scottish Government route map through Covid-19

2- Evaluation methodology for progressing Wheatley service models to their next stage

3- SHR Group Monthly Return

Appendix 1 – Scottish Government Route Map Through Covid-19

	Phase 1	Phase 2	Phase 3	Phase 4
Criteria/ conditions	R is below 1 for at least 3 weeks and the number of infectious cases is starting to decline. Evidence of transmission being controlled also includes a sustained fall in supplementary measures including new infections, hospital admissions, ICU admissions, deaths of at least 3 weeks.	R is consistently below 1 and the number of infectious cases is showing a sustained decline. WHO six criteria for easing restrictions must be met. Any signs of resurgence are closely monitored as part of enhanced community surveillance.	R is consistently low and there is a further sustained decline in infectious cases. WHO six criteria for easing restrictions must continue to be met. Any signs of resurgence are closely monitored as part of enhanced community surveillance.	Virus is no longer considered a significant threat to public health.
Protection	Physical distancing requirements in place. Frequent handwashing and hygiene measures for all. Cough etiquette is maintained. Face coverings in enclosed public spaces, including public transport.	Physical distancing requirements in place. Frequent handwashing and hygiene measures for all. Cough etiquette is maintained. Face coverings in enclosed public spaces, including public transport.	Physical distancing requirements in place. Frequent handwashing and hygiene measures for all. Cough etiquette is maintained. Face coverings in enclosed public spaces, including public transport.	Physical distancing requirements to be updated on scientific advice. Frequent handwashing and hygiene measures for all Cough etiquette is maintained. Face coverings may be advised in enclosed public spaces, including public transport.
Business	Remote working remains the default position for those who can. For those workplaces that are reopening, employers should encourage staggered start times and flexible working. Non-essential outdoor workplaces with physical distancing resume once relevant guidance agreed. Construction – Phases 0-2 of industry restart plan can be implemented. Industry to consult government before progressing to phase 2.) Preparing for the safe reopening of the housing market. Workplaces resuming in later phases can undertake preparatory work on physical distancing and hygiene measures.	Remote working remains the default position for those who can. Non-essential indoor non-office-based workplaces resume once relevant guidance agreed – including factories & warehouses, lab & research facilities – to re-open with physical distancing. Construction sector to implement remaining stages of phased return. Relaxation of restrictions on housing moves.	Remote working remains the default position for those who can. Non-essential indoor office workplaces can open, once relevant guidance agreed, including contact centres with physical distancing.	Remote and flexible working remains encouraged. All workplaces open with improved hygiene and in line with public health advice.

Getting around	Consistent with the reopening of workplaces set out in this phase, where home working is not possible businesses and organisations are encouraged to manage travel demand through staggered start times and flexible working patterns.	Consistent with the reopening of workplaces set out in this phase, where home working is not possible businesses and organisations are encouraged to manage travel demand through staggered start times and flexible working patterns.	Public transport operating full services but capacity still significantly limited to allow for physical distancing. Travel at peak times discouraged as far as possible.	Public transport operating full service.
Schools and childcare	Re-opening of child minding services and fully outdoor nursery provision.		Children return to school under a blended model of part-time in-school teaching and part-time in-home learning. Subject to progress 11 August All childcare providers reopen subject to public health measures, with available capacity prioritised to support key worker childcare, early learning and childcare (ELC) entitlement and children in need.	
Public, Community services	Gradual resumption of key support services at the community level with physical distancing and hygiene measures. Re-opening of court and tribunal buildings, with limited business and public access.	Further scaling up of public services from Phase 1 where it is safe to do so.	Further resumption of justice system processes and services.	Public services operating fully, in line with public health advice, with modifications and changes to service design, including increasing use of digital services where appropriate.

Appendix 2 – Evaluation approach for progression to next Stage service model

Prior to any service moving from Wheatley Stage 1 to Stage 2 (and then Stage 3), the following assessment matrix must be completed. It is anticipated that Wheatley Stage 1 will correspond to broadly the Scottish Government's phases 2 and 3 (covering the summer and the period when schools are expected to resume in August to potentially around the end of September). These evaluations may therefore be anticipated to take place in advance of a further shift in service model around September or October.

An evaluation sheet will require to be provided to the Group Executive Team as part of the proposals for moving to a new stage of service model.

Service: [xxxxx]	**Description**	**Confirmation**
Evaluation of current Stage service model, including customer feedback	The proposal to the ET includes an evaluation of how the service model has performed in its current Stage which sets out, as a minimum: 1. Customer feedback – the proposal should explain how customer feedback has been gathered; this may include surveys / analysis of CSC contact data / complaints / Housing Officer records, etc 2. Staff feedback – how staff feel the service model has operated and strengths/weaknesses 3. How effectively supporting infrastructure has operated - for example IT, fleet and relevant Wheatley Solutions services 4. How risks have been managed and mitigated 5. Lessons learned to take into the next Stage service model	E-Signature – Director/Managing Director
Results of health and safety review of proposals, including PPE consumption	Health & safety team reviewed the proposals to move to the next Stage and identified the following issues: [list issues identified] The anticipated impact in terms of PPE consumptions arising from the proposed change in service model Stage has been appropriately forecast and the Group Health and Safety and Procurement teams have confirmed that we will be able to provide the necessary PPE. These have all been addressed in the revised proposals being presented to ET.	E-Signature – Group Health & Safety Lead E-Signature – Group Procurement Manager
Impact of proposals on furlough list	The proposal will involve the following staff returning from the furlough list: [list staff, FTE impact] This will reduce furlough income by £[xxx] per month / £[xx]x in total. This has been included in the final approved ET proposals following prior agreement with the Director of Employee Relations.	E-Signature – Director of Employee Relations
Trade Union consultation	Consultation has been held with relevant trade unions, being [xxx] and [xxxx]. The following issues arose from this process: [list any issues arising] These have been addressed in the following ways in the final proposals being presented to ET: [explain how issues addressed] All relevant trade unions are comfortable with the proposals to move to the next Stage service model.	E-Signature – Director of Employee Relations
Scottish Government guidelines	The proposal being presented complies with all relevant government and regulatory guidelines based on the national phase of activity it is expected to cover. [provide brief summary of how this is achieved]	E-Signature – Director / Managing Director
Impact on other service areas	The proposal will require additional supporting resource relative to the previous Stage from the following services: [list any impacts on other services impacted, eg Wheatley Solutions or 360] These impacts have been agreed with the relevant Directors/Managing Directors, and there are no additional implications (eg on the furlough list) beyond those set out in the proposal to ET.	E-Signature – Director/Managing Director
Communications	The proposal has been reviewed by the Group Communications team who have advised on an appropriate strategy for customer, staff and wider stakeholder messaging. This has been included in the proposal being presented to the ET.	E-signature – Director of Communications and Marketing
Executive Team approval	The proposal has been approved by the Executive Team and all required amendments have been incorporated.	E-signature – Group CEO

Dunedin Canmore

Report

To: **Dunedin Canmore Housing Board**

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

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

Subject: **Customer satisfaction surveys 2020/21**

Date of Meeting: **13 August 2020**

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1. Purpose

1.1. To seek the Board's agreement to the proposed approach to assessing customer satisfaction this year, in light of the impact of Covid-19.

2. Authorising context

2.1. The Scottish Housing Regulator requires that a survey of RSL tenants is carried out at least every three years. This is to assess tenants' views in relation to Scottish Social Housing Charter outcomes, for example on satisfaction with various aspects of a landlord's service. We typically carry out such surveys annually, in order to provide more regular insight into customer views, with the results being included in our Annual Return on the Charter ("ARC"). The ARC returns are subject to Board approval prior to submission.

3. Risk appetite and assessment

3.1. A full ARC-specification customer satisfaction survey is designed to gauge customer views in the context of normal operating conditions. There is a risk it may not therefore be appropriate in the context of Covid-19 and the significant disruption to our ability to deliver normal services. However, it is important we do seek customer feedback on how we have responded to the pandemic and how we have communicated, engaged and supported the people we work for across all of our activities. Otherwise, there is a risk that we may miss important lessons about how we respond in crisis situations.

4. Background

4.1. In a "normal" year, we would begin preparations for the RSL customer satisfaction survey process in August. A different approach is proposed this year, reflecting the unique circumstances of Covid-19, as set out below.

5. Discussion

5.1. It is proposed to carry out a specific survey of customers in order to assess how well we have responded to the pandemic in their eyes. This would be a much shorter and more focused survey than the ARC-specification model.

5.2. It will be designed to elicit more in-depth feedback that we can act on as necessary as we consider our approach to remobilisation in the coming months and delivering services in the context of continuing Covid restrictions.

5.3. We will commission an independent firm to carry out the survey Group-wide, and seek their input on a core set of questions that we develop, tailored for each part of the Group, including us. These will address issues such as:

- How well we have kept customers informed about our services and how Covid-19 has impacted these services
- How customer experiences have changed as we have moved through different phases of the crisis
- Which of our services were most important to customers and how did these change at different points?
- How safe customers they felt when our staff were engaging face to face with them (use of PPE, distancing precautions, etc)
- How did customers' digital skills change during the crisis

5.4. We would aim to carry out the survey across all parts of the Group around September/October, with an expectation that interviews will mainly be by telephone. The results will be reported back to the Board along with a summary of actions required.

5.5. The proposed approach will mean that the 2020/21 ARC return will contain the same customer satisfaction survey measures as those recently noted by the Board for the 2019/20 ARC return.

6. Key issues and conclusions

6.1. Understanding the views of our housing customers and People We Work For in care is central to how we design services. It will also help inform our thinking as we look to evolve our service models through the next phases of the pandemic.

7. Value for money implications

7.1. The results from the proposed survey this year will help inform our activities to ensure we continue to deliver value to customers while keeping them and our staff safe.

8. Impact on financial projections

8.1. No impacts.

9. Legal, regulatory and charitable implications

9.1. The impact on the ARC returns for 2020/21 for our RSLs is noted above.

10. Implementation and deployment

10.1. As noted above.

11. Partnership implications

11.1 The survey process will include all partner organisations within the Group and allow comparisons to be made.

12. Equalities impact

12.1. The survey will be designed in collaboration with the appointed independent survey firm, to capture input from a representative cross-section of customers.

13. Other resource implications

13.1. No further implications.

14. Recommendations

14.1 The Board is asked to:

1) Agree the proposed approach to gathering customer feedback for 2020/21

2) Agree that the 2019/20 formal ARC survey results will be reported in the 2020/21 returns to the Scottish Housing Regulator, as is permitted within the regulatory guidance

Report

To:	**Dunedin Canmore Housing Board**
By:	**Elspeth Lang, Development Manager**
Approved by:	**Tom Barclay, Group Director of Property & Development**
Subject:	**Development update**
Date of Meeting:	**13 August 2020**

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1. Purpose

1.1 To provide the Board with an overview of the group new build programme performance, including any programme highlights and/or exceptions.

2. Authorising Context and Risk Appetite

2.1 The Dunedin Canmore Housing Board is responsible for approving its development programme on a 5 year rolling basis. The Board considers its development programme each February with updates provided at regular intervals throughout the year. Once the programme is approved, the Group Development Committee is responsible for scrutinising and approving each individual contract award.

2.2 This report enables the Board to consider and monitor progress within our new build development programme.

3. Risk Appetite and assessment

3.1 Our risk appetite for Growth and Investment has been agreed by the board as level 4, 'Open'. This level of risk tolerance is defined as "willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc.)."

3.2 The information provided in this report will reduce risk in respect of development by providing a robust performance management framework for the Board.

3.3 Risks on individual projects have been assessed and reported separately to the Group Development Committee and the Board where applicable, at approval stage, and are re-assessed and mitigated as projects progress.

4. Background

4.1 Our ambition, across the Group, is to continue as a key partner of the Scottish Government in the delivery of an ambitious growth programme supporting the Scottish Government's More Homes Scotland programme.

5. Discussion

5.1 Commentary on the new build development activity is provided in **Table 1** below:

Table 1:

Indicators	Highlights & Exceptions
Unit completions	162 units completed in 2019/20 comprised: ▪ 18 units at Ravelrig Road, Balerno ▪ 12 units at Aberlady ▪ 46 units at Greendykes Phase 4 ▪ 38 units at Lang Loan ▪ 31 units at Gullane ▪ 15 units at North Berwick 2 ▪ 2 units at North Berwick 3 Following recommencement of construction work following lockdown, 83 units have completed in July/August 2020/21: ▪ 16 units at Greendykes ▪ 7 units at Lang Loan ▪ 41 units at Beaverbank ▪ 19 units at Morrison Crescent 245 units were expected to complete in 2019/20, all of which are now complete. A further 14 units were completed at Aberlady in 2019/20 on behalf of East Lothian Council.
On site	We have 4 projects on site: ▪ South Gilmerton, 52 units ▪ The Wisp 3C – 35 units ▪ Newmills Phase 2 – 27 units ▪ Longniddry – 10 units
Due on site	There is a further project that will be classed as 'due on site' subject to Group Development Committee approval on 6 August 2020. This is the West Craigs project (Plot 4 and Plot 5), providing 300 units in total. The 'due on site' status relates to the start of infrastructure works by the land owner.
Programme	As of 30 June 2020, projects 'in development', due on site and 'on site' projects totals 641 units.
Budget versus Spend	Spend is £0.357m against budget of £2.867m to the end of June 2020. The spend variance is driven by cessation of construction activity during the Covid-19 lockdown.
Engagement Status	We have three 'High Engagement projects'; at South Gilmerton, West Craigs Plot 4 and West Craigs Plot 5 due to the significant scale of these projects.

5.2 In line with national guidance the construction sector in Scotland closed down from 23 March 2020. The contractors and developers who deliver our Group wide development programme progressed the closure, affecting eight live sites at Beaverbank, Greendykes Phase 4, Lang Loan, Longniddry, Morrison Crescent, Newmills Phase 2, South Gilmerton and The Wisp 3C. Work on all sites restarted in June 2020.

5.3 At the point of lockdown, 83 properties were due to complete before the end of March 2020. Following the recommencement of construction work, all properties have now completed.

5.4 While construction work has restarted at Longniddry, Newmills Phase 2, South Gilmerton and The Wisp 3C the handover dates for these projects will be affected as a result of this period of lockdown. The impact on programme from the implementation of Covid-19 working practices is being monitored. Revised handover dates will be set once a clearer understanding on the impact on productivity of the social distancing and additional health and safety measures are known.

Longniddry

5.5 The legal missive for 10 mid-market rent units at Longniddry concluded on 21 July 2020. The developer is Cruden Homes (Longniddry) Limited, with Cruden Homes (East) Limited delivering the development on their behalf.

5.6 Formal site start is pending completion of the Golden Brick works. Cruden had commenced work towards golden brick in advance of lockdown and in response the golden brick date is expected to be reached quickly by the end August 2020.

