



## **WHEATLEY HOMES EAST BOARD MEETING**

**Thursday 23 March 2023 at 5pm  
New Mart Road (Edinburgh)**

### **AGENDA**

1. Apologies for absence
2. Declarations of interest
3. Minute of meeting held on 9 February 2023, matters arising and action list
4. Chair and Managing Director updates

#### **Main business and approvals**

5. Repairs, damp and mould update
6. 2023/24 budget
7. Home Safe building compliance update
8. [redacted]

#### **Other business**

9. Gender pay gap (presentation)
10. Finance Report to 28 February 2023
11. Governance update
12. Group Procurement – annual strategy and policy updates
13. AOCB

## Report

**To:** Wheatley Homes East Board

**By:** Danny Lowe, Director of Group Repairs, Investment and Compliance

**Approved by:** Frank McCafferty, Group Director Repairs & Assets

**Subject:** Repairs, damp and mould update

**Date of Meeting:** 23 March 2023

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### 1. Purpose

- 1.1 To update the Board on how we are continuing to improve our repairs service and also how we are building on our already strong processes for dealing with reports of mould and damp in our customers' homes.

### 2. Authorising and strategic context

- 2.1 Under our Terms of Reference, our Board has an ongoing role monitoring our approaches to risk and performance.
- 2.2 The content of this report links to our strategic themes, *delivering exceptional customer experience* and *making the most of our homes and assets*.

### 3. Background

- 3.1. Following the work undertaken through 2022 to drive further improvement into our repairs service, a commitment was made to update the Board on the agreed actions.
- 3.2. Ensuring we deal with any reports of damp and mould has always been a priority for us. The Group-wide damp and mould policy and procedure was reviewed by us in February 2022, with further updates made in November 2022.
- 3.3. In November 2022, the coroner's report into the tragic death of a child, Awaab Ishak, at his social rented property in Rochdale was released. This cited that Awaab died of a respiratory condition caused by mould in his home.
- 3.4. Following this case, the Scottish Housing Regulator wrote to ask all governing bodies and committees to consider the systems they have in place to ensure their tenants' homes are not affected by mould and dampness and that they have appropriate, proactive systems to identify and deal with any reported cases timeously and effectively. This report sets out how we are continuing to build on our already strong approach in this area to ensure our culture and processes take a "zero tolerance" approach to mould and damp.

## 4. Discussion

### *Repairs Service Improving Management of Repair Works*

- 4.1 Customer insight and feedback about how customers viewed our repairs service identified two main areas for improvement:
- improving the communication around repairs appointments
  - improving the management of complex repair works (reducing the number of visits to complete a repair)
- 4.2 Both of these areas are a focus for us, in terms of developing and implementing service improvements.

### *Improving communications*

- 4.3 The “Book It, Track It, Rate It” pilot - to undertake live testing of the system with repairs operatives prior to any launching with customers - commenced on 21 November 2022 as planned. The pilot testing identified a technical issue with delays when processing messages which would be issued to customers e.g. texts and map link. Following a pause of the pilot to identify a solution, these issues have now been resolved.
- 4.4 The expanded rollout of the pilot for Book It, Track It, Rate It was re-commenced in mid-February 2023, with live communications with customers commenced from mid-March 2023. It is anticipated that the ‘rate it’ part of the pilot is programmed to go live at the end of March 2023.
- 4.5 The pilot has initially been tested in Glasgow. Assuming the successful roll out of the pilot programme, plans are being developed to roll out the Book It, Track It, Rate It system for us in April 2023.
- 4.6 It is expected that in addition to increasing customer satisfaction through improved communication around repairs, the introduction of Book It, Track It, Rate It will also lead to a reduction in “no access” repairs visits and calls to the CFC enquiring about when appointments are scheduled for and tracking progress with the tradesperson on the day of the repair.
- 4.7 Actions are also being developed with the service delivery teams involved in the repairs service, to improve communications with customers around follow on repairs where these are needed so that the customer remains fully informed of what remains to be done and the timescales for these.

### *Other Improvement Areas*

- 4.8 As part of our continued focus on improving the repairs service we are also concluding the development of a single suite of Key Performance Indicators to monitor the performance of the repairs service. This will enable direct comparison of performance and assist in the identification of areas for improvement. Central to this is the adoption of the Servitor system, in place in CBG and Wheatley Homes South, programmed to be implemented by us autumn this year. It is expected that this development work and the new reporting arrangements will be in place for the new financial year.

## *Damp, Mould and Condensation*

- 4.9 The Group Dampness, Mould and Condensation policy recognises the four main causes of dampness:
- penetrating dampness;
  - rising dampness;
  - defective plumbing; and
  - condensation
- 4.10. All of these have the potential to lead to mould growth, which in turn is recognised as a potential public health issue.
- 4.11. These also take account of contributing factors such as fuel poverty, roof repairs, blocked or broken ventilation and management of the home and provide detailed guidance on how reports of dampness, mould and condensation should be managed consistently across Group. This highlights the importance of using insight and intelligence to inform our proactive approach.
- 4.12 Our process was enhanced through August and September of last year, as set out to Board in the report in November 2022. This now includes an automatic visit for every complete damp and mould repair by a Housing Officer to ensure our customer is satisfied and that the repair has been effective in preventing the return of any mould and/or damp.
- 4.13. Having further reviewed our processes and procedures, we have taken further action to reinforce our strong approach to damp and mould. This includes:
- daily review of all cases
  - we will aim to offer to visit a customer's home within **48 hours** of a report of mould
  - if the customer reports, or if any of our staff members observe, a significant mould issue, this will be treated as an emergency and the customer will be visited by specialist trades staff **within 3 hours**
  - a new target to **complete** repairs within 15 working days, down from the previous target of 30 working days (noting that some repairs may be larger or more structural in nature – for example where a new roof is needed, in which case a management and monitoring regime will be instigated for every affected property to contain the issue and support the customer pending completion of these works; this may on occasion involve the decant of tenants)
  - enhanced reporting arrangements – mould and damp figures are now included as routine in Board performance reports
  - refreshing the customer factsheet highlighting actions that can be taken to prevent mould and condensation
  - training for staff and access to a full range of support services for customers including the “Here for You” fund
  - writing to tenants to remind them of the support we have available over the winter months – including our Here for You fund – and to re-affirm that they should call us immediately if they are aware of any issues with mould, damp and condensation in their homes
  - the board agreed at the November meeting to a new forced access approach, whereby if a customer has reported mould but has not permitted access following 3 visits, we will force access to the property to ensure an inspection is carried out, on the grounds of health and safety