West Craigs - Acquisition

5.7 A report will be considered at the Group Development Committee on 6 August 2020 seeking approval to acquire Plots 4 and 5 at the West Craigs development in Edinburgh at a cost of £1; and for the contribution of £12,000 per unit to West Craigs Limited towards infrastructure costs. The combined acquisition and infrastructure cost for Plots 4 and 5 is £3.6M.

5.8 West Craigs is identified as housing land in the Edinburgh Local Development Plan 2016 (“LDP”). At 230-acres, it is the largest strategic site in west Edinburgh. The project delivers up to 1,400 homes, with the potential to provide at least 350 affordable homes. The site has been owned since 2000 by West Craigs Ltd, (Lloyds Banking Group) with Cardross Asset Management acting on behalf of West Craigs Ltd (“WCL”).

5.9 Dunedin Canmore has a long-standing historic interest in the site as the affordable housing delivery partner. The project has featured in the City of Edinburgh Council (“CEC”) Strategic Housing Investment Programme since 2013 as an opportunity for us. The land for affordable housing will be acquired across three phases as follows:

- Plot 4 158 units
- Plot 5 142 units
- Plot 13 58 units

Development of Plot 13 is restricted until such time as a pedestrian bridge is erected over the adjacent railway line linking the wider masterplan area to the Edinburgh Gateway railway station.

5.10 At West Craigs the proposal is to purchase the land from WCL and then procure our main works contractor. Acquiring the land direct offers a number of advantages including:

- Control over procurement of main works contractor / ability to select most cost efficient procurement route available in the market
- Use of Wheatley's template house types which are fully Housing for Varying Needs compliant
- Use of Wheatley's preferred specification
- Adoption of Wheatley's Schedule of Amendments
- Delivery of build to secure requirements
- DCH control over programme
- Inclusion of Group community benefit requirements

We are in discussion with the Procurement team to consider the best procurement route for a large development at this scale

5.11 In advancing the commercial negotiations with WCL we have had to consider the proportion of site wide infrastructure costs that would be attributed to the affordable housing units. We have successfully negotiated an infrastructure contribution that is less than the recommended price identified by our Employers Agent.

5.12 Discussions on funding for acquisition and infrastructure costs have taken place with the Scottish Government More Homes Team and CEC, who have confirmed support for our proposal.

5.13 The target date for acquiring Plots 4 and 5 is October 2020. The anticipated start date for our main works contract is August 2021 following the completion of infrastructure works by West Craigs Limited.

Future Programme

5.14 We are continuing reviewing planned projects for 2020/21 and new opportunities. Further information will be reported to the Board in due course.

6. Key Issues and Conclusions

6.1 At period 3 (30 June 2020), we had 207 units on site, or which 83 units have since completed during July and August. Subject to Development Committee Approval for the acquisition, West Craigs will be classed as 'due on site' in reflection of the infrastructure works by the land owner.

6.2 Longniddry, Newmills Phase 2, South Gilmerton and The Wisp 3C have restarted following the lockdown period. The impact on programme from new working practices related to Covid-19 is being monitored.

6.3 We continue to review opportunities for further projects.

7. Value for money implications

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

7.2 Delivering value for money to our funders and stakeholders such as the Scottish Government and the CEC is also important, in maintaining our position as a key delivery partner.

7.3 Developments are proceeding in line with the board approvals for each scheme and value for money assessments remain as presented in papers presented to the DCH and Group Development Committee Boards as applicable.

8. Impact on financial projections

8.1 The business plan approved by the Board in February 2020 reflects a new build programme of 966 new units to be completed over the next five years.

8.2 The table below summarises target and actual spend performance for period 3, to 30 June 2020:

DCH Capital Expenditure, New Build Programme 2020/21 Period to End June 2020			
Spend	**Budget**	**Variance**	**Budget for full year**
£0.357m	£2.867m	£2.51m	£23.925m

8.3 £0.357m of new build expenditure has been incurred in the year to date which is £2.51m lower than budget. This is a result of the Scottish Government instruction to close all construction sites on 23 March. Sites have now re-opened and spend is increasing as productivity is stepping up on sites.

8.4 Grant income to June 2020 was £0, reflecting the reduction in spend. We are expecting to submit grant claims for the four live sites in August 2020.

8.5 We will continue to monitor actual delivery against assumptions within the business plan and report on any changes and related impact on surplus as required.

9. Legal, regulatory and charitable implications

9.1 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 The programme is considered and agreed with our grant funders at an early stage in the development process.

10.2 For projects in Edinburgh we seek Programme Agreements with CEC for each project. For projects out-with Edinburgh we require the support of Scottish Government and the relevant local authority.

10.3 Consultation on individual projects takes place with local communities, asset management, housing management and Lowther Homes colleagues (where appropriate).

11. Implementation and deployment

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

12. Equalities Impact

12.1 All of our new build developments are built to Housing for Varying Needs standard and continue to include housing to wheelchair standard, as a contribution towards the Council’s targets.

13. Recommendations

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

Dunedin Canmore

Report

To:	**Dunedin Canmore Housing Board**
By:	**Morgan Kingston, Finance Manager**
Approved by:	**Steven Henderson, Group Director of Finance**
Subject:	**2019/20 Financial Statements**
Date of Meeting:	**13 August 2020**

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1. Purpose

1.1 To seek approval of the 2019/20 financial statements.

1.2 The Board should note that the financial statements have been reviewed by the Group Audit Committee and recommended for approval at its meeting which was held on 5 August 2020.

2. Authorising context

2.1 Under the terms of the Intra-Group Agreement between Dunedin Canmore Housing and the Wheatley Group, as well as the Group Authorise, Manage, Monitor Matrix, the Dunedin Canmore Board is responsible for the on-going monitoring of performance against agreed targets. This includes the on-going performance of its finances and the approval of the statutory financial statements.

2.2 This report provides the Board with the final statutory financial statements following the completion of the external audit by KPMG and a reconciliation of the final out-turn to Period 12 2019/20 management accounts.

3. Risk appetite and assessment

3.1 Our agreed risk appetite in relation to compliance with laws and regulation is averse. Averse is defined as "Avoidance of risk and uncertainty is a key Organisational objective."

4. Summary of year-end financial results

4.1 The financial statements are now complete and have been audited. The financial results for the year are summarised below. They reflect the requirements of the 2014 Statement of Recommended Practice ("SORP 2014") for Social Housing Providers.

	Year ended 31.03.20 £'000	Year ended 31.03.19 £'000
Turnover	42,934	46,055
Operating Expenditure	(26,786)	(37,182)
Investment property revaluation	(2,705)	(10,980)
Release of grant on disposal of MMR units	-	(12,600)
Operating (deficit)/surplus	**13,443**	**(14,707)**
Gain/ (loss) on disposal of fixed assets	403	(221)
Net finance costs	(7,523)	(8,553)
Property revaluation – housing properties	9,192	32,088
Property revaluation – office properties	109	978
FV adjustment	-	(17)
Surplus for the year	**15,624**	**9,568**
Actuarial gain/(loss) in respect of pension schemes	1,253	(933)
Total comprehensive income for the year	**16,877**	**8,635**

4.2 The finance reports submitted to the Board during the year formed the basis of these financial statements, and were updated to include a number of year end statutory adjustments.

5. Adjustments from 31 March management accounts

5.1 The adjustments made between the 31 March management accounts and the final audited accounts are summarised below:

	Income & Expenditure £'000	Net Assets £'000
March management accounts	**10,123**	**183,707**
Revaluation of Properties - Housing	9,192	9,192
Revaluation of Properties - Office	109	109
Revaluation of Properties - Investment	(2,705)	(2,705)
Pension adjustment	1,918	1,918
Depreciation and disposal adjustments	(2,079)	(2,079)
IT adjustment	408	408
Holiday pay adjustment	(58)	(58)
Other	(31)	(31)
DCH statutory accounts	**16,877**	**190,461**

5.2 Revaluation of Properties: Housing, office and investment properties were revalued at the year end by Jones Lang Lasalle. This resulted in an increase of £9,192k to the value of social housing properties and £109k to office properties. Investment properties include new build mid-market rent units and these have reported a reduction in value of £2,705k. The cost of new build properties is carried on the Statement of Financial Position at gross cost with grant receipts reported as revenue through the Statement of Comprehensive Income, as a result new build properties generally report a downwards movement in the first valuation carried out after completion.

5.3 Pension valuation adjustments: The SHAPS defined benefit pension scheme is re-valued on an annual basis by independent actuaries. The 2019/20 valuation resulted in a credit to employee service costs of £736k, interest charge on pension obligations of £71k and an actuarial gain of £1,253k.

5.4 Depreciation and disposal adjustments: As part of the year end work, depreciation charges were calculated at individual component level and disposals processed. This resulted in an increase of £2,079k to the charge provided in the management accounts.

5.5 IT adjustment: This reflects adjustments made in relation to the use of group IT assets by Dunedin Canmore.

5.6 Holiday pay adjustment: We are required to take into account additional costs of annual leave left untaken as at 31 March 2020. The value provided for in 19/20 was £58k.

5.7 Other: These adjustments mainly relate to additional year end accruals.

6. Audit summary

6.1 The external auditors, KPMG have completed their audit of the financial statements and have issued an unqualified audit opinion.

6.2 No audit adjustments were identified during the course of the audit with respect to us.

6.3 As a standard part of the standard audit process, and in line with previous years, KPMG require the Board of each organisation in the Wheatley Group to sign a "letter of representation" in which the Board confirms certain matters in terms of disclosure and record-keeping. As in previous years, a letter from the Chief Executive has been provided to each Board to provide comfort that the officers have complied with the matters stated in this letter. Both these documents are provided along with this paper (Appendix 2 and 3 respectively).

6.4 The Board are asked to confirm in the letter of representation that the financial statements are prepared on a going concern basis. The assessment that the Association continues in business is based on the preparation and approval of the Association's 30-year business plan which includes cashflow forecasts, the certainty of revenue streams from rental income and the assessment of the availability of funding provided to us through the RSL borrower relationship with WFL1.

6.5 The accounts and letter of representation will be signed following the approval of the Wheatley Group accounts at the Group Board meeting on 26 August 2020.

7. Key issues and conclusions

7.1 The report informs the Board of the final audited statutory results for 2019/20.

8. Value for money implications

8.1 Ensuring financial performance remains in line with approved budget is a key element of continuing to demonstrate value for money. DC performed favourably to budget in 2019/20 ensuring the achievement of these targets. Any statutory accounts adjustments were non cash adjustments only and did not impact the achievement of these targets.

9. Impact on financial projections

9.1 The business plan has been updated to reflect the final 2019/20 statutory results.

10. Legal, regulatory and charitable implications

10.1 Under Section 485 of the Companies Act we are required to appoint an auditor for each financial year. Under the Intra-Group Agreement with Wheatley Housing Group we are required to use the Group Auditors. We require to appoint KPMG LLP as the auditors for 2020/21 at the Annual General Meeting. The appointment will be subject to the Group confirming their reappointment at its Annual General Meeting.

10.2 Following approval and signing of the financial statements they require to be submitted to Companies House and the annual return made to the Scottish Housing Regulator.

11. Equalities impact

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

12. Recommendations

12.1 The Board is asked to:

1) Approve the 2019/20 financial statements;
2) Confirm the preparation of the financial statements using the going concern basis;
3) Delegate authority to the Chair and Group Director of Finance to approve any non-material changes to the accounts; and
4) Approve the letter of representation from the auditors, and note the related letter of comfort from the Chief Executive.

List of Appendices

Appendix 1 - Financial statements for the year ended 31 March 2020 [redacted. Available here- https://www.dunedincanmore.org.uk/__data/assets/pdf_file/0021/115716/Dunedin-Canmore-Annual-report-and-financial-statements-2019-2020.pdf]
Appendix 2 - Letter of representation [redacted]
Appendix 3 - Letter of comfort [redacted]

Dunedin Canmore

Report

To:	**Dunedin Canmore Housing Board**
By:	**Ranald Brown, Director of Assurance**
Subject:	**Annual Internal Audit Report and Assurance Statement 2019/20**
Date of Meeting:	**13 August 2020**

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1. Purpose

1.1 To provide Board with the Annual Internal Audit Report and Assurance Statement for noting, following assurance work completed and reported during financial year 2019/20. As this paper supports the 2019/20 year-end financial statements, the Finance Manager will present this paper at the Board meeting as part of the overall Annual Accounts.

2. Authorising context

2.1 Under the Group Authorising Framework, the Board is responsible for managing and monitoring its compliance arrangements and operational performance. The activities undertaken by the Assurance Team provide the Board with independent assurance to support the Board in this role.

2.2 The Group Audit Committee is responsible for monitoring the Group's assurance activities. The Group Audit Committee has responsibility for instructing and keeping under review the long-term plan for internal audit within the Group, to approve the annual Group Assurance Plan and monitor results as presented in the annual internal audit report and assurance statement. The 2019/20 Annual Internal Audit Report and Assurance Statement was approved by the Group Audit Committee on 6 May 2020.

3. Risk appetite and assessment

3.1 There is no specific risk appetite for Internal Audit, however, the agreed risk appetite in relation to Governance is deemed "cautious" meaning that tolerance for risk taking is limited to events where there is little chance of any significant repercussion should there be a failure.

4. Background

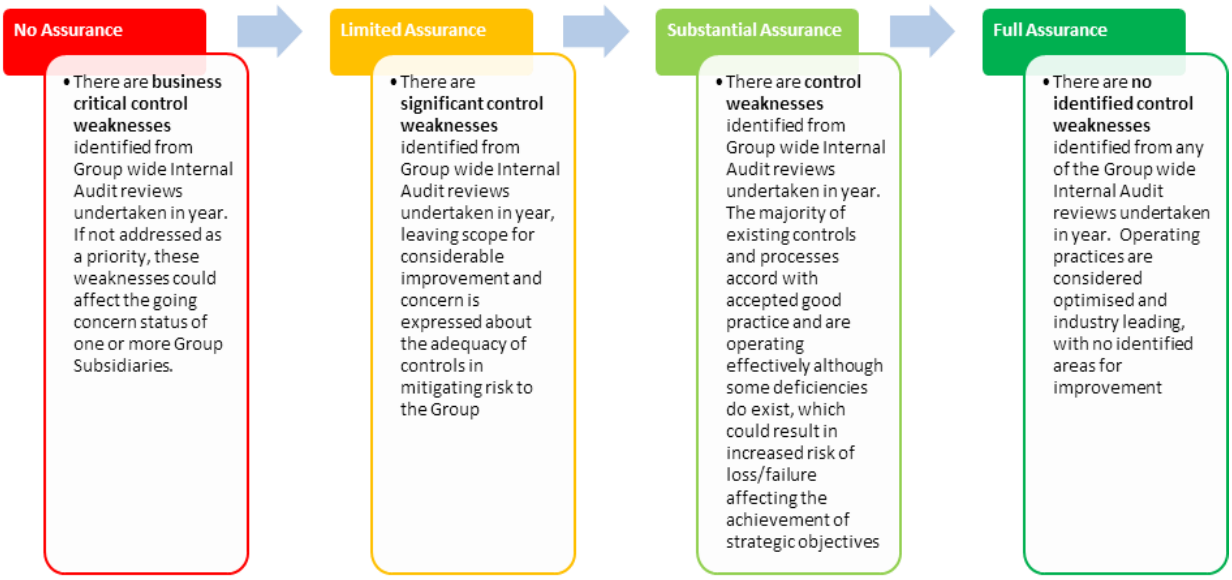
4.1 The 2019/20 Annual Assurance Plan ("the Plan"), as approved by the Group Audit Committee on 13 February 2019, set out the Assurance services to be provided across the Wheatley Housing Group ("the Group"). The Group's established position is that it only operates Committees at Group level. The Group Audit Committee's role and responsibilities are contained within its Terms of Reference. **Annex 1** sets out the core areas and further explanation of the respective roles and responsibilities of the Group Audit Committee and partner Boards.

4.2 The Plan is set in order to provide assurance on systems of internal control that are both Group-wide and subsidiary specific. Progress against the Plan was reported to the Group Audit Committee throughout the 2019/20 financial year. Our findings have been reported to the Group Audit Committee and to the Board where relevant.

4.3 In line with good practice, Internal Audit provides the Group Audit Committee with an Annual Assurance Statement, as a result of completion of the Plan alongside any other Assurance work completed (e.g. Business Assurance inspections, continuous auditing of data). The Annual Assurance Statement is then reported to each subsidiary Board alongside the annual accounts. The Statement on Internal Financial Control included within the statutory accounts sets out our conclusions.

5. Group Internal Audit Report and Assurance Statement

5.1 A copy of the approved Annual Report and Opinion has been included at **Appendix 2**. The table below shows the different types of Internal Audit Opinion which may be given:



6. Annual Internal Audit opinion

6.1 Following completion of our approved Internal Audit Plan, we can confirm that sufficient work has been undertaken to enable us to provide an opinion on the adequacy and effectiveness of the internal control environment in operation during 2019/20. In giving this opinion, it should be noted that assurance can never be absolute.

6.2 During the delivery of our Internal Audit Plan, we identified no critical weaknesses in the governance, risk management, or internal control environments which would put the achievement of subsidiary or Group strategic objectives at risk. Recommendations were raised during the year and management have acted to address these and strengthen the control environment. In addition, we gave a mid-year Assurance update to both Subsidiary and Group Boards to highlight relevant Group and Subsidiary specific audit findings.

6.3 Based on our Group wide work undertaken during 2019/20 there continues to be a **substantial level of assurance** that there is a sound system of internal control, designed to support achievement of relevant organisational objectives. However, some weaknesses in the design and consistent application of controls do exist**.**

6.4 Due to the Covid-19 pandemic, in March 2020 the Group followed UK Government advice and implemented virtual working arrangements while moving to an emergency service delivery model. The opinion expressed in this report applies to the period before the emergency service delivery model was implemented.

(See **Appendix 2** within the Assurance Statement for Internal Audit Opinion Definitions).

7. Value for money implications

7.1 The Group has a Value for Money (VFM) Framework in place and subsidiary Boards and the Group Board have set their risk appetites in consideration of this.

7.2 Our risk based assurance approach is designed to consider the adequacy and effectiveness of operational activity and VFM is always a standard consideration when assessing control maturity.

8. Impact on financial projections

8.1 The financial implications of individual audit findings have been considered as part of reaching the overall Internal Audit opinion.

8.2 An impact on surplus arises if audit findings and recommendations are not implemented to a sufficient extent to mitigate risks (particularly those with a financial impact). It is the responsibility of the Wheatley Group's management to monitor and review the status of agreed audit findings on a regular basis to ensure that mitigating controls are appropriate to manage the impact on operating surplus.

9. Legal, regulatory and charitable implications

9.1 We have an Internal Audit function in line with the requirements of the Scottish Housing Regulator's revised Financial Regulations. The Group's Internal Audit function complies with the Institute of Internal Audit's (IIA) standards in relation to Internal Audit and is regularly quality assessed against IIA's standards.

10. Partnership implications

10.1 In accordance with the City Building Glasgow (CBG) Assurance Plan, the Glasgow City Council (GCC) Chief Internal Auditor is leading for elements of the controls work. In accordance with the agreed joint Internal Audit approach, WHG Internal Audit has full access to working papers. We have been provided with an understanding of the GCC Internal Audit Team and their audit approach.

10.2 We were provided with a high level overview of CBG Internal Audit files during 2019/20 which demonstrated the audit approach used to reach the audit conclusions.

10.3 It is the responsibility of GCC (as lead Internal Auditors) to provide the annual Internal Audit opinion for CBG. In accordance with the agreed CBG Internal Audit approach, we have placed reliance on work undertaken by the GCC Internal Audit team (in terms of the strength of CBG's control environment) in determining the overall Group Internal Audit opinion.

10.4 We have placed reliance on the internal audit work performed by the Dumfries and Galloway Housing Partnership Internal Auditors (Beever & Struthers) during the year to 31 March 2020. Responsibility for the internal audit of this Subsidiary passed to the Group's Director of Assurance on 1 April 2020.

11. Implementation and deployment

11.1 The deployment of Internal Audit reviews is monitored and reported by the Head of Assurance and the Director of Assurance.

12. Equalities impact

12.1 No equalities impact arising from this report.

13. Recommendation

13.1 The Board is asked to note the contents of this report along with the overall Annual Internal Audit opinion detailed in Section 6 above.

List of Appendices

Appendix 1 – Respective roles and responsibilities of Group Audit Committee and Subsidiary Boards

Appendix 2 - Annual Internal Audit Report and Assurance Statement 2019/20

Appendix 1 – Respective roles and responsibilities of Group Audit Committee and partner Boards

Core area	Group Audit Committee roles and responsibilities	Partner Board roles and responsibilities
Internal Audit	▪ Approve annual assurance plan (all planned Internal Audit work for the year).	▪ Note the Annual Plan and identify any potential areas to recommend to the Group Audit Committee for inclusion.
	▪ Consider feedback from Group wide audits and inspections and monitor progress in implementing recommendations.	▪ Note feedback from partner specific audits and inspections and monitor progress in implementing recommendations. ▪ Receive updates on Group-wide audits as part of bi-annual assurance update.
	▪ Consider annual report and opinion for Group.	▪ Note Group annual report and opinion.
	▪ Monitor effectiveness of Internal Audit.	▪ Provide feedback, as appropriate, on Internal Audit to Group Audit Committee.
Risk, Fraud and Whistleblowing	▪ Review and make recommendations to the Group Board on the Group's risk management framework and Corporate risk register (Subsidiaries and Joint Ventures). ▪ Group Audit Committee approves 'Fraud, Corruption and Bribery' and 'Whistleblowing' policies.	▪ Approve Subsidiaries risk appetite level and risk register. ▪ Partner Boards to monitor compliance with 'Fraud, Corruption and Bribery' and 'Whistleblowing' policies.
Financial Statements	▪ Review the Group's accounting policies. ▪ Review financial statements of all group members.	▪ Approve Partner financial statements and letters of representation.
External Audit	▪ Approve annual audit plan. ▪ Recommend appointment/re-appointment of external auditors to Group Board. ▪ Set policy for award of non-audit work to external auditors.	▪ As required under individual constitution.
Policy	▪ Recommend to Group Board and/or approve assurance related polices.	▪ Provide feedback on and implement Group assurance policies.

Wheatley Housing Group

Internal Audit Annual Report and Opinion 2019/20

(Approved by Audit Committee : 6 May 2020)

Internal Audit Annual Report 2019/20

Contents

1. Introduction
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5. Follow Up of Audit Actions
6. Performance of Internal Audit Team

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App 2 - Assurance Opinion Definitions
App 3 - Risk Rating Definitions

Group Assurance Mission Statement

To enhance and protect the Wheatley Group by providing independent, risk based and objective, assurance, advice and insight

"Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

Section 3 – Definition of Auditing; Chartered Institute of Internal Auditors' International Professional Practices Framework

1. Introduction

The purpose of Internal Audit, as a function of the Assurance Team, is to provide independent, objective assurance and advice, which adds value and assists the Group in achieving its objectives in an effective and efficient manner. It provides appraisal of the Group's internal control system and provides Accountable Officers and Board Members with continued assurance that the Group's governance, risk management and internal control arrangements are adequate and effective.

Our professional responsibilities as Internal Auditors are set out in the International Standards for the Professional Practice of Internal Auditing and the Code of Professional Conduct (including Code of Ethics) promoted by the Chartered Institute of Internal Auditors.

The purpose of this report is to provide our view on the adequacy and effectiveness of the Wheatley Group's ('the Group') system of governance, risk management and internal control, as relevant to our 2019/20 Annual Assurance Plan. The 2019/20 Annual Assurance Plan was approved by the Group Audit Committee on 13 February 2019 and progress against this plan has been reported to the Group Audit Committee throughout the financial year. Our detailed findings from specific reviews have been reported to Management during the year, with a summary of these findings reported to the Group Audit Committee throughout 2019/20. Reporting to Subsidiary Boards and the Group Board has taken place where appropriate.

This Annual Report summarises the Internal Audit activity and therefore does not include all matters which came to our attention during the year. Such matters have been included within our detailed reports to Management and the Group Audit Committee during the course of the year.

Internal Audit Annual Report 2019/20

2. Annual Internal Audit Opinion

Scope

In line with the International Standards for the Professional Practice of Internal Auditing ("the Standards"), Internal Audit provides the Group Board, Audit Committee and Subsidiary Boards with an Annual Internal Audit Opinion, as a result of the work completed during 2019/20.

Our opinion is subject to the inherent limitations of Internal Audit (covering both the control environment and the assurance over controls) as set out in Appendix 1 (Limitations and Responsibilities).

In arriving at our Annual Internal Audit Opinion, we have taken the following matters into account:

- the results of all Internal Audit work undertaken (including any upheld instances of fraud or whistleblowing) during the year ended 31 March 2020;
- in accordance with the Wheatley Group City Building Glasgow Assurance approach, we have placed reliance on the internal audit work done by the Glasgow City Council's Chief Internal Auditor in relation to City Building Glasgow;
- we have placed reliance on the internal audit work performed by the Dumfries and Galloway Housing Partnership Internal Auditors (Beever & Struthers) during the year to 31 March 2020;
- whether or not any Critical recommendations have been made, and the resulting Management action;
- the effects of any material changes in the Group's objectives, activities or regulatory environment; and
- whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the Group's Internal Audit needs.

Annual Internal Audit Opinion

Sufficient work has been undertaken to enable us to provide an opinion on the adequacy and effectiveness of the internal control environment in operation during 2019/20. In giving this opinion, it should be noted that assurance can never be absolute.

During the delivery of our Internal Audit plan, we identified no critical weaknesses in the governance, risk management, or internal control arrangements which would put the achievement of Group objectives at risk. As reported to the Audit Committee, Management has acted promptly to address the findings we reported during the year and thereby strengthen the controls in place. Implementing agreed actions is a priority and progress is regularly reported to the Directorate Management Teams, Executive Team, Subsidiary Boards, City Building Glasgow, Group Board and the Group Audit Committee.

*Based on our Group-wide work undertaken in 2019/20 a **substantial level of assurance** can be given that there is a sound system of internal control, designed to support achievement of relevant organisational objectives. However, some weaknesses in the design and or consistent application of controls exist (See **Appendix 2** for Assurance Opinion Definitions). Management has agreed to the improvements to the control environment and the progress of implementing these additional controls will be reported to the Group Audit Committee.*

Due to the Covid-19 pandemic, in March 2020 the Group followed UK Government advice and implemented virtual working arrangements while moving to an emergency service delivery model. The opinion expressed in this report applies to the period before the emergency service delivery model was implemented.

Annual Internal Audit Plan 2020/21

3. Summary of Findings

We have completed the following audits within the 2019/20 Annual Plan, the results of which are shown below. We did not identify any critical internal control weaknesses which would require to be reported as part of the Statement of Internal Controls within the Group Financial Statements. Definitions of the report classifications and audit finding ratings are set out in **Appendix 3.**

Assurance Activity	Entities covered	Report Classifications	Number of findings per rating			
			Critical	Important	Moderate	Minor
RSM audit of Performance Management and Reporting		Minor	-	-	2	-
Governance – Annual Assurance Statement		Minor	-	-	-	2
Risk Management		Moderate	-	-	2	3
Housing: Service Innovation and Improvement		Moderate	-	-	3	4
Care: Service Innovation and Improvement		Minor	-	-	-	7
Core Financial Systems-Budget Management		Minor	-	-	1	2
Joint Venture Partnership Working		Minor	-	-	1	1
Project Management Methodology		Minor	-	-	2	-
Talent Management		Minor	-	-	1	2
Business Planning		Minor	-	-	-	2
External Stakeholder Engagement		Minor	-	-	-	2
Universal Credit Management		Minor	-	-	1	2
Dumfries and Galloway Housing Partnership		Moderate	-	-	3	3

Group (inc W Solutions)	GHA	Cube	DC	WLHP	Loretto Housing
Loretto Care	Barony	Commercial	W. Foundation	DGHP	CBG

4. Summary of other Internal Audit Work

In addition to the 14 audits shown on the previous page, the Internal Audit team has completed work in the following areas, as part of the 2019/20 Internal Audit Plan.

1. We completed the following reviews:

    - MyHousing post-implementation review
    - Benefits realisation
    - Internal stakeholder engagement

   The findings of these three reviews were reported in Audit Visit Memo format, with the actions arising reported as part of the Strategic Project Management audit.

2. We completed our annual service evaluations for RSLs and Care. The results were shared with management, with suggested areas for development and further investigation of the themes identified as a result of our analysis.

3. We undertook a two-stage validation of management's self-assessment of implementation of actions arising in a Care Inspectorate report. This confirmed that there was evidence in place to support management's assessment of all actions as complete.

4. We worked with an external provider to facilitate a Group-wide Digital Maturity Assessment. The Group's maturity was assessed as "Level 2- Digital Beginner" and a 2025 target digital maturity score of "Level 4 – Digitally Progressive" was set.

5. We completed an advisory review of Wheatley Solutions contribution to the Group's new Performance Framework, to support development of the Wheatley Solutions Performance Framework. The review assessed the level of direct and indirect involvement Wheatley Solutions teams have in the delivery of Strategic KPIs and Strategic Projects.

6. We monitored the development of the Group Repairs Performance Framework and provided assurance on completed KPIs in stages through the year. We reported our findings in Audit Visit Memo format, highlighting areas where management could develop controls to protect the completeness and accuracy of the data reported.

7. We rolled out use of IDEA data analysis software to:
    - enable more efficient and effective testing of controls during audits, and
    - develop enhanced exception reporting for use by management as part of their controls.