- 4.14 We reviewed and considered other possible measures we could take to reinforce the **“zero tolerance”** approach to reports of mould and damp, including any other measures that can enhance the rapid rectification of reports of damp and condensation including:
- the review of existing damp, mould and condensation policy and operational procedures (attached as Appendix 1)
  - review of our no access approach
  - continuing to improve format and IT processes supporting daily reporting and case management
  - enhancement of the quality assurance process
  - enhancement of staff and partner training materials to assist with the identification, reporting and advice
  - improving customer factsheets/support materials
  - establishing stocks of damp and mould prevention products for customers
- 4.15 The first year of a rolling five-year survey of the condition of housing stock on group-wide basis has recently been completed by our independent property consultants Jones Lang Lasalle (JLL). This involved “in person” visits to assess the condition both internally and externally of over 2,600 homes across the Group. This will increase to cover over 13,000 inspections, representing 20% of homes, over the five-year period of the contract. For us, this includes approximately 1200 surveys that will be completed by the end of the programme representing approximately 20% of our stock. JLL worked together with qualified building surveyors from JMP Construction and Property Consultants, and the properties surveyed were spread across a variety of our archetypes.
- 4.16 The results of the surveys confirm a high level of confidence in the stock condition data held on our asset management system and validate our lifecycle assumptions on component replacements. The inspections themselves provide an opportunity to highlight any specific issues within inspected properties including unreported damp and mould cases. Across the properties surveyed no systemic damp and mould issues were identified, however we have taken the decision to supplement the general stock condition surveys with targeted inspections by JMP of a sample of properties within archetypes that are more susceptible to damp and mould issues to provide additional third-party assurance.

#### *Good Practice in Managing Mould and Damp*

- 4.17 The Housing Ombudsman Service for England recently published its one year follow up report “Spotlight on damp and mould – it’s not lifestyle” on 2 February 2023.
- 4.18 Whilst the Housing Ombudsman Service is not a Regulatory body in Scotland, given that this report highlighted areas of best practice as well as identifying areas of continued concern across the housing sector in England it was considered appropriate to carry out a self-assessment against the 10 key factors. These are areas that the Housing Ombudsman Service considers will have an impact on how successful any action plan is in practice, and which helps in testing the adequacy of these.

- 4.19 Appendix 2 notes the outcome of our self-assessment and provides detail of the current status against each of the 10 key factors as well as further actions being taken or underway.
- 4.20 Overall, this summary reinforces that we are in a good position with regards to processes and procedures around dealing with reports of damp and mould and taking the further actions noted will assist in strengthening this position even further.
- 4.21 We will also continue to engage across the housing sector, reviewing any best practice guidance issued and attending awareness/training events to identify best practice which can further strengthen/enhance our approach.

### *Current Performance*

- 4.22 A breakdown of the current status of all live mould cases, with categorisation for those that have already had an inspection, is as follows:

Live Cases	Cat 3	Cat 2	Cat 1
51	43	8	

Category 3 – Requires a fungicidal wash down and decoration (completed in one appointment)

Category 2 – As with category 1 but covering a larger physical area which will require a longer appointment to complete (completed in one appointment)

Category 1 – More extensive mould with an underlying issue which will require follow on repairs required after the initial treatment of the mould. This will require more than one appointment or a more structural fix following the treatment of the mould. Any cases that would meet the UK Government's "Housing Health and Safety Rating System (HHSRS)" definition of posing a serious and immediate threat to health were the tenant to remain in situ with untreated mould are also included under this category.

- 4.23 The service target is to treat/remove any mould present within 48 hours of this being reported and this is generally undertaken at the first visit to the property. For category 1 repairs noted above there may be an element of further repair works needed to resolve leaks or water penetration issues and which will require further repair visits to fully resolve the underlying cause of the mould.
- 4.24 We will continue to focus on the management and reduction of live mould, damp and rot cases. It is anticipated that as we move forward into spring/summer, increased temperatures will also help with reducing the live caseload through a reduction in condensation related referrals.

## **5. Customer Engagement**

- 5.1 Customers will continue to be engaged through a number of means, including winter preparation campaigns/information, newsletters and annual customer conversations.

## **6. Environmental and sustainability implications**

- 6.1 This report has no environmental or sustainability considerations.

## **7. Digital transformation alignment**

- 7.1 This report aligns with the Group digital strategy, where we will use our systems to support the monitoring, tracking and analysis of damp and mould cases.

## **8. Financial and value for money implications**

- 8.1 Costs for repair and investment work related to remediating damp and mould in our properties including additional staffing resource is provided for in the 2022/23 business plan and annual budget.

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

- 9.1 Ensuring tenant and resident safety is a critical part of the work of social landlords in Scotland. The Scottish Housing Quality Standard requires that the homes provided by social landlords:

- Meet the Tolerable Standards;
- Be free from serious disrepair;
- Be energy efficient;
- Have modern facilities and services; and
- Be healthy, safe and secure

- 9.2. The board has approved that forced appointments can be used where customers do not allow access to enable reported issues of damp and mould to be addressed.

## **10. Risk Appetite and assessment**

- 10.1 Our agreed risk appetite in investing in existing homes and environments is cautious. Ongoing financial strength is crucial to enable us to continue to improve, modernise and maintain our homes. We will revise our well-established investment processes to include more focus on what creates most value for our customers. Value for money will still be the key factor in our decision making, but wider benefits, such as reducing levels of emergency and reactive repairs and customer satisfaction, will also be considered.

## **11. Equalities implications**

- 11.1 As part of the work referenced to develop a new end to end process for the management of dampness, mould and condensation we will review and look to strengthen our advice/guidance to customers and make these available in a range of formats and mediums that are readily understood and practical. We will also engage through customer focus groups to develop bespoke solutions where needed to meet the needs of individuals and families as part of a proactive approach to the management and prevention of mould, dampness and condensation in our homes.

## **12. Key issues and conclusions**

- 12.1 Damp and mould are a serious health concern and are being treated in the same manner as other key compliance workstreams, such as gas safety checks and fixed electrical testing.

- 12.2 We have robust processes to deal with reports of mould and damp, and these were strengthened during 2022. We will continue to keep the Board updated on our work in this area.

### **13. Recommendations**

- 13.1. The Board is asked to note:
- 1) the contents of this report; and
  - 2) the updated Group Managing Dampness, Mould and Condensation Policy attached as Appendix 1

#### **List of appendices**

- 1) Group Managing Dampness, Mould and Condensation Policy [redacted] can be found [here](#)
- 2) Self-assessment: Housing Ombudsman Service



## **Appendix 2**

### **Housing Ombudsman Service**

**“Spotlight on damp and mould – it’s not lifestyle – published 2<sup>nd</sup> February 2023**

**Outcome of Self Assessment against 10 key Factors**

From Reactive to Proactive	Current position and sources of assurance	Further enhancements in progress
<p><b>Find your silence</b></p> <p>Complaints systems are there so people can raise their issues and get them addressed quickly. Landlords should analyse who is not using their complaints process, and why. This will help prevent receiving unexpected Letters Before Claim and/or press enquiries. Most importantly, however, finding your silence will help to ensure parity in accessing the complaints process and help to identify any shortfalls in its reach. Receiving a high volume of complaints is not necessarily indicative of a failing. Rather, it could indicate your complaints process is accessible, you are open and transparent, residents feel they can complain and believe there is a value to doing so. The Housing Ombudsman is as concerned by low levels of complaints as high ones, particularly with larger landlords.</p>	<p>Our complaints policy and process are published on our website. Complaints can be reported via multiple channels including in person through local staff eg Housing Officers and NETs operatives, in writing, by phone and via our Web Self Service.</p> <p>The volumes of complaints received and the breadth of these would suggest that the complaints process is easily understood and accessible.</p> <p>We have consciously diversified our customer voices profile to ensure that a wider range of voices are informing our work, feeding back customer experience and co-creating the way we deliver services which will include how we tackle harder to reach tenants.</p> <p>Each Housing Officer undertakes an annual visit. Part of this includes ensuring that the customer has no issues they have been unable to raise or have resolved. We have a translation service to ensure customers who do not speak English have a mechanism to communicate any issues with us and Housing Officers are aware of this service.</p>	<p>As part of the new end to end processes being developed to deal with reports of damp/mould we will incorporate contact with customers 1 month after the repair completion and again after 3 months to ensure that there are no further issues.</p> <p>The introduction of book it, track it, rate it will allow customers to provide real time feedback on repairs and request an immediate call back if they're dissatisfied with a repairs appointment (including mould and damp). The follow up visit to the customer by the housing officer within 5 days of notification of completion of the work will also present an opportunity for the customer to note back any concerns.</p>

<p><b>Proactive communication strategy</b></p> <p>Advice given to residents needs to be provided in multiple formats. The tone of the advice is key. The resident should not be patronised, insulted or blamed, for example, by making impractical suggestions about keeping the heating on all the time. The onus for resolving the issue should not be placed solely on the resident with a subtext that the issue is within their control. Our call for evidence highlighted there is good practice regarding what actions landlords are taken, but this often isn't communicated effectively to residents.</p>	<p>Our staff training and all associated procedures are extremely clear that the guiding principle for all customer interaction is that there is no fault with customers and that 'lifestyle' is not a factor. It is also clear that rectifying the issue is our responsibility as a landlord, not the customers.</p> <p>We provide advice through multiple channels and formats, including in writing via our websites, through fuel advisors, Housing Officers and technical staff such as Repairs and Investment officers. The focus of advice is that it is practical and workable and where appropriate has assistance such as fuel vouchers to cover the cost of running temporary heaters or dehumidifiers.</p>	<p>Customer communications are currently being fully reviewed, including having key information accessible/translatable in multiple languages via our website. This will include how the updated policy and procedure is communicated to tenants. When complete these will be subject to review by Customer Voices focus groups.</p> <p>Damp and mould will become a formal element of our future winter ready campaigns. The specific advice and communication as part of this will be reviewed in advance by a selection of customer Voices.</p>
<p><b>Take Responsibility</b></p> <p><b>Treat residents fairly</b></p> <p>Each case needs to be treated individually, even where similar cases have been seen before. This will help to prevent assumptions being made. Behind each report of damp and mould, there is a person or people who may be suffering and that should be the focal point.</p>	<p><b>Current position and sources of assurance</b></p> <p>Every case is managed individually and where it is a repeat occurrence in the same property in most cases this triggers a surveyor or technical specialists to ensure that we identify the underlying issue.</p> <p>Our categorisation is not confirmed until an initial assessment is physically undertaken i.e. individually not based on an assumption linked to similar cases.</p>	<p><b>Further enhancements in progress</b></p> <p>Further works to be planned with customer groups to consider bespoke solutions/advice/guidance.</p>

This case management is by a specialist team to ensure it has the appropriately skilled staff however this is coordinated with the local Housing Officer given their existing relationship with the customer. Within 5 working days of notification of the damp/mould works being completed the Housing officer will undertake a reassurance visit to ensure that the works have been successful in dealing with the damp/mould and to provide any other guidance/support that may be needed which can include access to funding and the like. The follow up visit to the customer by the housing officer, typically around 5 days, of notification of completion of the work will also present an opportunity for the customer to note back any concerns.

The need to manage each case individually is reinforced as part of our training. Our bespoke training module for frontline service teams which will assist in the identification of damp and mould and with conversations with customers on the joint solution to the specific issue. This is being rolled out across the frontline service teams and completion of this will be mandatory.

<p><b>Improve record keeping</b></p> <p>An intelligence-based approach is essential, but this requires good knowledge and information management. Good record-keeping is an integral part of service provision, not an optional extra. It benefits all concerned. Landlords have clarity on what the issues are and can evidence actions they have taken. It helps to prevent complaints being raised and/or escalated as landlords are able to communicate efficiently with residents and answer queries without the need for the resident to continuously chase</p>	<p>All our repairs, including damp and mould, are recorded on our IT systems. We have already undertaken a review of the data held and:</p> <ul style="list-style-type: none"> <li>▪ Improved the data capturing arrangements to allow for better analysis, monitoring and case management such as capturing images for all cases and introducing categorisation of cases</li> <li>▪ Additional staff resources and skills, such as Building Surveyors, to aid the diagnosis of structural issues and fixes required</li> <li>▪ Undertaken analysis of cases with multiple mould and damp related repairs and fed this into our future investment programme;</li> <li>▪ an independent review of c10% of properties is underway across the Group, carried out by specialist property surveying firm JLL. The sample focuses on properties with greater potential risk or history of mould and damp</li> </ul>	<p>We have undertaken a full process mapping for damp and mould for all three repairs services (CBG, WHE and WHS) and identified where we can and need to harmonise the data we capture, change the date we capture and update our system to record data in a different way. The findings are now being converted into a range of actions which will be implemented over the coming months and will improve:</p> <ul style="list-style-type: none"> <li>▪ The automation of data reporting</li> <li>▪ The ease by which we can analyse data such as trends and patterns</li> <li>▪ Case management functionality within ASTRA which will enhance visibility of cases for the CFC</li> <li>▪ The recording of all protocols and processes in a central repository for both exiting and new staff</li> </ul>
<p><b>Know your residents</b></p> <p>Occupancy factors may include overcrowding and the availability and use of heating and ventilation systems. They also include individual circumstances such as disability, financial hardship, and health conditions</p>	<p>The initial diagnosis following a report of mould/dampness will take account of individual/family circumstances and this will be further taken account of when the Housing Officer attends to undertake the follow up visit on completion of the works to determine the effectiveness of the repairs/actions taken and to assess whether any further supports are needed.</p>	

Focus on the Fabric	Current position and sources of assurance	Further enhancements in progress
<p><b>Check net zero plans</b></p> <p>Landlords need to consider whether a green drive will push people into fuel poverty, particularly as electrical heating costs more than gas. Landlords need to be equipped to offer appropriate and empathetic signposting and referrals to agencies who may be able to support</p>	<p>We have dedicated fuel advisors who support and assist tenants.</p> <p>As part of our assessment of heating systems we consider how they fit with the wider energy efficiency of the property with a focus on keeping costs down for tenants.</p>	<p>We are strategically considering how heating systems and future regulations will impact tenants. This includes retrofit and new build properties. The costs of running systems will be a key factor in determining future works programmes specifications</p>
<p><b>Know your stock</b></p> <p>Structural factors include property age, design, and modifications. For example, certain types of properties such as converted street properties, buildings of concrete construction or traditional solid type construction are more susceptible to damp and mould than others and can require significant investment to address the issues. Property 'MOTs' and audits can help landlords to identify which of their properties are at risk of damp and mould, or already have this problem and works are needed before making this property available.</p>	<p>Reviewing where reports of mould/damp are being made from alongside other property information gathered through the ongoing survey of 10% of the stock to determine what proactive actions can be taken in relation to house types.</p> <p>Reviewing contract specifications based on works already completed</p>	<p>Analysis of data on what's being reported and from where (areas and property types etc) will be undertaken to determine any general improvement actions needed against stock types etc as part of a prevention plan.</p> <p>The first year of a rolling five-year validation survey of the condition of our housing stock across the Group has recently been completed by our independent property consultants JLL. This survey will inspect 20% of our homes over the 5 year period and involves "in person" visits to assess the condition both internally and externally our homes. This year we have enhanced this survey to cover 6,000 properties.</p>