Internal Audit Annual Report 2019/20

5. Follow Up of Audit Actions

The Internal Audit team follows up internal audit actions each month, reporting on progress to Departmental Management Team (DMT) meetings and Executive Team meetings. This includes validating the updates provided by management by:

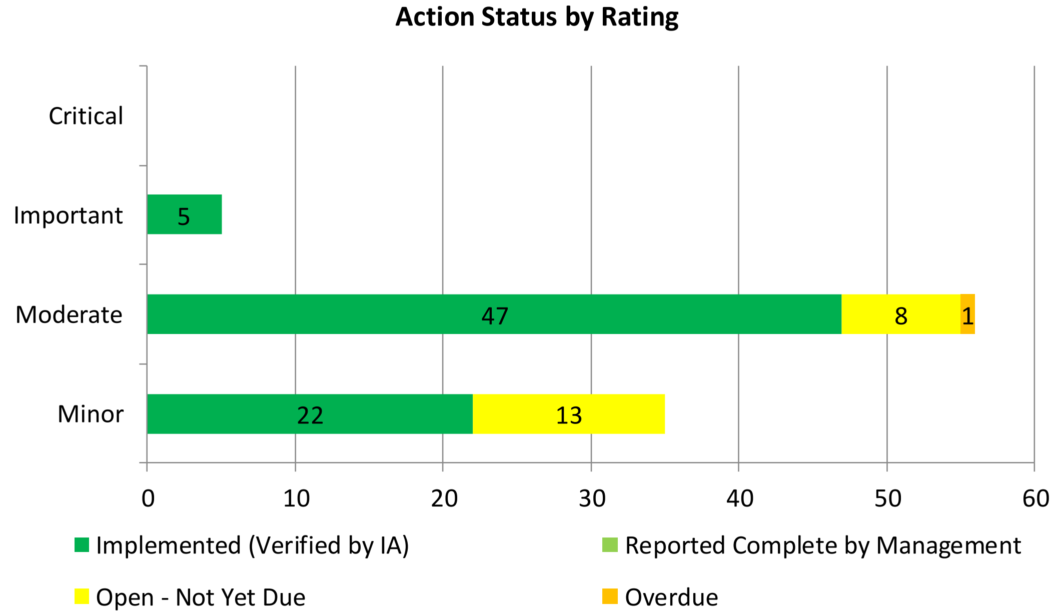
- reviewing the action updates provided by Management,
- obtaining evidence that actions have been completed as described, and
- assessing the effectiveness of actions taken to address the findings of our audits.

The following table provides a summary of follow up activity during 2019/20:

As at 31 March 2019	2019/20 Actions
Actions brought forward (no. overdue shown in brackets)	15 (1)
New actions added during year	81
Total actions followed up	96
Actions implemented during year	74
Actions carried forward (no. overdue shown in brackets)	22 (1)

We have verified the completion status of all 76 audit actions closed by Management during 2019/20. The following chart shows the status of all actions at 29 February 2020, split by the risk rating of the original finding.

One Moderate action remains overdue, which relates to the development of a revised Customer Service Centre performance framework. The Group Audit Committee has received regular updates on the progress towards completion of this action.



Internal Audit Annual Report 2019/20

6. Internal Audit Performance

The Assurance Team is responsible for delivering the Group's Internal Audit Service through the provision of independent, objective assurance and advice which adds value and drives improvement across the Group and its Subsidiaries. The high performance of the team is ensured through the following measures

Internal Audit compliance with professional standards

We employ a risk-based approach to determine the audit needs of the Group at the start of each year and use a risk-based methodology to plan and conduct our work. All Internal Audit activity is performed in line with the International Standards for the Professional Practice of Internal Auditing and the Code of Professional Conduct (including Code of Ethics) promoted by the Chartered Institute of Internal Auditors. All Assurance Staff have confirmed their independence in year.

Conflicts of Interest

Each member of the Internal Audit team is required to confirm their independence annually. Independence Statements were confirmed by each team member in August 2019 and the exercise will be repeated in August 2020.

The Internal Audit team is led by the Director of Assurance, who reports directly to the Group Chief Executive and meets regularly with the Chair of the Group Audit Committee. The Director of Assurance has other operational responsibilities. Consequently, the Group Audit Committee assesses the controls in place to maintain the Director's independence on an annual basis. The EQA process reported in February 2019 included consideration of the Group's arrangements for confirmation of the Director of Assurance's independence and found them to be generally conformant with the requirements of the standards.

There have been no conflicts of interest during the year which have impacted on our independence or our ability to report our findings.

The table below sets out the Internal Audit team's performance against its agreed KPIs for 2019/20:

KPI	Target	Status
Overall Customer Satisfaction Survey Rating	Average feedback score of 8 out of 10	Green
Audits are delivered in line with agreed timescales	100% of audits	Green
Annual Plan agreed before start of financial year to which it relates	At February Group Audit Committee	Green
Annual Report issued in line with consideration of Annual Accounts	At August Group Audit Committee	Green
Annual Plan completed in line with agreed timescale and budget (*Fire Risk Management Arrangements Review - fieldwork was underway at time of COVID19 and therefore unable to complete review. This be completed on return to work.*)	100% of audits	Amber
Percentage of time utilised on Internal Audit Plan delivery (based on 200 days)	100% utilisation	Green

Key:

Red	More than 15% away from target
Amber	Within 15% of target
Green	Target met / on track for year

7. Internal Audit Quality Assurance

In order to ensure the quality of the work we perform, we have a programme of quality assurance measures in place which include:

- Supervision of staff conducting audit work;
- Review of working papers, audit files and reports by the Assurance Manager and the Director of Assurance;
- The use of satisfaction surveys and feedback for Internal Audits;
- Annual and on-going appraisal of Assurance staff through the My Contribution tool, linking into staff personal development and training plans;
- Sector specific training for staff alongside technical training such as attendance at Institute of Internal Auditors workshops, in-house Internal Audit Training and Financial Reporting Standards updates;
- The maintenance of an Internal Audit Manual and Charter; and
- External Quality Assessments undertaken every 3 years.

In years where an External Quality Assessment is not completed, the team completes a self-assessment against the International Internal Auditing Standards.

Internal Quality Assessment Results

The 2019/20 self-assessment concluded that the Internal Audit team continues to be "**Generally Conformant**" with the standards (the highest available rating).

Each year, our review against the standards identifies areas in which we can continue to improve our service. In 2019/20, we have completed the following actions from our Improvement Action Log:

- The Assurance Map and Universe has been revised and refreshed.
- We introduced bi-annual meetings with all senior managers to update them on the work of Internal Audit team. These sessions include discussion to understand management risks, concerns and opportunities, which facilitates our Agile, risk-based internal audit approach.
- We have refreshed the Internal Audit intranet pages and worked with Care managers to deliver training sessions that provide staff with information and learning about Risks, Controls and the role of Internal Audit.
- We have redesigned our Customer Satisfaction Survey and used this to gather feedback on the Internal Audit service.

Appendix 1: Limitations and responsibilities

Limitations Inherent to the Internal Auditor's Work
We have prepared the Internal Audit Annual Report and undertaken the agreed programme of work as set out in the Annual Assurance Plan, subject to the limitations outlined below.

Opinion
The Annual Internal Audit Statement is based solely on the work undertaken as part of the agreed Annual Assurance Plan. The work addressed the control objectives agreed for each individual assignment as set out in our individual Terms of Reference. The matters raised in this report are only those which came to our attention during our Internal Audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of the individual review, or were not brought to our attention. Our audit plan is based on risk to capture the higher risk areas within the Group. As a consequence, Management and the Group Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal Control
Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Responsibilities of Management and Internal Audit
It is Management's responsibility to develop and maintain sound systems of risk management, internal control and governance to ensure the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for Management's responsibilities for the design and operation of these systems.
Internal Audit endeavour to plan work so that we have a reasonable expectation of detecting significant control weaknesses and if detected, we shall carry out additional work directed towards the identification of consequent fraud or other irregularities. Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as Internal Auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Internal Audit Annual Report 2019/20

Appendix 2: Assurance Opinion Definitions

The table below details the different types of Internal Audit opinion which may be given:

No Assurance	Limited Assurance	Substantial Assurance	Full Assurance
• There are **business critical control weaknesses** identified from Group wide Internal Audit reviews undertaken in year. If not addressed as a priority, these weaknesses could affect the going concern status of one or more Group Subsidiaries.	• There are **significant control weaknesses** identified from Group wide Internal Audit reviews undertaken in year, leaving scope for considerable improvement and concern is expressed about the adequacy of controls in mitigating risk to the Group	• There are **control weaknesses** identified from Group wide Internal Audit reviews undertaken in year. The majority of existing controls and processes accord with accepted good practice and are operating effectively although some deficiencies do exist, which could result in increased risk of loss/failure affecting the achievement of strategic objectives	• There are **no identified control weaknesses** identified from any of the Group wide Internal Audit reviews undertaken in year. Operating practices are considered optimised and industry leading, with no identified areas for improvement

Internal Audit Annual Report 2019/20

Appendix 3: Risk Rating Definitions

The following definitions are intended to be used a guide to describe areas which derive the risk rating to be applied to an audit finding and overall report rating. The Director of Assurances professional judgement will be the ultimate basis for the report rating:

Report Classification:

Each report is assigned a classification based on the sum of the ratings of individual findings within the report:

Critical	Important	Moderate	Minor
•40+ points	•26 – 39 points	•8 – 25 points	•7 points or less

Control Objective Classification:

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

Red

- Control objective not achieved. Control weaknesses identified would have a significant and immediate impact on the risks to achievement of the organisation's objectives

Amber

- Control objective not achieved. Control weaknesses identified would have a significant impact on the risks to achievement of the organisation's objectives

Yellow

- Control objective achieved. Control weaknesses identified would have some impact on the risks to the achievement of the organisation's objectives

Green

- Control objective achieved. Any control weaknesses identified would have limited impact on the risks to the achievement of the organisation's objectives

Findings ratings:

Each finding within the report is assigned a priority rating, based on the level of risk associated with the identified control weakness:

Critical 40 Points

- A report where a fundamental business critical control weakness has been identified. Failure to resolve any such findings immediately could result in loss of a business critical system that would have significant adverse impact to the organisation

Important 10 points

- Control weakness that has a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to the efficient and effective use of resources; the safeguarding of assets; the preparation of reliable financial and operational information and compliance with laws and regulations.

Moderate 3 points

- Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, while high impact for the system, function or process under review it does not have a significant impact on the achievement of the overall organisation's objectives.

Minor 1 point

- Control weakness that does not impact upon the achievement of key system, function or process objectives. However, implementation of the recommendation would improve overall control and is in line with good practice.

Report

To: **Dunedin Canmore Housing Board**

By: **Morgan Kingston, Finance Manager - Dunedin Canmore**

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

Subject: **Finance Report**

Date of Meeting: **13 August 2020**

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1. Purpose

1.1 To provide the Board with an overview of the management accounts for the period to 30 June 2020.

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 DCH 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 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".

4. Background

4.1 This report outlines performance against budget for the period to 30 June 2020.

4.2 The appendices provide more detail on the financial results.

5. Discussion

Finance Report for Period to 30 June 2020

5.1 We have reported a statutory surplus of £534k for the period to 30 June 2020, which is £140k favourable to budget.

Key points to note:

- The original budget assumed that the units transferring from Barony HA would do so on 1 April 2020. This transfer has been delayed and a number of the variances in the year to date relate to expected income and costs associated with the additional Barony HA properties. The overall impact on the delay up to the end of P3 is a reduction in the operating surplus of £115k.

- Gross rental income is reporting a £266k adverse variance of this, £243k of this relates to the units which were expected to be transferred from Barony. The remaining variance reflects the lower numbers of properties due to the delay in new build completions in P12 of 2019/20 following the Scottish Government instruction to close all construction sites on 23 March.

- Other income is reporting an adverse variance of £357k to budget. The main driver of this variance is the lower levels of recovery of DCPS staff against repair jobs from the operation of a “life and limb” service, which has resulted in unrecovered costs in the service of £302k.

- The lower level of repairs activity is linked through to lower reported costs through the repairs line in Dunedin Canmore which reports a saving of £516k. The underlying repairs position taking into account the £302k unrecovered costs in DCPS along with repairs savings in the other RSLs that DCPS services amounts to a net saving in repairs in the East subsidiaries of £196k in total. The volume of reactive repair jobs in 47% lower than the same period last year.

5.2 We have reported net capital expenditure of £957k for the period to 30 June 2020, which is £940k lower than budget. Key points to note are:

- New build spend is reporting spend £2,509k lower than budget, as a result of the Scottish Government instruction to close all construction sites on 23 March. No grant income has been claimed in the year to date.

- The core investment programme reports spend £770k lower than budget, with a number of investment works being postponed and only essential works being undertaken. A revised programme is being rolled out as restrictions start to be relaxed.

6. Q1 2020/21 Full year forecast

6.1 The Q1 Forecast output for 2020/21 reports a statutory surplus of £7,011k, £5,432k higher than budget and an operating surplus of £14,854k, £5,397k higher than budget.

6.2 The main driver of this favourable variance is forecast HAG income recognised of £5,383k. This relates to 83 units expected to be completed during 2020/21 at a number of sites including Beaverbank and Fountainbridge. These units were due to be completed at the end of 2019/20. The original budget assumed there would be no completions during 2020/21. Excluding the delayed grant income, underlying statutory surplus of £1,628k is £49k higher than budget and net operating surplus of £9,471k is £14k higher than budget.

6.3 The Gross rental income is forecast to be £533k lower than the original budget. This reflects lower than expected rent receipts as a result of the 83 units not being completed in 2019/20 as reported in the year to date results as well as variances relating to the delay in the Barony transfer.

6.4 Other income is forecast to be £657k lower than the original budget. This reflects lease income reductions for MMR units not completed at the end of 2019/20 as well as a projected losses generated by DCPS due to a lower level of activity against which to recover staff time.

6.5 Total operating expenditure is projected to be £1,226k favourable to budget. Employee costs savings of £165k reflect the forecast staff furlough claim to the end of October when the job retention scheme closes. Forecast revenue repairs and maintenance savings of £1,050k reflect the revised operating model, with net repairs savings taking into account the unrecovered staff time in DCPS of £448k.

6.6 Net capital expenditure is forecast to be £8,808k lower than budget. Core programme expenditure is expected to be £2,081k lower than the original budget. The majority of variance is attributable to the postponement of a number of planned investment works as a result of the coronavirus epidemic. New build grant income is expected to be £7,273k lower than budget linked to lower new build expenditure which is expected to be £14,000k lower than budget. These variances reflect the revised spend profile as a result of site closures between March and June 2020, and the associated remobilisation measures being taken as work recommences.

7. Key Issues and conclusions

7.1 The report informs the Board of the financial performance against year to date budget. The statutory surplus of £534k is £139k favourable to budget. The delay in the transfer of Barony housing activities has decreased the surplus reported by £115k.

8. Value for Money implications

8.1 Delivery of our cost efficiency targets is a key element of continuing to demonstrate value for money. The forecast statutory surplus of £7,011k is £5,432k favourable to budget.

9. Impact on financial projections

9.1 The 2020/21 Business Plan was approved by the Board at the February 2020 meeting and forms the basis for the 2020/21 budget. The emergence of COVID - 19 and the lockdown imposed by the UK and Scottish Government in March 2020 has required us to make significant changes to the way we deliver services to our customers and the operation of the business. The financial projections have been updated and reflect the most recent forecast out-turn.

10. Legal, regulatory and charitable implications

10.1 No implications.

11. Equalities impact

11.1 Not applicable.

12. Recommendation

12.1 The Board is requested to note the management accounts for the period to 30 June 2020.

LIST OF APPENDICES
Appendix 1: Finance report - year to 30 June 2020

Period to 30 June 2020
Finance Report

1) Period 3 – Operating Statement

	Year to 30 June 2020 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INCOME				
Rental Income	7,298	7,564	(266)	30,153
Void Losses	(114)	(92)	(22)	(363)
Net Rental Income	**7,184**	**7,472**	**(289)**	**29,791**
HAG Recognised in the Year	0	0	0	0
Other Income	314	671	(357)	2,853
TOTAL INCOME	**7,498**	**8,144**	**(646)**	**32,643**
EXPENDITURE				
Employee Costs - Direct	1,100	1,167	67	4,667
ER/VR	7	-	(7)	-
Employee Costs - Group Services	369	420	50	1,679
Direct Running Costs	792	857	65	3,398
Running Costs - Group Services	240	268	28	1,071
Revenue Repairs and Maintenance	493	1,009	516	4,279
Bad Debts	61	72	11	290
Depreciation	1,895	1,950	55	7,801
TOTAL EXPENDITURE	**4,957**	**5,743**	**786**	**23,186**
NET OPERATING SURPLUS / (DEFICIT)	**2,541**	**2,400**	**140**	**9,457**
Net Operating Margin	*34%*	*29%*	*4%*	*29%*
Interest receivable	1	3	-	13
Interest payable	(2,007)	(2,008)	1	(7,891)
STATUTORY SURPLUS / (DEFICIT)	**534**	**395**	**139**	**1,579**

	Year to 30 June 2020 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INVESTMENT				
Total Capital Investment Income	**-**	**2,341**	**(2,341)**	**15,135**
Total Expenditure on Core Programme	589	1,359	770	5,437
New Build & Other Investment	357	2,867	2,509	23,925
Other Capital Expenditure	10	13	3	350
TOTAL CAPITAL EXPENDITURE	**957**	**4,238**	**3,281**	**29,712**
NET CAPITAL EXPENDITURE	**957**	**1,896**	**940**	**14,577**

Classified as Internal

Key highlights year to date:

- Net operating surplus of £2,541k is £140k favourable to budget. Statutory surplus for the period to 30 June is £534k, £139k favourable to budget.
- The original budget presumed that the units transferring from Barony HA would do so on 1 April 2020. As this transfer has not yet occurred, a number of the variances in the year to date relate to expected income and costs from the Barony HA units.
- Net rental income is reporting a £289k adverse variance. The majority of this variance (£243k) relates to rental income expected from the units due to be transferred from Barony. The remaining variance reflects lower than expected new build completions in P12 of 2019/20 at Beaverbank, Fountainbridge, Greendykes and Lang Loan, following the Scottish Government instruction to close construction sites from 23 March.
- Other Income is £357k adverse to budget. This is largely as a result of DC Property Services ("DCPS") generating a loss of £302k in the YTD against a budgeted profit of £19k due to a lower level of activity against which to recover staff time. In addition, MMR lease income is lower following the delays to completion of new build properties in the latter half of March 2020.
- Total expenditure is £786k favourable to budget. Of this variance £116k is linked to the Barony properties which have not yet transferred. Direct staff costs include a claim of £87k from the Job retention scheme and also include additional staff costs for the Harbour.
- The largest favourable variance relates to repairs and maintenance costs which are £516k favourable to budget. Of this variance £31k relates to Barony and the remaining variance is a result of the 'life and limb' operating model which has resulted in a lower number of repair jobs. While the lower activity levels result in a reduction to costs recorded for the work undertaken, the costs of the in-house repairs staff not allocated to repair jobs is reported as a loss within other income. The volume of reactive repair jobs is 47% lower than the same period last year.
- Interest expenditure is £1k favourable to budget. Borrowings are linked to the new build and core investment programmes.
- Investment expenditure on existing properties is £770k lower than budget. Of this variance £84k relates to Barony and the remaining variance reflects the postponement of a number of non essential work types in the investment programme.
- New build spend of £357k is £2,509k lower than budget as a result of site closures.

2) Period 3 - Property Services Operating Statement

Dunedin Canmore

	Year to 30 June 2020			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Internal Subsidiaries	1,270	2,900	(1,630)	11,883
External Customers	0	55	(55)	219
TOTAL INCOME	**1,270**	**2,955**	**(1,684)**	**12,102**
COST OF SALES				
Staff	464	921	458	3,686
Materials	99	768	669	3,344
Subcontractor & Other Costs	569	675	106	2,700
TOTAL COST OF SALES	**1,131**	**2,364**	**1,233**	**9,729**
GROSS PROFIT/(LOSS)	**139**	**591**	**(451)**	**2,373**
Margin %	11%	20%	-9%	20%
Overheads	441	572	131	2,288
NET PROFIT/(LOSS)	**(302)**	**19**	**(320)**	**85**

Staff Utilisation	Year to 30 June 2020		
	Actual %	Budget %	Variance %
Billable Work	22.4%	79.5%	-57.1%
Travel Time	3.6%	11.2%	-7.6%
Sick Leave	0.6%	3.8%	-3.2%
Multi-Operative College Training	0.0%	1.4%	-1.4%
Stocktake	0.0%	0.2%	-0.2%
Internal Meetings	0.0%	0.8%	-0.8%
Specific Identified Training	0.0%	1.1%	-1.1%
Van Allowance	0.0%	0.2%	-0.2%
Special Leave	0.6%	0.7%	-0.1%
Covid 19 Eat well	0.9%	0.0%	0.9%
Covid 19 Down-time	39.7%	0.0%	39.7%
Covid 19 Isolation	1.9%	0.0%	1.9%
Covid 19 leave of absence	29.4%	0.0%	29.4%
Other	0.8%	1.1%	-0.3%
TOTAL	**100.0%**	**100.0%**	**0.0%**

Key highlights year to date:

- In the year to 30 June DCPS is reporting a deficit of £302k, which is £320k lower than budget. It should be noted that whilst the workshop has reported a loss, there are significant savings against budget for repairs within Dunedin Canmore, Barony and WLHP totalling £516k across the three subsidiaries leaving a net saving in repairs costs in the east subsidiaries together, after taking account of the loss in property services, of £196k.
- Income of £1,270k in the year is £1,630k adverse to budget which is a result of the "life and limb" operating model which has reduced demand in property services.
- Correspondingly, cost of sales are reporting a £1,233k favourable variance to budget. Staff costs within cost of sales of £464k include £359k claimed from the Coronavirus Job Retention Scheme for DCPS trades staff.
- Gross profit of £139k is £451k adverse to budget.
- Overhead expenditure includes vehicle rent and running costs, rates, insurance and other staff and office related costs. These are £131k favourable to budget for the year , largely as a result of a further £91k we have received from HMRC's Job Retention Scheme for DCPS management and support staff.

Staff Utilisation

- The labour rate charge assumes a staff "utilisation" rate of 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.
- Billable work for period 3 is 22.4%, which is 57.1% lower than budgeted assumptions.
- Down-time in relation to the coronavirus epidemic accounts for 71.9% of all staff time. This includes an overall 29.4% of time relating to employees who have been furloughed. In addition 0.9% of time spent relates to the Eat Well service.

3) Period 3 – Dunedin Canmore Harbour

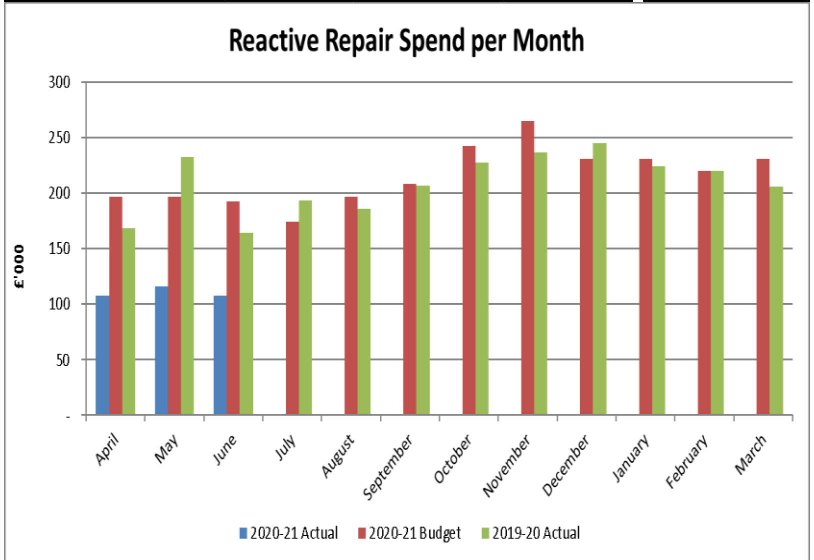
	Year to 30 June 2020			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Rental Income	209	191	18	762
Void Losses	(14)	(10)	(4)	(38)
Net Rental Income	**195**	**181**	**14**	**726**
Local Authority Contract Income	90	90	0	361
Other Income	4	3	1	13
TOTAL INCOME	**289**	**275**	**15**	**1,101**
EXPENDITURE				
Employee Costs	213	178	(34)	714
Direct running Costs	50	65	15	269
Revenue Repairs and Maintenance	7	11	4	36
Bad Debts and Depreciation	2	0	(2)	0
TOTAL EXPENDITURE	**272**	**255**	**(18)**	**1,018**
NET OPERATING SURPLUS / (DEFICIT)	**17**	**21**	**(4)**	**82**

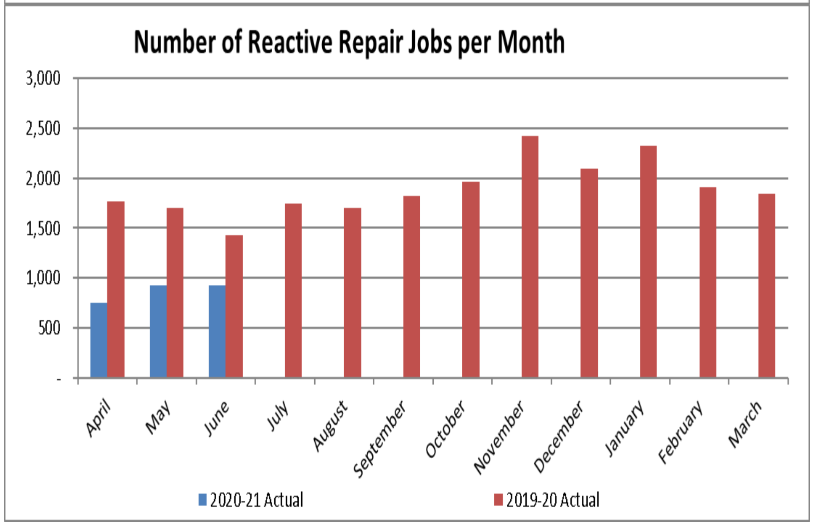
Key highlights year to date:

- Net operating surplus of £17k is £4k adverse to budget.
- Net rental income of £195k is £14k favourable to budget in the year to date.
- Employee costs of £213k are £34k adverse to budget. This is a result of higher than budgeted agency staff costs as well as 3 relief workers being offered 4 month temporary contracts. A number of staff are either shielding and working from home or self-isolating and therefore additional resources have been required in order to maintain sufficient staffing levels.
- Running costs of £50k include insurance, travel, safety equipment, printing, stationary and mobile costs. Costs are £15k favourable to budget in the year to date. The main variance relates to service users personal supplies which is £6k underspent.
- Repair and maintenance expenditure of £7k is £4k favourable to budget.

4) Management Information – Repairs

	Year to 30 June 2020			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
Reactive	332	586	254	2,586
Cyclical	161	423	263	1,693
	493	1,009	516	4,279





Comments:

Reactive Repairs

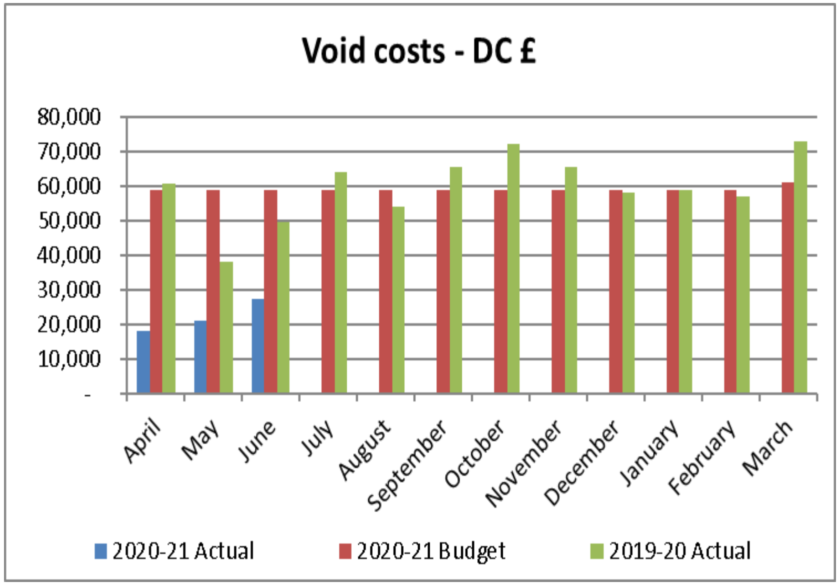
- Reactive repairs spend in the year to 30 June is £332k against a budget of £586k, £254k favourable to budget.
- Under the 'life and limb' operating model, only emergency repairs are completed and it is expected that spend would be significantly lower than budget.
- The volume of jobs is 47% lower than the same period in the prior year.

Cyclical Repairs

- Cyclical repairs spend of £161k has been incurred in the YTD, £263k favourable to budget.
- The main work-stream in the year has been gas servicing.

5) Management Information – Investment

	Year to 30 June 2020			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
Void	66	176	110	708
Major	336	997	661	3,988
Capitalised Staff	189	198	9	791
TOTAL	**591**	**1,371**	**780**	**5,487**



Comments:

Investment

- Major Repairs spend for the period to 30 June is £336k against a budget of £997k, a favourable variance of £661k. Expenditure includes a number of high value essential roof repairs.
- The lower than budgeted expenditure reflects the current operating model as a result of the Coronavirus epidemic.
- Investment covers all areas of our properties and external environment.