		<p>As well as validating stock condition, these surveys will also identify any cases of mould and damp, and escalate any cat 1 issues for immediate resolution. In undertaking these surveys, JLL is working together with qualified building surveyors from JMP Construction and Property Consultants, and the properties surveyed were spread across a variety of archetypes in Wheatley Homes Glasgow, Wheatley Homes East, Wheatley Homes South and Loretto. A large proportion of homes in Wheatley Homes South were surveyed in 2019 in conjunction with the partnership discussions at that time and were not included in the properties selected for survey this year but will form part of the sample from year two (2023/24) onwards.</p> <p>The results of the surveys carried out so far confirm a high level of confidence in the stock condition data held on our asset management system PIMMS and validate our lifecycle assumptions on component replacements. The inspections themselves also provide an opportunity to highlight any specific issues within inspected properties including unreported damp and mould cases. Across the properties surveyed no systemic damp and mould issues</p>
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		<p>were identified, however we have taken the decision to supplement the general stock condition surveys with targeted inspections by JMP of a sample of properties within archetypes that are more susceptible to damp and mould issues to provide additional third-party assurance.</p>
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Zero Tolerance Culture	Current position and sources of assurance	Further enhancements in progress
<p><b>Dedicated damp and mould strategy</b></p> <p>This should include looking wider than the individual report (s) raised and look for themes and trends. It also requires a review of parallel processes, such as mutual exchange and the void standard, to ensure these are aligned with the damp and mould strategy.</p>	<p>Our allocations policy currently permits mutual exchanges which can be used to alleviate overcrowding.</p> <p>No void property would be relet where any damp or mould was identified.</p>	<p>Our next allocations review will consider whether overcrowding that is likely to increase the likelihood of damp and mould</p> <p>Review of the current procedural documents are taking place on completion of the new “to be” processes and procedures being developed from a range of operational workshops. This work will be linked across to other workstreams including void works to ensure that consistent practices are followed when dealing with mould and damp related matters</p>
<p><b>Empower staff</b></p> <p>We encourage landlords to consider the Chartered Institute of Housing’s Professional Standards if they have not already done so. In particular the ‘Skilled’ standard requires housing professionals to ‘solve problems, be flexible, adaptable and respond to situations creatively, in the moment’ and considers practical application of this standard to include ‘taking pre-emptive action and proactively problem solving’ and ‘finding solutions, even if they lie outside “normal” activity.’</p>	<p>There are a range of training and development arrangements in place for Housing Officers including the “Ignite” programme. Housing Officers can also undertake the Chartered Institute of Housing’s Professional standards Qualification on a voluntary basis.</p> <p>There are also specialist technical staff engaged in the resolution of mould/damp cases including professionally qualified and accredited Building Surveyors. External specialist consultants are also engaged wherever additional technical support is needed</p>	<p>We will continue to review training and development opportunities for officers engaged at all points in the resolution process for damp/mould reports.</p>

<p><b>Use the complaints system to learn</b></p> <p>Continue to use the complaints process, even where legal action has been suggested, as there still may be an opportunity to resolve the matter. Analyse the complaints received to look for common as well as emerging themes and trends. Use this insight to make improvements to your service delivery and/or complaints process.</p>	<p>Analysis of the reason for complaints currently takes place to understand the underlying cause and to determine any actions needed to prevent any similar complaint types in future</p>	<p>A bespoke training module has been developed for frontline service teams which will assist in the identification of damp and mould and with conversations with customers on the joint solution. This is being rolled out across the frontline service teams and completion of this will be mandatory.</p>
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## Report

**To:** Wheatley Homes East Board

**By:** Lyndsay Brown, Director of Financial Reporting

**Approved by:** Pauline Turnock, Group Director of Finance

**Subject:** 2023/24 Budget

**Date of Meeting:** 23 March 2023

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### 1. Purpose

- 1.1 The purpose of this paper is to seek approval for the 2023/24 budget.

### 2. Authorising and strategic context

- 2.1 Under the terms of the Intra-Group Agreement between us and the Wheatley Group and our Terms of Reference, the Board is responsible for the on-going monitoring of performance against agreed targets, including the on-going performance of its finances.

### 3. Background

- 3.1 At the previous meeting on 9 February 2023 the Board approved the 2023/24 five year financial projections and agreed that the 2023/24 figures would form the basis of the 2023/24 annual budget, which is presented at Appendix 1.

### 4. Discussion

#### 2023/24 Budget

- 4.1 The detailed budget presented at Appendix 1 tracks comparative figures from the 2022/23 forecast to the 2023/24 budget to give the context of the year-on-year changes.
- 4.2 The 2023/24 budget reports an operating surplus of £27,115k, and a statutory surplus of £18,432k, both £3,961k higher than financial projections approved in February 2023.
- 4.3 Net rental income of £37,740k is in line with financial projections and reflects the agreed 2.5% rent increase and includes a void assumption of 1.2%. It is £2,209k higher than the 2022/23 forecast, reflecting the rent increases and the rent due on the 189 new build properties for social rent expected to be completed during 2023/24.
- 4.4 Grant Income is budgeted at £15,847k for 2023/24 and relates to grant income associated with the completion of new build properties.

- 4.5 Other Grant Income of £1,348k includes Supporting People Grant at the Wheatley Homes East Harbour, DC Foundation Grant funding, medical adaptation and Scottish Housing Net Zero grant funding.
- 4.6 Other Income is £3,961k higher than the financial projections due to gift aid from Wheatley Developments Scotland Limited (WDS) with corresponding higher costs in new build spend.
- 4.7 Operating costs are in line with the financial projections.
- Direct and Group services employee costs are in line with the financial projections and include the annual cost of living uplift. Group services employee costs of £2,978k includes the costs for support functions such as Finance, IT and HR, as well as the staff resources supporting the Customer First Centre provided by Wheatley Solutions.
  - Budgeted revenue repairs and maintenance of £7,164k includes provision for the increased demand in 2022/23 as well as inflationary pressures on purchase of materials and pay award uplifts.
- 4.8 Within investment expenditure, the budget reflects total capital investment spend of £102,400k across our existing properties, new build development programme and other capital expenditure which includes Wheatley Homes East's share of Group ICT capital investment.