Void repairs

- Void costs of £66k have been incurred to the end of period 3 against a budget of £176k. This is £110k favourable to budget. The spend includes work carried out on properties let to City of Edinburgh of Council.
- Void costs, which include repairs and maintenance to extend the life of the properties, are capitalised in line with Group policy.

6) Management Information – New Build Programme

Development Name	Year To Date (£'000)			FY Budget
	Actual	Budget	Variance	
ABERLADY	-	-	-	34
BEAVERBANK	15	-	(15)	151
BONNYRIGG	-	-	-	74
CRAIGMILLAR	177	-	(177)	0
DEWARPARK	46	-	(46)	0
DUNDAS STREET	-	-	-	75
EDMONSTON	-	-	-	147
FASIDE	1	-	(1)	0
FOUNTAINBRIDGE	20	-	(20)	82
GAVIESIDE PH 1	-	-	-	230
GREENDYKES	5	-	(5)	323
GREENDYKES PH5	-	-	-	46
GULLANE	2	-	(2)	61
KIRKLISTON	-	-	-	1,944
LANARK RD	-	-	-	22
LANG LOAN	7	68	61	159
LONGNIDDRY	5	325	320	900
MACMERRY	-	179	179	3,522
NEWMILLS RD PH2	3	776	773	3,103
NEWTONGRANGE	-	-	-	33
RAVELRIG ROAD	-	75	75	75
SOUTH GILMERTON	-	1,357	1,357	5,080
WALLYFORD PH 2	-	-	-	3,186
WESTCRAIGS1	8	-	(8)	129
WESTCRAIGS2	6	-	(6)	110
WESTCRAIGS3	-	-	-	258
WISP 3C	13	-	(13)	3,834
Capitalised staff costs	49	87	38	348
Total Cost	**357**	**2,867**	**2,509**	**23,925**

Grant Income	**0**	**2,341**	**(2,341)**	**15,135**
Net New Build Costs	**357**	**525**	**168**	**8,790**

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.
- No grant income has been claimed in the year to date as a result of all sites being closed during the period to 30 June 2020.

New Build

- Expenditure of £357k is £2,509k lower than budget, this is in line with expectations given the fact that all sites have been closed and are currently reopening with spend relating to fees and retention payments for Craigmillar and Dewarpark.

7) Balance Sheet

	30 June 2020 £'000	31 March 2020 £'000
Fixed Assets		
Social Housing Properties	331,553	332,501
Other Fixed Assets	5,544	5,534
Investment Properties	28,561	28,561
	365,658	366,596
Current Assets		
Stock	396	334
Trade & Other Debtors	6,176	5,123
Cash & Cash Equivalents	2,948	4,273
	9,519	9,730
Creditors: within 1 year		
Trade Creditors	(335)	(344)
Accruals & Deferred Income	(12,435)	(11,435)
Prepayments of Rent and Service Charge	(1,207)	(1,007)
Other Creditors	(147)	(108)
Amounts due to Group Undertakings	(4,799)	(4,212)
	(18,923)	(17,106)
Net Current Liability	(9,403)	(7,376)
Long Term Creditors		
Loans	(33,163)	(33,163)
Amounts due to Group Undertakings	(131,345)	(134,845)
Pension Liability	(751)	(751)
Net Assets	**190,995**	**190,461**
Capital and Reserves		
Share Capital	-	-
Revenue Reserve	190,995	190,461
Association's funds	**190,995**	**190,461**

Comments:

- The balance sheet as at 31 March 2020 has been updated to reflect the 2019/20 statutory accounts now the results have been finalised and audited. No change in the pension asset is assumed during the year for management accounts purposes as the valuation is carried out annually. The actuarial valuation for the 2019/20 year end reported a £0.8m pension liability.
- The value of our **fixed assets** reflects additions in the year less depreciation.
- **Trade & other debtors** of £6.2m include an intercompany balance of £2.4m and net rent arrears of £0.4m (after bad debt provision).
- **Cash at Bank** – At 30 June Dunedin Canmore had £2.9m 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 £18.9m includes £4.8m due to other Wheatley entities and £12.4m 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 £164.5m relate to funding drawn down from WFL1, and external funding of £33.2m due to THFC and Allia (inclusive of rolled up interest charges). In the year to 30 June, no additional funding has been drawn.

8) Quarter 1 Forecast to 31 March 2021

Dunedin Canmore

	2020/21 Budget £ks	Q1 Forecast £ks	Variance £ks
INCOME			
Rental Income	30,153	29,620	(533)
Void Losses	(363)	(385)	(22)
Net Rental Income	**29,791**	**29,236**	**(555)**
HAG Recognised in the Year	-	5,383	5,383
Other Income	2,853	2,196	(657)
TOTAL INCOME	**32,643**	**36,814**	**4,171**
EXPENDITURE			
Employee Costs - Direct	4,667	4,502	165
ER/VR	0	7	(7)
Employee Costs - Group Services	1,679	1,608	71
Direct Running Costs	3,398	3,398	0
Running Costs - Group Services	1,071	1,068	3
Revenue Repairs and Maintenance	4,279	3,229	1,050
Bad Debts	290	438	(148)
Depreciation	7,801	7,709	92
TOTAL EXPENDITURE	**23,186**	**21,960**	**1,226**
NET OPERATING SURPLUS / (DEFICIT)	**9,457**	**14,854**	**5,397**
Net Operating Margin	*29%*	*40%*	*11%*
Interest receivable	13	13	-
Interest payable	(7,891)	(7,856)	35
STATUTORY SURPLUS / (DEFICIT)	**1,579**	**7,011**	**5,432**

	2020/21 Budget £ks	Q1 Forecast £ks	Variance £ks
INVESTMENT			
Total Capital Investment Income	**15,135**	**7,862**	**(7,273)**
Total Expenditure on Core Programme	5,437	3,356	2,081
New Build & Other Investment	23,925	9,925	14,000
Other Capital Expenditure	350	350	-
TOTAL CAPITAL EXPENDITURE	**29,712**	**13,631**	**16,081**
NET CAPITAL EXPENDITURE	**14,577**	**5,769**	**8,808**

Comments

- This table shows the 2020/21 budget presented to the Board compared to the Q1 forecast for 2020/21. The forecast reflects the results in the year to date as well as the business plan reforecast that was presented to the board at the July meeting.
- The forecast operating surplus of £14,854k is £5,397k higher than budget. Statutory forecast surplus of £7,011k is £5,432k higher than budget.
- The main driver of this favourable variance is forecast HAG income recognised of £5,383k. This relates to 83 units expected to be completed during 2020/21. These units were due to be completed at the end of 2019/20. The original budget assumed there would be no completions during 2020/21.
- Excluding the Grant income variance, net operating surplus is £14k favourable to budget with lower than budgeted rental income offset by savings in operating costs particularly in relation to repairs and staff costs.
- The net rental income variance reflects lower than expected rent receipts as a result of the 83 units discussed above not being completed in 2019/20 as well as variances relating to the units transferring from Barony HA not transferring on 1 April as was assumed in the budget.
- The variance in other income reflects £55k relating to MMR units not completed at the end of 2019/20 with the remaining variance relating to projected under recovery of costs by DCPS due to a lower level of activity against which to recover staff time.
- Total operating expenditure is projected to be £1,226k favourable to budget. Employee costs savings reflect expected income from staff on furlough. Revenue repairs and maintenance savings reflect the revised operating model moving forward to an expanded life and limb plus basis, and towards full service late r in the financial year.
- Bad debts are forecast to be £148k higher than budget with additional provision set aside with an expectation that arrears will increase as more tenants will move onto Universal Credit.
- New build expenditure and grant income as well as core investment programme expenditure have been updated to reflect the revised spend profile in the updated business plan.

Dunedin Canmore

Report

To:	**Dunedin Canmore Housing Board**
By:	**Morgan Kingston, Finance Manager**
Approved by:	**Steven Henderson, Group Director of Finance**
Subject:	**2020 SHR Five Year Financial Projections**
Date of Meeting:	**13 August 2020**

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1. Purpose

1.1 Toprovide an update on our financial projections and seek approval of the Five Year Financial Projections ("FYFP") return which is required to be submitted to the Scottish Housing Regulator ("SHR") by the end of September.

2. Authorising context

2.1 Under the terms of the Intra-Group Agreement between Dunedin Canmore and Wheatley Housing Group, as well as the Group Authorise, Manage, 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 While the Group Board is responsible for the overall approval of the Group business plan and parameters, the Board must also agree its individual business plan within these parameters.

2.3 The SHR requires the annual return on the Five Year Financial Projections for each RSL to be approved by its Board before they are formally submitted.

3. Risk Appetite and assessment

3.1 Our agreed risk appetite for business planning and budgeting assumptions is "open". This level of risk tolerance is defined as "Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level".

3.2 The information submitted to the SHR in the Five Year Financial Projection return is used as part of its annual review of our financial viability. As such it is important that the information provided is as robust as possible.

4. Background

4.1 In February 2020 the Board approved the 2020/21 Business Plan Financial Projections and related key financial ratios. The first year of these projections formed the basis of our current year budget.

4.2 As a result of the emergence of COVID-19 and the resulting lockdown, there has been substantial disruption to our business which is expected to continue for some time. This has had a significant impact on our financial performance in the current year and our Business Plan projections and related key financial ratios.

4.3 Revised financial projections were presented to the Board in July 2020 setting out an initial estimate of the impact of COVID-19. These projections reflected the anticipated changes to our new build, investment and repairs programmes due to restrictions in place and made provision for the challenges in rent collection as a result of the rise in unemployment and increase in tenants moving onto Universal Credit. They also included projected furlough claims and an increase in assumed savings in employee costs.

4.4 The revised projections reflected a significant change to our rent increase assumptions. In recognition of the need to ensure rental income remained affordable we reduced the assumed rent increases on social housing stock from 3.5% each year to 1.9% in April 2021, 2.4% in April 2022 and 2.9% from April 2023 on. This reduction in long term rent increases from 3.5% to 2.9% achieves the key outcome set out in our 2020-25 strategy to deliver below 3% increases by 2025. This earlier implementation of our strategy was made possible by efficiencies achieved to date, together with an increase in planned savings and reduced funding costs at the group level.

4.5 The forecast financial statements and key ratios presented to the July Board showed that we remained financially strong and that the RSL borrower group, of which we are part, was able to meet loan covenants imposed by lenders. It was agreed however that these financial projections would be kept under review and updated for any new information, with revised forecasts to be provided to the August Board and used as the basis for the Regulator’s Five Year Financial Projection return.

4.6 The FYFP is a web-based return designed by the SHR to collect the financial projections and related information of all RSLs in Scotland in a standard format. The information provided is used to calculate a number of financial ratios and is used by the SHR as part of its annual review of the financial viability of RSLs and in making decisions on the level of engagement. It is also used to allow developing trends, patterns and emerging issues to be identified and considered across the sector. The return provides the actual results for 2019/20 and the financial projections for the next five years and is usually required to be submitted by the end of June each year. However, in light of COVID-19 the SHR extended the deadline for submission to the end of September.

5. Discussion

5.1 The revised forecast financial projections presented to the Board in July 2020 have been updated to reflect the actual audited results for 2019/20 as reported in the statutory accounts. The projections have also been reviewed against the outturn figures for the first quarter of the current year and forecast for the remainder of the year and revised for any material changes.

5.2 The resulting projected financial statements together with the 2019/20 Statutory Accounts have been used as the basis for the SHR’s Five Year Financial Projection return.

5.3 The return includes financial statements and additional information for 2019/20 together with the first five years of our forecast. Information is collected in a standard format for all RSLs in Scotland with this broadly in line with the statutory accounts format. Our business planning / budgeting structure and accounting policies mean that the figures for us do not fit neatly into this template and therefore some presentational changes have been made for the purposes of the return. For example, employee costs is an important line included in our budget, but there is no line for this in the Regulator's return, with these being split between more thematic headings such as management and administration, repairs, wider action, etc.

5.4 The FYFP return to be submitted including the resulting financial ratios used by the regulator to assess and compare performance between RSLs is attached at Appendix 1. It should be noted that the calculation method used by the Regulator for these ratios differs from the methods used by our lenders for funding covenants.

5.5 To enable comparison to the figures presented to the Board in July, the summary forecast statement of comprehensive income for the five year period to 2024/25 is shown in Figure 1 below. This shows that with the exception of years 1 and 2 there is no significant difference in Total Comprehensive Income. The movement in 2020/21 is primarily due to the inclusion of the gain from the transfer of Barony properties into Dunedin Canmore. This was previously assumed to occur prior to 31st March 2020 but is now planned for 1st September 2020. An adjustment was also made to reflect an additional £1.2m of savings in repairs in the current year in line with the latest forecasts. The remaining variances predominantly relate to adjustments to the valuation movement to reflect the opening valuation per the statutory accounts and adjustments to depreciation to bring it in line with the reported figure for 2019/20.

Figure 1: Statement of comprehensive income

	2020/21	2021/22	2022/23	2023/24	2024/25
Turnover	39,786	37,653	63,544	63,056	57,704
Operating Expenditure	(27,593)	(28,120)	(28,714)	(30,931)	(32,710)
Gain on Investment Properties	(1,685)	(37)	(984)	(6,133)	(2,763)
Operating Surplus	**10,508**	**9,495**	**33,847**	**25,992**	**22,232**
Operating Margin (%)	26%	25%	53%	41%	39%
Gain on Sale of Properties	12	0	1,060	8	0
Finance Costs	(7,856)	(7,884)	(8,194)	(9,599)	(10,832)
Housing Property Valuation Movement	10,090	9,550	(18,364)	(6,767)	(509)
Gain on Barony Transfer	7,291	0	0	0	0
Total Comprehensive Income	**20,045**	**11,161**	**8,349**	**9,635**	**10,891**
July Re-forecast	**9,150**	**10,420**	**8,183**	**9,194**	**10,831**

5.6 Our revised Statement of Financial Position, set out in Figure 2 below, shows the movement in the net asset position over the first five years of the projections. The delivery of 1,031 new affordable housing properties will help to strengthen our net asset base.

Figure 2: Statement of Financial Position

	2020/21	2021/22	2022/23	2023/24	2024/25
Housing & Investment Properties	379,766	437,420	472,786	485,091	507,901
Other Fixed Assets	5,927	5,697	5,318	4,860	4,398
Total Fixed Assets	**385,692**	**443,117**	**478,104**	**489,951**	**512,298**
Current Assets	9,313	9,495	9,447	9,317	9,210
Current Liabilities	(18,561)	(54,049)	(47,233)	(32,119)	(34,978)
Net Current Liabilities	**(9,248)**	**(44,554)**	**(37,786)**	**(22,802)**	**(25,768)**
Long-Term Liabilities	(165,188)	(176,146)	(209,552)	(226,749)	(235,239)
Pension	(751)	(751)	(751)	(751)	(751)
Net Assets	**210,506**	**221,666**	**230,015**	**239,649**	**250,540**
Retained Earnings	210,506	221,666	230,015	239,649	250,540
Total Reserves	**210,506**	**221,666**	**230,015**	**239,649**	**250,540**
July Re-forecast	**185,529**	**195,948**	**204,131**	**213,325**	**224,156**

5.7 This shows an increase in net assets compared to the July projections as a result of an increase in the opening housing property valuation, and a greater opening cash balance reducing the net liabilities position. Over the five year period the increase in Net Assets is broadly the same. Fluctuations in current liabilities are due to the inclusion of new build grant income. This is reported as deferred income until completion of the units at which point it is transferred to Turnover in the Statement of Comprehensive Income.