## **5. Customer Engagement**

- 5.1 This report relates to our 2023/24 budget and therefore there is no direct customer implications arising from this report.

## **6. Environmental and sustainability implications**

- 6.1 There are no environmental or sustainability implications arising from this report.

## **7. Digital transformation alignment**

- 7.1 There are no digital transformation alignment implications arising from the Finance Report.

## **8. Financial and value for money implications**

- 8.1 The financial projections incorporate cost efficiency measures, which are a key element of continuing to demonstrate value for money. These are reflected in the annual budget and performance will be monitored against budget each month.
- 8.2 Financial covenants are assessed for the RSLs within the WFL1 borrowing group as a whole. In preparing the 2023/24 budgets across the RSL borrower group, the overall budgeted operating surplus and covenants for the WFL1 borrowers are maintained in line with the RSL financial projections and financial policy limits are met.

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

- 9.1 There are no direct legal, regulatory and charitable implications arising from this report.

## **10. Risk Appetite and assessment**

- 10.2 10.1 Business planning and budgeting contributes towards the strategic theme *enabling our ambitions*. Delivery of financial results within approved budgetary limits is a key element in delivering our strategy and maintaining the confidence of investors. While we have a minimal approach in relation to financial / value for money in order to achieve this; it is balanced against more open risk appetites in relation to the delivery of projects and services that are enabled through our business plan and budget.

## **11. Equalities implications**

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

## **12. Key issues and conclusions**

- 12.1 This paper presents the proposed 2023/24 budget.

## **13. Recommendations**

- 13.1 The Board is requested to approve the draft 2023/24 Budget at Appendix 1.

### **LIST OF APPENDICES:**

Appendix 1: Wheatley Homes East Budget 2023/24



# 2023/24 Budget



# Operating Statement

## Key highlights:

The 2023/24 budget shows a net operating surplus of £27,115k and statutory surplus of £18,432k, both £3,961k favourable to the financial projections, due to the recognition of gift aid income received from Wheatley Development Scotland (WDS) not included in the financial projections.

- Net rental and service charge income** of £37,740k is in line with financial projections. It is £2,209k higher than the 2022/23 forecast, reflecting the 2.5% rent increase and additional rent due on the new build properties for social rent expected to be completed during 2023/24. Voids are in line with the financial projections and budgeted at 1.2% for general needs stock. Voids are budgeted to be £87k lower than 2022/23 forecast arising from void properties in 2022/23 at WHE Harbour now fully operational after the completion of fire safety works.
- Grant income** of £15,847k in the budget reflects the planned completion of 189 new build properties for social rent and 15 MMR properties, which is in line with financial projections.
- Other grant income** of £1,348k includes Social Housing Net Zero (SHNZ) of £700k, aids and adaptations grant income of £210k.
- Other income** of £7,194k reflects an increase in MMR lease income from Lowther, the recognition of the gift aid payment from WDS of £3,961k, with corresponding higher costs in new build spend and the WHEPS surplus budgeted at £93k.
- Direct and Group services employee costs** are in line with the financial projections and include the annual cost of living uplift. Group services employee costs of £2,978k includes the costs for support functions such as Finance, IT and HR, as well as the staff resources supporting the Customer First Centre provided by Wheatley Solutions. ER/VR costs of £540k will help deliver the cost efficiency targets in the financial projections through staff savings.
- Direct running costs** are budgeted at £4,221k, which is in line with financial projections. The majority of the budget covers office and property running costs, including insurance and property rental costs. **Group services running costs** are also in line with financial projections.
- Repairs and maintenance** costs budgeted of £7,164k includes provision to recognise the inflationary pressures and increased demand experienced in 2022/23.
- Bad debt** costs are in line with financial projections and have been set prudently.
- Net capital expenditure** is budgeted at £48,683k for 2023/24. This includes new build, investment on existing properties and other fixed asset additions. This is £3,961k higher than the financial projections recognising a 5% management charge on the design and build services provided by WDS. These additional costs are reimbursed to WH East through gift aid recognised in Other Income.

	2022/23	2023/24	2023/24	2023/24
	Forecast £ks	Financial Projection £ks	Budget £ks	Budget Variance to FP £ks
<b>INCOME</b>				
Rental Income	36,093	38,215	38,215	-
Void Losses	(562)	(475)	(475)	-
<b>Net Rental Income</b>	<b>35,531</b>	<b>37,740</b>	<b>37,740</b>	-
Grant Income	18,655	15,847	15,847	-
Other Grant Income	680	1,348	1,348	-
Other income	2,548	3,233	7,194	3,961
<b>TOTAL INCOME</b>	<b>57,414</b>	<b>58,168</b>	<b>62,129</b>	<b>3,961</b>
<b>EXPENDITURE</b>				
Employee Costs - Direct	4,743	4,491	4,491	-
ER/VR	556	540	540	-
Employee Costs - Group Services	2,152	2,978	2,978	-
Direct Running Costs	4,615	4,221	4,221	-
Running Costs - Group Services	1,308	1,585	1,585	-
Revenue Repairs and Maintenance	6,621	7,164	7,164	-
Bad Debts	344	403	403	-
Depreciation	13,322	13,631	13,631	-
<b>TOTAL EXPENDITURE</b>	<b>33,661</b>	<b>35,014</b>	<b>35,014</b>	-
<b>NET OPERATING SURPLUS / (DEFICIT)</b>	<b>23,753</b>	<b>23,154</b>	<b>27,115</b>	<b>3,961</b>
<i>Operating Margin</i>	41%	40%	44%	-
Net Interest Payable	(7,674)	(8,683)	(8,683)	-
<b>STATUTORY SURPLUS / (DEFICIT)</b>	<b>16,079</b>	<b>14,471</b>	<b>18,432</b>	<b>3,961</b>

<b>INVESTMENT</b>				
<b>Total Capital Investment Income</b>	<b>29,106</b>	<b>53,717</b>	<b>53,717</b>	-
Total Expenditure on Core Programme	6,247	7,078	7,078	-
New Build Expenditure	48,177	90,317	94,278	3,961
Other Capital Expenditure	3,343	1,043	1,043	-
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>57,767</b>	<b>98,439</b>	<b>102,400</b>	<b>3,961</b>
<b>NET CAPITAL EXPENDITURE</b>	<b>28,661</b>	<b>44,722</b>	<b>48,683</b>	<b>3,961</b>

# Underlying Surplus

## Comments

- The budgeted Operating Statement (Income and Expenditure Account) on page 2 is prepared in accordance with the requirements of accounting standards (Financial Reporting Standard 102 and the social housing Statement of Recommended Practice 2014).
- However, the inclusion of grant income on new build developments creates volatility in the results and does not reflect the underlying cash surplus/deficit on our letting activity.
- The table below therefore shows a measure of underlying surplus which adjusts our net operating surplus by excluding the accounting adjustments for the recognition of grant income and depreciation, including capital expenditure on our existing properties.
- An underlying surplus of £5,177k is budgeted which is £678k higher than the forecast underlying position for 2022/23. This is due to higher Social Housing Net Zero grant income in 2023/24 and increased rental income, partly offset by higher repairs and maintenance costs.

WH East Underlying Surplus - Budget 2023-24			
	2022/23 Forecast £k	2023/24 Financial Projections £k	2023/24 Budget £k
Net operating surplus	23,753	23,154	27,115
add back:			
Depreciation	13,322	13,631	13,631
less:			
Grant income	(18,655)	(15,847)	(15,847)
Gift Aid Income	0	0	(3,961)
Net interest payable	(7,674)	(8,683)	(8,683)
Total expenditure on Core Programme	(6,247)	(7,078)	(7,078)
Underlying surplus	<b>4,499</b>	<b>5,177</b>	<b>5,177</b>



# Rental & Other Income

Income (£'000)	2022/23 Forecast	2023/24 Budget
<u>Rental Income</u>		
Rent Receivable	36,093	38,215
Void Losses	(562)	(475)
<b>Net Rental Income</b>	<b>35,531</b>	<b>37,740</b>
Void Loss %	1.6%	1.2%
<u>Grant Income</u>		
Housing Association Grant	18,655	15,847
<u>Other Grant Income</u>		
Supporting People	361	394
DCF Grant Funding	13	44
Medical Adaptation Grant	246	210
SHNZ Grant	60	700
	680	1,348
<u>Other Income</u>		
Mid-Market Lease Income	2,185	2,578
Commercial Income	129	159
DC Property Services - Net Result	101	93
Other Income	133	4,364
	2,548	7,194
<b>Total Income</b>	<b>57,414</b>	<b>62,129</b>

## Comments

- **Net rental income**, which includes rent and service charges, less void losses, is budgeted at £37,740k, £2,209k higher than the 2022/23 forecast.
- This increase reflects the 2.5% rent increase and additional rent due to the additional 189 new build properties for social rent expected to be completed during 2023/24.
- Void losses of £475k are set at 1.2% for mainstream properties and 5% for supported living properties and the Harbour. The budgeted void losses are £87k lower than the 2022/23 forecast. This however takes into account that WHE Harbour was running with 20% voids in the main building from April 22 – October 22 (5 out of 25 flats were void at any one time). This was due to essential fire safety works which have now completed allowing the building to return to full occupancy which is expected to continue into 2023/24.
- **Grant income** included in the budget of £15,847k reflects the planned completion of 189 new build properties for social rent and 15 MMR properties.
- **Other Grant Income** of £1,348k includes hostel funding of £394k from Edinburgh Council as well as £44k of funding released from past Dunedin Canmore Foundation grant income received. Medical adaptation grant of £210k is anticipated as well as £700k from Scottish Government as part of the Scottish Housing Net Zero project.
- **Other income** of £7,194k includes £2,578k of MMR lease income from Lowther Homes and reflects 15 new build properties expected to be completed during 2023/24. WHEPS is budgeted to make a surplus of £93k in 2023/24. Other income budget of £4,364k reflects lease income from Wheatley Care for High Riggs and from Wheatley Solutions for their use of the New Mart Road office and gift aid from Wheatley Development Scotland (WDS).

# Employee Costs

Employee Costs (£'000)	2022/23 Forecast	2023/24 Budget
<i>Employee Costs - Direct</i>		
Housing and Admin	2,739	2,387
Environmental	1,175	1,285
Harbour	829	819
	<b>4,743</b>	<b>4,491</b>
Employee Costs - Group Services	2,152	2,978
	<b>6,895</b>	<b>7,469</b>

## Comments

- Total employee costs, including frontline staff and Wheatley Group services, are budgeted at £7,469k.
- Direct employee costs of £4,491k are £252k lower than 2022/23 forecast due to admin and business improvement staff being moved to Wheatley Solutions to be managed centrally. Staff costs include an inflationary cost of living uplift in costs consistent with the financial projections.
- Group services employee costs of £2,978k include recharges for all support functions. The increase in group services costs include the implementation of the new operating model, most recently the centralisation of the Business Improvement and Customer First Centre administration teams.

# Running Costs

Running Costs (£'000)	2022/23 Forecast	2023/24 Budget
<i>Direct Running Costs</i>		
Housing & Office Costs	3,161	3,233
Harbour	229	233
Initiatives	718	191
Wheatley 360	153	150
Environmental	354	414
	<b>4,615</b>	<b>4,221</b>
Running Costs - Group Services	1,308	1,585
	<b>5,923</b>	<b>5,807</b>

**Comments:**

- Total running costs are budgeted at £5,807k, £116k less than 2022/23 forecast.
- **Housing and Office** costs includes insurance, travel, utility, printing & stationary, and other running costs. The increase of £72k reflects the costs assumptions for the higher rates of inflation within the 2023/24 financial projections.
- **Initiative** expenditure of £191k is budgeted for 2023/24. This includes a donation to the Wheatley Foundation, delivering services in areas such as education and fuel poverty reduction and £120k for tenancy sustainment, delivered by the Wheatley Care TSS service.
- **Environmental** costs of £414k are budgeted for 2023/24 and includes material and equipment expenditure.

# Repair & Maintenance Expenditure

Repair & Maintenance Expenditure (£'000)	2022/23 Forecast	2023/24 Budget
Reactive Repairs	4,823	5,021
Cyclical Maintenance	1,798	2,144
	<b>6,621</b>	<b>7,164</b>

Comments:

- Budgeted repair and maintenance expenditure on our properties is £7,164k for 2023/24. This is an increase of £543k on 2022/23 forecasts to include provision for the increased demand throughout 2022/23 combined with continuing inflationary pressures on purchase of materials and the cost of living pay uplift. The budget also assumes provision linked to additional stock numbers arising from new build completions.
- Reactive repairs** include appointment and emergency repairs as requested by our tenants, delivered in-house by WHEPS.
- Cyclical maintenance** includes electrical testing, gas servicing, mechanical equipment and pump/tank maintenance contracts, and other maintenance expenditure such as fire safety and alarm maintenance on our properties.

# Capital Expenditure

Capital Investment	2022/23 Forecast	2023/24 Budget
<b>Investment Programme Grant Income</b>		
Medical Adaptation Grant	246	210
SHNZ Grant	60	700
	<b>306</b>	<b>910</b>
<b>Investment Programme Spend</b>		
Core Programme	5002	5,348
Social Housing Net Zero	60	700
Capitalised Voids	979	833
Medical Adaptations	206	197
	<b>6,247</b>	<b>7,078</b>
<b>New Build</b>		
New Build Development	48,177	94,278
Grant Income	28,800	52,807
<b>Net New Build Cost</b>	<b>19,377</b>	<b>41,471</b>
<b>Other Capital Investment</b>	<b>3,343</b>	<b>1,043</b>
<b>NET CAPITAL EXPENDITURE</b>	<b>28,661</b>	<b>48,683</b>

**Comments:**

- Net capital expenditure is budgeted at £48,683k for 2023/24. This includes new build, investment in existing properties, and other fixed asset additions. The increase of £20,022k relates to an increase in the development of the number of new build homes vs 2022/23.
- We anticipate Wheatley Homes East to receive **grant income** of £53,717k in 2023/24, pending confirmation from the relevant local authorities. This is made up of £52,807k of housing association grant, £210k medical adaptation and £700k SHNZ grant. Grant claimed and received during the year relating to new build developments not yet completed will be deferred until site completion.
- **Investment** expenditure of £7,078k is in line with financial projections. Spend includes replacement of components, void works, and other improvements, in line with our five year investment strategy and locality plans. Included in the budget is £148k for the customer voice programme for tenant directed investment.
- The budget for **new build** expenditure is £94,278k. The programme is in line with the financial projections and the updated 5 year new build programme presented to the Board in February 2023.
- A total of 204 units (189 SR and 15 MMR) are budgeted to complete in the coming year.
- **Other capital** expenditure of £1,043k includes WHE's share of Group ICT investment which will deliver projects to transform our service delivery to meet increasing customer demands.