5.8 While we are funded via an intra group loan from WFL1 and is not subject to covenants on a standalone basis it is important to assess our cash generation ability and contribution to the RSL Borrower Group financial position. A key measure used within the Group to determine this is interest cover, with this defined as EBITDA MRI (earnings before interest, tax, depreciation and amortisation with major repairs investment spend taken into account) over net interest payable. Ideally this should be >1 meaning that sufficient cash is generated from operating activities to cover both investment in existing assets and cost of funding. Figure 3 shows the revised projected for interest cover, including a comparison to the figures presented in July.

Figure 3: EBITDA MRI interest cover ratio

£'000	2020/21	2021/22	2022/23	2023/24	2024/25
Turnover (excl Grant)	34,403	35,627	37,124	40,160	43,004
Operating Costs (excl Depreciation)	(17,223)	(17,520)	(17,345)	(17,968)	(18,451)
EBITDA	**17,179**	**18,108**	**19,779**	**22,192**	**24,553**
Investment	(3,516)	(6,103)	(6,209)	(6,371)	(6,644)
EBITDA (MRI)	**13,663**	**12,005**	**13,570**	**15,821**	**17,909**
Interest (net)	(7,205)	(7,664)	(8,983)	(10,615)	(11,119)
Interest Cover	**6,459**	**4,340**	**4,587**	**5,207**	**6,790**
Interest Cover (x)	**1.90x**	**1.57x**	**1.51x**	**1.49x**	**1.61x**
July Re-forecast	**1.66x**	**1.56x**	**1.50x**	**1.48x**	**1.60x**

5.9 This demonstrates an improved performance compared to the financial projections presented in July, with interest cover increasing from 1.66x to 1.90x in 2020/21 as a result of an additional £1.2m of repairs savings. In subsequent years a reduction in funding costs due to a higher than assumed opening cash balance generates a small improvement in interest cover.

6. Key Issues and Conclusions

6.1 The revised projections show that we remain financially strong, and that there has been improvement compared to the position reported in July. Given the unprecedented level of uncertainty, these financial projections will remain under review and any significant changes reported back to the Board.

6.2 The SHR FYFPs have been prepared in accordance with the guidance issued. These projections are based on the 2020 Statutory Accounts, also submitted to this board and the reforecast financial projections. The board are requested to consider and approve the regulator return. Once approved, these will be submitted to the SHR.

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. As part of the reforecast the long term rent increase assumption has been reduced from 3.5% to 2.9% each year.

8. Impact on Financial Projections

8.1 The impact of the reforecast on our financial projections is outlined in section 5 above.

9. Legal, regulatory and charitable implications

9.1 Once approved by the Board the FYFPs return will be submitted to the SHR. The information will be used only by the SHR in its role as regulator and will not be used or relied upon by any other party. It is therefore not expected that there will be any legal implications

10. Equalities Impact

10.1 Not applicable

11. Recommendations

11.1 The Board is requested to:

1) Note the update to our financial projections, including the impact of the actual results for 2019/20 as reported in the Statutory Accounts; and
2) Approve the summary sheet and accompanying financial data and projections at Appendix 1 and authorise these to be submitted to the Scottish Housing Regulator

Appendix 1 : Scottish Housing Regulator Five Year Financial Projection Return

Financial Projections & Assumptions 2020
Dunedin Canmore Housing Limited 116

PLEASE USE "0" FOR NIL VALUES THROUGHOUT THIS RETURN		2019/20 Year 0 £'000	2020/21 Year 1 £'000	2021/22 Year 2 £'000	2022/23 Year 3 £'000	2023/24 Year 4 £'000	2024/25 Year 5 £'000
STATEMENT OF COMPREHENSIVE INCOME							
Gross rents	10	26,025.0	28,103.7	28,735.4	29,904.9	32,358.1	34,246.7
Service charges	11	2,008.0	1,569.8	1,976.9	2,025.0	2,083.8	2,144.5
Gross rents & service charges	12	28,033.0	29,673.5	30,712.3	31,929.9	34,441.9	36,391.2
Rent loss from voids	13	203.0	364.3	374.9	380.2	392.0	407.2
Net rent & service charges	14	27,830.0	29,309.2	30,337.4	31,549.7	34,049.9	35,984.0
Developments for sale income	15	0.0	0.0	0.0	0.0	0.0	0.0
Grants released from deferred income	16	9,205.0	5,382.8	2,025.4	26,420.7	22,896.0	14,700.2
Grants from Scottish Ministers	17	365.0	361.4	361.4	361.4	361.4	361.4
Other grants	18	0.0	158.4	160.7	165.6	170.5	175.6
Other income	19	5,534.0	4,573.7	4,767.8	5,046.9	5,577.7	6,483.2
TURNOVER	20	**42,934.0**	**39,785.5**	**37,652.7**	**63,544.3**	**63,055.5**	**57,704.4**
Less:							
Housing depreciation	22	9,166.0	9,770.3	9,898.9	10,505.7	12,007.6	13,279.1
Impairment written off / (back)	23	0.0	0.0	0.0	0.0	0.0	0.0
Management costs	25	5,383.0	5,715.2	5,844.3	5,970.0	6,190.7	6,400.1
Planned maintenance - direct costs	26	2,302.0	2,231.1	2,518.5	2,570.1	2,623.2	2,677.9
Re-active & voids maintenance - direct costs	27	3,033.0	2,836.8	3,289.1	3,364.7	3,595.0	3,756.8
Maintenance overhead costs	28	0.0	0.0	0.0	0.0	0.0	0.0
Bad debts written off / (back)	29	227.0	437.9	296.0	304.6	320.8	334.3
Developments for sale costs	30	0.0	0.0	0.0	0.0	0.0	0.0
Other activity costs	31	6,189.0	5,976.0	5,595.1	4,948.0	5,119.1	5,300.0
Other costs	32	486.0	625.7	678.4	1,050.4	1,074.1	961.7
	33	17,620.0	17,822.7	18,221.4	18,207.8	18,922.9	19,430.8
Operating Costs	35	**26,786.0**	**27,593.0**	**28,120.3**	**28,713.5**	**30,930.5**	**32,709.9**
Gain/(Loss) on disposal of PPE	36	403.0	12.0	0.0	1,059.9	8.0	0.0
Exceptional Items - (Income) / Expense	37	2,705.0	(5,606.0)	37.4	983.7	6,133.0	2,762.7
OPERATING SURPLUS/(DEFICIT)	38	**13,846.0**	**17,810.5**	**9,495.0**	**34,907.0**	**26,000.0**	**22,231.8**
Interest receivable and other income	40	6.0	0.0	6.3	12.5	18.8	37.5
Interest payable and similar charges	41	7,529.0	7,855.9	7,890.3	8,206.8	9,617.6	10,869.9
Increase / (Decrease) in Negative Goodwill	42	0.0	0.0	0.0	0.0	0.0	0.0
Other Gains / (Losses)	43	9,301.0	10,090.3	9,549.5	(18,364.2)	(6,766.7)	(508.8)
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAX	45	**15,624.0**	**20,044.9**	**11,160.5**	**8,348.5**	**9,634.5**	**10,890.6**
Tax on surplus on ordinary activities	47	0.0	0.0	0.0	0.0	0.0	0.0
SURPLUS/(DEFICIT) FOR THE YEAR AFTER TAX	49	**15,624.0**	**20,044.9**	**11,160.5**	**8,348.5**	**9,634.5**	**10,890.6**

		£'000	£'000	£'000	£'000	£'000	£'000
Actuarial (loss) / gain in respect of pension schemes	51	1,253.0	0.0	0.0	0.0	0.0	0.0
Change in Fair Value of hedged financial instruments.	52	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	54	**16,877.0**	**20,044.9**	**11,160.5**	**8,348.5**	**9,634.5**	**10,890.6**
STATEMENT OF FINANCIAL POSITION							
Non-Current Assets							
Intangible Assets & Goodwill	59	0.0	0.0	0.0	0.0	0.0	0.0
Housing properties - Gross cost or valuation	62	332,501.0	347,093.6	401,522.8	432,592.9	429,078.2	443,069.0
Less							
Housing Depreciation	64	0.0	0.0	0.0	0.0	0.0	0.0
Negative Goodwill	65	0.0	0.0	0.0	0.0	0.0	0.0
NET HOUSING ASSETS	66	**332,501.0**	**347,093.6**	**401,522.8**	**432,592.9**	**429,078.2**	**443,069.0**
Non-Current Investments	68	28,561.0	32,672.3	35,896.9	40,193.0	56,012.8	64,831.7
Other Non Current Assets	69	5,534.0	5,926.5	5,697.4	5,317.8	4,860.5	4,397.7
TOTAL NON-CURRENT ASSETS	70	**366,596.0**	**385,692.5**	**443,117.1**	**478,103.7**	**489,951.4**	**512,298.4**
Current Assets							
Net rental receivables	73	898.0	1,914.0	2,095.8	2,048.3	1,918.0	1,811.1
Other receivables, stock & WIP	74	4,559.0	4,899.0	4,899.0	4,899.0	4,899.0	4,899.0
Investments (non-cash)	75	0.0	0.0	0.0	0.0	0.0	0.0
Cash at bank and in hand	76	4,273.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0
TOTAL CURRENT ASSETS	77	**9,730.0**	**9,313.0**	**9,494.8**	**9,447.3**	**9,317.0**	**9,210.1**
Payables : Amounts falling due within One Year							
Loans due within one year	80	0.0	0.0	0.0	0.0	0.0	0.0
Overdrafts due within one year	81	0.0	0.0	0.0	0.0	0.0	0.0
Other short-term payables	82	8,251.0	8,157.9	8,157.9	8,281.6	8,322.9	8,364.1
TOTAL CURRENT LIABILITIES	83	**8,251.0**	**8,157.9**	**8,157.9**	**8,281.6**	**8,322.9**	**8,364.1**
NET CURRENT ASSETS/(LIABILITIES)	85	**1,479.0**	**1,155.1**	**1,336.9**	**1,165.7**	**994.1**	**846.0**
TOTAL ASSETS LESS CURRENT LIABILITIES	87	**368,075.0**	**386,847.6**	**444,454.0**	**479,269.4**	**490,945.5**	**513,144.4**
Payables : Amounts falling due After One Year							
Loans due after one year	90	168,008.0	164,173.5	175,131.8	208,538.0	225,735.2	234,225.0
Other long-term payables	91	931.0	1,014.0	1,014.0	1,014.0	1,014.0	1,014.0
Grants to be released	92	7,924.0	10,403.0	45,891.2	38,951.8	23,796.0	26,614.2
	93	**176,863.0**	**175,590.5**	**222,037.0**	**248,503.8**	**250,545.2**	**261,853.2**
Provisions for liabilities & charges	94	751.0	751.0	751.0	751.0	751.0	751.0
NET ASSETS	95	**190,461.0**	**210,506.1**	**221,666.0**	**230,014.6**	**239,649.3**	**250,540.2**
Capital & Reserves							
Share capital	98	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	99	0.0	0.0	0.0	0.0	0.0	0.0
Restricted reserves	100	0.0	0.0	0.0	0.0	0.0	0.0
Revenue reserves	101	190,461.0	210,506.1	221,666.0	230,014.6	239,649.3	250,540.2
TOTAL CAPITAL & RESERVES	102	**190,461.0**	**210,506.1**	**221,666.0**	**230,014.6**	**239,649.3**	**250,540.2**
Pension Liability - as included above	104	751.0	751.0	751.0	751.0	751.0	751.0
Intra Group Receivables - as included above	105	1,650.0	1,650.0	1,650.0	1,650.0	1,650.0	1,650.0
Intra Group Payables - as included above	106	139,057.0	130,493.1	140,918.0	173,775.2	190,407.6	198,316.1
Balance check	107	**TRUE**	**TRUE**	**TRUE**	**TRUE**	**TRUE**	**TRUE**

		£'000	£'000	£'000	£'000	£'000	£'000
STATEMENT OF CASHFLOWS							
Net Cash from Operating Activities							
Operating Surplus/(Deficit)	111	13,846.0	17,810.5	9,495.0	34,907.0	26,000.0	22,231.8
Depreciation & Amortisation	112	9,652.0	10,369.6	10,600.7	11,368.6	12,963.0	14,259.0
Impairments / (Revaluation Enhancements)	113	0.0	0.0	0.0	0.0	0.0	0.0
Increase / (Decrease) in Payables	114	871.0	(1,244.0)	0.0	0.0	0.0	0.0
(Increase) / Decrease in Receivables	115	(1,895.0)	(987.1)	(182.4)	47.5	130.4	106.9
(Increase) / Decrease in Stock & WIP	116	(108.0)	0.0	0.0	0.0	0.0	0.0
Gain / (Loss) on sale of non-current assets	117	(403.0)	(12.0)	0.0	(1,059.9)	(8.0)	0.0
Other non-cash adjustments	118	(8,900.0)	(10,988.8)	(1,988.0)	(25,437.0)	(16,763.0)	(11,937.5)
NET CASH FROM OPERATING ACTIVITIES	119	**13,063.0**	**14,948.2**	**17,925.3**	**19,826.2**	**22,322.4**	**24,660.2**
Tax (Paid) / Refunded	121	0.0	0.0	0.0	0.0	0.0	0.0
Return on Investment and Servicing of Finance							
Interest Received	124	6.0	0.0	6.3	12.5	18.8	37.5
Interest (Paid)	125	(7,903.0)	(7,204.5)	(7,670.4)	(8,995.5)	(10,633.4)	(11,156.9)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE	126	**(7,897.0)**	**(7,204.5)**	**(7,664.1)**	**(8,983.0)**	**(10,614.6)**	**(11,119.4)**
Capital Expenditure & Financial Investment							
Construction or acquisition of Housing properties	129	(18,545.0)	(9,539.3)	(51,604.2)	(59,029.8)	(29,780.9)	(31,803.4)
Improvement of Housing	130	(6,434.0)	(3,516.1)	(6,103.2)	(6,209.1)	(6,370.8)	(6,644.3)
Construction or acquisition of other Land & Buildings	131	0.0	0.0	0.0	0.0	0.0	0.0
Construction or acquisition of other Non-Current Assets	132	(224.0)	(392.8)	(489.3)	(500.0)	(505.7)	(517.1)
Sale of Social Housing Properties	133	3,329.0	200.0	0.0	2,560.0	580.0	0.0
Sale of Other Land & Buildings	134	0.0	0.0	0.0	0.0	0.0	0.0
Sale of Other Non-Current Assets	135	0.0	0.0	0.0	0.0	0.0	0.0
Grants (Repaid) / Received	136	5,083.0	7,861.6	37,513.6	19,481.3	7,740.2	17,518.4
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	137	**(16,791.0)**	**(5,386.6)**	**(20,683.1)**	**(43,697.6)**	**(28,337.2)**	**(21,446.4)**
NET CASH BEFORE FINANCING	139	**(11,625.0)**	**2,357.1**	**(10,421.9)**	**(32,854.4)**	**(16,629.4)**	**(7,905.6)**
Financing							
Equity drawdown	142	0.0	925.0	0.0	0.0	0.0	0.0
Debt drawndown	143	0.0	0.0	0.0	0.0	0.0	0.0
Debt repayment	144	0.0	0.0	0.0	0.0	0.0	0.0
Working Capital (Cash) - Drawn / (Repaid)	145	12,522.0	(5,055.1)	10,421.9	32,854.4	16,629.4	7,905.6
NET CASH FROM FINANCING	146	**12,522.0**	**(4,130.1)**	**10,421.9**	**32,854.4**	**16,629.4**	**7,905.6**
INCREASE / (DECREASE) IN NET CASH	148	**897.0**	**(1,773.0)**	**0.0**	**0.0**	**0.0**	**0.0**
Cash Balance							
Balance Brought Forward	151	3,376.0	4,273.0	2,500.0	2,500.0	2,500.0	2,500.0
Increase / (Decrease) in Net Cash	152	897.0	(1,773.0)	0.0	0.0	0.0	0.0
CLOSING BALANCE	153	**4,273.0**	**2,500.0**	**2,500.0**	**2,500.0**	**2,500.0**	**2,500.0**
Difference between Closing Balance and Cash at bank and in hand	154	0.0	0.0	0.0	0.0	0.0	0.0
ADDITIONAL INFORMATION							
Units owned:							
Social Rent Properties	159	5,234	5,430	5,442	5,737	5,927	6,069
MMR Properties	160	290	325	350	384	523	593
Low Costs Home Ownership Properties	161	342	342	342	342	342	342

		£'000	£'000	£'000	£'000	£'000	£'000
Properties - Other Tenures	162	0	0	0	0	0	0
Number of units owned at end of period	163	**5866**	**6097**	**6134**	**6463**	**6792**	**7004**
Number of units managed at end of period (exclude factored units)	165	0	0	0	0	0	0
New Social Rent Properties added	167	84	200	12	321	205	142
New MMR Properties added	168	78	35	25	34	139	70
New Low Costs Home Ownership Properties added	169	0	0	0	0	0	0
New Properties - Other Tenures added	170	0	0	0	0	0	0
Total number of new affordable housing units added during year	171	**162**	**235**	**37**	**355**	**344**	**212**
Financed by:							
Scottish Housing Grants	174	9,205.0	5,382.8	2,025.4	26,420.7	22,896.0	14,700.2
Other public subsidy	175	0.0	0.0	0.0	0.0	0.0	0.0
Private finance	176	13,259.0	4,910.5	2,866.9	26,632.9	30,367.4	19,168.3
Sales	177	0.0	0.0	0.0	0.0	0.0	0.0
Cash reserves	178	0.0	0.0	0.0	0.0	0.0	0.0
Other	179	0.0	0.0	0.0	0.0	0.0	0.0
Total cost of new units	180	**22,464.0**	**10,293.3**	**4,892.3**	**53,053.6**	**53,263.4**	**33,868.5**
	181						
Number of units lost during year from:							
Sales including right to buy	183	15	4	0	26	15	0
Demolition	184	0	0	0	0	0	0
Other	185	0	0	0	0	0	0
Assumptions:							
General Inflation (%)	188	0.0	3.0	1.5	3.0	3.0	3.0
Rent increase - Margin above General Inflation (%)	189	0.0	0.2	0.4	(0.1)	(0.1)	(0.1)
Operating cost increase - Margin above General Inflation (%)	190	0.0	0.0	0.0	0.0	0.0	0.0
Direct maintenance cost increase - Margin above General Inflation (%)	191	0.0	0.0	0.0	0.0	0.0	0.0
Actual / Assumed average salary increase (%)	192	2.2	2.2	1.5	1.5	1.5	2.0
Average cost of borrowing (%)	193	4.9	5.3	5.4	5.4	5.4	5.4
Employers Contributions for pensions (%)	194	6.4	6.4	6.4	6.4	6.4	6.4
Employers Contributions for pensions (£'000)	195	1,146.0	1,171.2	1,188.8	1,206.6	1,224.7	1,249.2
SHAPS Pensions deficit contributions (£'000)	196	1,558.0	782.9	806.4	0.0	0.0	0.0
Total staff costs (including NI & pension costs)	198	10,326.0	10,553.2	10,711.5	10,872.1	11,035.2	11,255.9
Full time equivalent staff	199	198.0	198.0	198.0	198.0	198.0	198.0
EESSH Capital Expenditure included above	201	70.0	100.0	20.0	20.0	20.0	0.0
Total capital and revenue expenditure on maintenance of pre-1919 properties	202	1,133.0	650.0	750.0	750.0	750.0	750.0
Total capital and revenue expenditure on maintenance of all other properties	203	10,636.0	7,934.0	11,160.8	11,393.9	11,839.0	12,329.0
EESSH Revenue Expenditure included above	204	0.0	0.0	0.0	0.0	0.0	0.0
Version 8.42							

Ratios

Dunedin Canmore Housing Limited 116

	2019/20 Year 0	2020/21 Year 1	2021/22 Year 2	2022/23 Year 3	2023/24 Year 4	2024/25 Year 5
Financial capacity						
Interest cover %	165.4	207.5	233.8	220.5	210.1	221.4
Gearing %	86.0	76.8	77.9	89.6	93.2	92.5
Efficiency						
Voids %	0.7	1.2	1.2	1.2	1.1	1.1
Arrears %	3.2	6.5	6.9	6.5	5.6	5.0
Bad debts %	0.8	1.5	1.0	1.0	0.9	0.9
Staff costs / turnover %	24.1	26.5	28.4	17.1	17.5	19.5
Turnover per unit (£)	7,319.1	6,525.4	6,138.4	9,832.0	9,283.8	8,238.8
Responsive repairs to planned maintenance	2.9	2.0	2.6	2.6	2.5	2.5
Liquidity						
Current ratio	1.2	1.1	1.2	1.1	1.1	1.1
Profitability						
Gross surplus / Deficit %	32.2	44.8	25.2	54.9	41.2	38.5
Net surplus / Deficit %	36.4	50.4	29.6	13.1	15.3	18.9
EBITDA / revenue (%)	39.7	62.0	37.2	63.1	51.7	51.7
Financing						
Debt Burden	3.9	4.1	4.7	3.3	3.6	4.1
Net debt per unit (£)	27,912.5	26,516.9	28,143.4	31,879.6	32,867.4	33,084.7
Debt per unit (£)	28,641.0	26,926.9	28,551.0	32,266.4	33,235.5	33,441.6
Diversification						
Income from non-rental activities %	12.9	11.5	12.7	7.9	8.8	11.2
Other Activities Surplus to Operating Surplus %	(4.7)	(7.9)	(8.7)	0.3	1.8	5.3

Dunedin Canmore

Report

To:	**Dundin Canmore Housing Board**
By:	**Anthony Allison, Director of Governance**
Approved by:	**Steven Henderson, Group Director of Finance**
Subject:	**Governance update**
Date of Meeting:	**13 August 2020**

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1. Purpose

1.1 To update the Board and, where applicable, seek Board approval on the following governance related matters:

- 2020 Annual General Meeting ("AGM") arrangements
- Secretary's report
- Barony Transfer of Engagement
- Constitutional changes
- Board arrangements and cycle for the remainder of 2020
- Scottish Housing Regulator consultation on the Regulatory Framework

2. Authorising context

2.1 Under the Group Authorising Framework, the Group Board is responsible for the Group's overall governance arrangements. As part of this role, the Group Board is responsible for the Group's governance framework and agreement of any changes.

2.2 The Board is responsible for calling meetings, including General Meetings. All Board member appointments / re-appointments at the AGM require approval by the Parent under the Articles of Association.

3. Risk Appetite and assessment

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

3.2 In order to mitigate this risk we engaged our external legal advisors to support our activity as appropriate and regularly update the Board on governance related matters.

4. Background

4.1 At its meeting on 28 May the Board considered and agreed proposed changes to our Rules. Subsequently the Board agreed at its July meeting to receive a Transfer of Engagement from Barony.

5. Discussion

Annual General Meeting

5.1 The UK wide Corporate Insolvency and Governance Bill received royal assent on 25 June and is now an Act. The measures in this Act were designed to '*relieve the burden on businesses during the coronavirus (COVID-19) outbreak and allow them to focus all their efforts on continuing to operate'.*

5.2 Part of the Act allows organisations, including us, to hold General Meetings virtually, even where this is not expressly permitted in the constitution. This provision was in recognition that unnecessary gatherings should be avoided and that the facilities may not be available to do so even if permissible.

5.3 It is therefore intended that the 2020 AGM will be held virtually (via Zoom) on 17 September 2020 at 18.30. Papers will be issued to members in the normal way.

5.4 We recognise that holding the meeting virtually has the potential to impact accessibility and we will make support available to tenants in particular to attend virtually. This might include support downloading and using the Zoom platform and if practical access to the necessary equipment and infrastructure. We will also strongly encourage the use of proxies, which will support us reaching the necessary quorum.

5.5 Under the Rules any Board member who has served for 3 year requires to retire from office. Any such member may seek re-election. Bryan Pitbladdo, George Cunningham and Anne McGovern have served for three years and therefore require to retire at the AGM. In line with our succession plan, both Bryan and Anne are proposed for reappointment at the AGM. George will retire from the Board and continue within the Group as a Non-Executive Director of Wheatley Care.

5.6 In addition to this we upon the conclusion of the Barony Transfer of Engagement Alastair Murray and Helen Howden are scheduled to join the Board. To bring their appointments into the normal cycle they are proposed for appointment at the AGM.

5.7 The reappointment of all members is subject to Parent approval and this will be formally confirmed by the Group Remuneration, Appointments, Appraisal and Governance Committee at its meeting on 26 August.

Secretary's report

5.8 In advance of the AGM, Rule68 states that:

"At the last Board meeting before the annual general meeting, the Secretary must confirm in writing to the Board that Articles 62 to 67 have been followed or, if they have not been followed, the reasons for this".

5.9 The Secretary's report in relation to each Rule referred to in Rule 68 is as follows:

Rule	Secretary report
62	The physical signing of the minutes was not possible during the early stages of the pandemic as meetings were heard virtually. Provision has now been made to allow the minutes to executed with a wet signature.
63	The seal is not routinely used. It is kept at the registered office.
64 and 65	All registers have been checked and maintained throughout the year and are held at our registered office
66	Our registered name is displayed at our registered office and at every office where our business is carried out. It is also clearly marked on business letters, notices, adverts, official publications and financial documents.
67	Our books of account, registers, securities and other documents are kept at our registered office or any other place the Board decides is secure (Held in Wheatley House securely by the Secretary)

Barony Transfer of Engagement

5.10 The members of Barony met and unanimously approved the Transfer of Engagement (ToE") at their first SGM on 23 July. The required second SGM is scheduled for 18 August and we anticipate that the members will agree the ToE. Thereafter we will lodge the resolution with the Financial Conduct Authority to effect the ToE.

Constitutional changes

5.11 The Board received the proposed constitutional changes at its meeting in May. As part of the changes, this included changes to transition our membership to a tenant and Board member only positon.

5.12 As the aforementioned Barony ToE requires us to grant all Barony shareholders an equivalent share in DCH and we cannot guarantee that the ToE (if agreed) will be registered before we agree any Rule changes it is intended we delay the constitutional changes until the ToE is complete. There were no changes proposed that required immediate implementation.

5.13 This will allow us to review the membership list and, for example, for Barony members who are in fact now WLHP tenants engage them regarding resigning membership of DCH and becoming a member of WLHP.

5.14 A further update on this will be brought to the Board once the Barony ToE position is finalised.

Board arrangements and cycle for the remainder of 2020

5.15 It is intended that this will be the final Board meeting under the interim governance arrangements and that we will revert back to the full Board at the next Board meeting. It is intended we will have a Board meeting in October, with a date to be confirmed, and subject to any changes to the current Scottish Government guidance hold this in person.

5.16 We will engage our Health and Safety colleagues to ensure the meeting is held in accordance with the Scottish Government guidance. We will also make provision for members to attend virtually if they do not wish to attend, for example if a Board member was shielding. We will also hold the November meeting as planned on 26th November.

Scottish Housing Regulator consultation on the Regulatory Framework

5.17 The SHR are currently consulting on proposals to adjust its regulatory approach in response to the Covid 19 pandemic https://www.housingregulator.gov.scot/about-us/what-we-do/consultation-on-our-future-approach-to-regulation-in-response-to-the-covid-19-pandemic/our-consultation-on-our-future-approach-to-regulation-in-response-to-the-covid-19-pandemic).

5.18 The consultation covers the following key areas:

- Annual Assurance Statement – the proposal it remains a requirement to submit by 31 October 2020
- Publication of Scottish Social Housing Charter performance reports by landlords – extension of the deadline to issue the Annual Report to Tenant to the end of December 2020 (reflecting the extension of the ARC submission to 31 July)
- Publication of Engagement Plans and Regulatory Status – revised plans, including a Regulator Status, will now be issued on 31 March 2021

5.19 We are currently considering our response to the consultation and an update on this will be provided to the meeting.

6. Key issues and conclusions

6.1 The proposals in the report allow us to respond to the impact of Covid 19 by taking advantage of the option to hold virtual meetings.

7. Value for money implications

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

8. Impact on financial projections

8.1 There are no financial implications associated with this report.

9. Legal, regulatory and charitable implications

9.1 The legal and regulatory requirements are set out in detail within the body of the report.

10. Partnership implications

10.1 There are no partnership implications associated with this report.

11. Implementation and deployment

11.1 It is proposed that we formally call AGM in line with the requirements of our Rules.

12. Equalities impact

12.1 As set out in the body of the report, we are in the process of implementing the Equality and Diversity policy and part of this will include considering how membership and Board recruitment actively takes into account, promotes and positively fosters equality and diversity.

13. Recommendations

13.1 The Board is asked to:

1) Agree to call the Annual General Meeting for 17 September 2020 at 18.30 to be held virtually via Zoom;
2) Agree to recommend Bryan Pitbladdo and Anne McGovern for reappoitmment and Alastair Murray and Helen Howden for appointment at the AGM, subject to Parent approval;
3) Note George Cunningham’s retirement from the AGM and his exemplary service during his tenure;
4) Note the confirmation from the Secretary that Articles 62-67 have been followed;
5) Note the progress with the Barony ToE