## Report

**To:** Wheatley Homes East Board

**By:** Danny Lowe, Director of Group Repairs, Investment and Compliance

**Approved by:** Frank McCafferty, Group Director of Assets and Repairs

**Subject:** Home Safe building compliance update

**Date of Meeting:** 23 March 2023

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### 1. Purpose

- 1.1 This report provides an update to the Board on our Home Safety building compliance work streams during 2022/23.

### 2. Authorising and strategic context

- 2.1 Under our Terms of Reference, the Board is responsible for the on-going monitoring and scrutiny of our compliance with relevant legislation and regulation. This report provides the Board with an operational update and details of compliance works that are undertaken and ongoing activities.
- 2.2 In line with our strategy, we will maintain our commitment to “make the most of our homes and assets”. We will ensure through our home safety compliance programmes that we protect and maintain our existing assets.

### 3. Background

- 3.1 Our compliance work programmes include gas servicing, lift servicing, thermostatic mixer valves (TMVs), water management including legionella prevention and electrical works such as electrical inspections and smoke and heat detector renewals / replacements.
- 3.2 Landlords have a mandatory legal duty to repair and maintain gas pipework, flues and appliances in a safe condition, to ensure an annual gas safety check on each appliance and flue, and to keep a record of each safety check.
- 3.3 Landlords also have other obligations under legislation or approved codes of practice (ACOPs) for a variety of building maintenance and inspection activities related to firefighting equipment (dry risers/sprinklers), lifting equipment, alarm systems etc.
- 3.4 Landlords also have a mandatory responsibility for electrical safety including carrying out electrical inspections, commonly referred to as EICR or FIT testing.

3.5 The arrangements for examples of some of our compliance work programmes is illustrated in the table below.

Work Stream	Cycle	Status
TMV maintenance and Installation	Annual	Rolling programme ongoing
Smoke and Heat Detector re-life programme	Every 10 years but is dictated <i>annually</i> by build date / LD2 install date	Rolling annual programme ongoing
Electrical (EICR)	Maximum every 5 years	Rolling annual programme ongoing
Gas Servicing	Annual (10-month cycle)	Rolling programme ongoing
Lift Insurance Inspections	Six monthly	Rolling programme ongoing
Proactive Lift Maintenance	Every 2 months	Ongoing programme
Mechanical and Electrical Works	Subject to asset requirements: examples are CCTV. Pumps, aerials	Ongoing programme
Common window inspections	Annual	Ongoing
Dwelling windows and doors	3 yearly 33% per year	Rolling programme ongoing
Emergency Lighting Maintenance	Annual	Rolling programme

3.6 Key Objectives for our Home Safety compliance work:

- To increase customer safety within their homes by undertaking both statutory and good practice compliance activities in line with lifecycles / recommendations.
- Increasing access levels for our internal Property Services maintenance delivery teams and other specialist contractors.
- Package up home safety visits where practical and minimise the number of visits to decrease inconvenience to the customer while enhancing value for money and productivity.
- Increase visibility of compliance works with frontline staff, particularly colleagues who can engage with customers while raising day to day repairs on their behalf for example.
- Promote the value of Home safety works to our customers through regular marketing campaigns on our social media channels / RSL websites.
- Abide by guidance and requirements set by the Scottish Housing Regulator for mandatory work programmes such as Gas and Electrical.

### One and done approach

- 3.7 Our approach to delivering compliance activities is embedded in our Group Repairs and Maintenance Policy Framework:

*“The Group’s approach is to offer a one-stop shop service through compliance trades teams for compliance events required within a customer’s home.... The aim of this service is to minimise disruption to the customer and to provide assurance on the safety of our homes.”*

- 3.8 To that end, working with our Property Services, we have a dedicated Home Safety delivery team within our Asset Landlord Compliance Team. This Home Safety Team consists of key leads across Gas, Electrical, Water Management works and Lift Safety.

- 3.9 The one and done approach is tailored to meet all compliance activities within our tenanted properties across all our stock. Wherever practical for similar related compliance activities, we will endeavour to package works together taking cognisance of asset compliance cycles, property attributes and individual customer requirements.

Type of Package	Stock Targeted	Type of works
Home Safety Bundle 1: Gas and Water Mgt works	Gas properties	<ul style="list-style-type: none"><li>▪ Annual gas servicing</li><li>▪ Temperature checks at water outlets</li><li>▪ TMV works</li><li>▪ Test/servicing of smoke/heat/carbon monoxide detectors</li><li>▪ Complete all certification</li></ul>
Home Safety Bundle 2: Electrical installs and servicing	All properties	<ul style="list-style-type: none"><li>▪ Installation of S + H detectors (re-life programme)</li><li>▪ Carry out EICR inspections</li></ul>
Home Safety Bundle 3: Joinery and electrical	“MSFs” & electric properties	<ul style="list-style-type: none"><li>▪ Test/servicing of smoke and heat detectors</li><li>▪ Service MSF dwelling windows and doors</li></ul>

- 3.10 When one of our properties is vacant, we will also use the opportunity to carry out any required compliance activities. The purpose of the void compliance works is to ensure that every new tenant moves into a home which is safe and secure for them to live in, while also maximising the access opportunity to undertake as much cyclical or capital compliance work as possible while the property is vacant.

## 4. Discussion

### Gas Safety

- 4.1 With exception of the impact of the early phases of the pandemic lockdown, we have always had 100% gas safety compliance (i.e. no outstanding CP12s). Achieving this compliance requires an annual inspection of every property with gas. We have 5,597 homes on the gas servicing contract.



- 4.2 We continue to maintain zero failed CP12s and 100% compliance with SHR ARC performance indicators.
- 4.3 In addition to the formal appointment letters that are posted we also carry out pro-active outbound calling through our Compliance Team, to maximise access into our tenant's homes and allow them the flexibility to change appointments to suit them by speaking directly with our call handlers and the Compliance Team.
- 4.4 Only as a last resort after we have exhausted all reasonable efforts to obtain access through communication and liaison do we move to a forced appointment, to guarantee we maintain 100% compliance and ensure the safety of our tenants and protection of our assets.

Subsidiary	Total Gas Services required	Total Complete	Percentage complete to date
<b>Wheatley Homes East</b>	<b>5,597</b>	<b>5,597</b>	<b>100%</b>

#### *Water Management*

- 4.5 Legionella testing is part of our overall water management strategy and is a year-round rolling programme.
- 4.6 Our regime varies on a site-by-site basis taking into consideration the water system installed, the type of property and the customer demographic. Works can include individual tasks such as visual inspections of the tanks, risk assessments, temperature checks of both the water inlet and of resting water within the tank, bacterial testing which checks the water supply for various bacteria including e-coli and legionella and chemical testing for metal and mineral contents to ensure that water meets the relevant water quality standards as set by the Water Supply (Water Quality) (Scotland) Regulations 2001.
- 4.7 The table below provides details of progress against the rolling annual programme.

Subsidiary	Inspections/tasks completed so far	Total Inspections/tasks Required	Percentage completion
<b>Wheatley Homes East</b>	<b>45 sites</b>	<b>45 sites</b>	<b>100%</b>

## TMV Servicing

- 4.8 The table below provides the total number of qualifying households within this programme and our progress to date.

Qualifying Households			
Wheatley Homes East		738	
Subsidiary	Inspections completed so far	Total Inspections/Assessments Required	Percentage completion
Wheatley Homes East	550	738	74.52%

\*\* 188 visits are planned in during March 23 \*\*

\*\* 82 current no access / refusals \*\*

- 4.9 Our TMV programme is not mandatory, it is a best practice approach, which involves a rolling annual programme, and includes potentially vulnerable customer groups within qualifying households (e.g., those containing under 5s or over 75s and also some Care sites). As this programme is predominately based on age demographics the qualifying household list is reviewed and updated annually.

### *Smoke and Heat Detectors*

- 4.10 Our 6,416 properties have LD2 smoke and heat detectors installed either at construction stage (for new build) or as an upgrade as part of our rolling programme of re-life works (10-year cycle). All customers are offered a minimum of two appointments to enable the works to be completed at a time suitably convenient for them. As a last resort we move to a forced appointment, to ensure we maintain compliance in this area.

### *Periodic Electrical Testing (EICR)*

- 4.11 In May 2020 the Scottish Government updated its guidance to social landlords via the Scottish Housing Quality Standards (SHQS), requiring that periodic electrical inspections be undertaken in all properties on a cycle of no more than 5 years. This brought the social housing sector in line with guidance issued to the private rented sector in 2015. Landlords must make “reasonable efforts” to ensure that homes are accessed to carry out the inspection.
- 4.12 Historically we budgeted for periodic inspection on a 5 yearly cycle, reflecting the following risk mitigation considerations:
- significant internal investment works that were carried out in properties over the last decade included electrical installation upgrades as required.
  - availability of electrical safety repairs for customers 24/7/365
  - inspections and electrical repairs/upgrades are undertaken at void.
  - on-going one-off investment works which identify issues with electrical installations

- 4.13 We also undertook periodic electrical inspections in customers' homes (as required) when we were installing the new LD2 smoke and heat detector systems, to minimise disruption to customers.
- 4.14 We currently have an ongoing programme of work to access all homes that still require an updated electrical inspection certificate. The table below shows the position with obtaining access to carry out the electrical inspection, which takes up to two hours to complete, the property must have sufficient credit in the electricity meter and clear access to all power outlets in all rooms/cupboards.

Subsidiary	Stock	EICR Total Outstanding	Percentage complete to date
<b>Wheatley Homes East</b>	<b>6,425</b>	<b>53</b>	<b>99.18%</b>

#### *Lift Inspections and Maintenance*

- 4.15 Lift inspections by our insurance engineers are completed on a rolling programme.
- 4.16 Proactive servicing of our lifts is carried out monthly via our approved insurance company (HSB).
- 4.17 Lift performance such as time to complete any minor defects or major repairs is routinely monitored and managed by our Compliance Team.
- 4.18 All emergency callouts are being dealt with within set service level agreement timescales for example 1 hour for trapped passenger(s) and all other emergencies within 4 hours.

Subsidiary	No. of lifts	Total Inspections complete	Percentage complete to date
<b>Wheatley Homes East</b>	<b>48</b>	<b>48</b>	<b>100%</b>

#### *Mechanical and Electrical Works (M&E)*

- 4.19 For some of our assets our specialist M&E contractor (Equans) and their supply chain work under our instruction to undertake all statutory compliance works which are accessible within common areas of our blocks or within landlord controlled areas (tank rooms, risers etc.), this work includes water testing, dry riser testing, fire alarm maintenance, CCTV repairs and maintenance.
- 4.20 Performance remains satisfactory with emergency callouts being dealt with within timescales.
- 4.21 The majority of our M&E equipment is within communal areas of blocks, with access not required into our customers' homes, which allows our specialist contractor to be able to plan works throughout the year ensuring all our M&E works are up to date.

- 4.22 Our Compliance Team will continue to provide day-to-day management of our Home Safety compliance work programmes including all project management functions, supporting our CFC model with customer communication and provide all performance, financial monitoring, and reporting. The Compliance Team's approach will ensure we continue to provide a robust landlord assurance function to maintain compliance across the various workstreams.

## **5. Customer Engagement**

- 5.1 Experience tells us the value of proactively engaging our customers, and emphasising the importance of our compliance work programmes through our annual "Stay Safe" messaging and use of social media and RSL websites.

We will continue to develop our approach to working with our customers to deliver our compliance activities in conjunction with our CFC and hybrid operating model, utilising the size and scale of our new Customer First Centre to engage our customers and work with our internal property service team and our M&E contractor (Equans), to continue to maximise our access rates.

- 5.2 We will further strengthen communications with customers at each communication stage to explain:

- what we are doing and why it's important.
- how we will ensure the work can be carried out safely.
- what we need them to do; and
- how they can get in touch to talk to us.

- 5.3 Key messages in all our communications to customers on compliance will be:

- The safety of our customers and staff is our top priority and as a result we will continue to follow all recommended best practices on PPE.
- Compliance activities are essential work aimed at keeping you and your home safe.
- Promote positive messaging to improve the profile of compliance activities so that our customers see them as "value works".

- 5.4 These key messages, supplemented where appropriate with detail of the individual project or work being carried out, will be communicated to customers using a range of channels including telephone calls, on-line, web and social media.

## **6. Environmental and sustainability implications**

- 6.1 There are no direct environmental and sustainability implications associated with this report.

- 6.2 However, our approach to carry out associated compliance works in one visit wherever practical will as a result lead to fewer travel visits by engineers and trade staff across our assets.

## **7. Digital transformation alignment**

- 7.1 We will look to align our compliance activities work programmes with our overall group digital transformation strategy. Giving customers more choice over appointment timeframes and offering a digital self-serve method for the customer to arrange compliance works in their homes once that channel shift is available for home safety compliance activities.

## **8. Financial and value for money implications**

- 8.1 There are no direct value for money implications arising from this report.
- 8.2 Budgets for these work streams have already been agreed and approved as part of the 5-year Capital Investment plan previously presented to the board.

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

- 9.1 In considering the current legal implications, the organisation will respond to any changes to regulations from the Scottish Government and SHR as and when they may arise.
- 9.2 The amendments to the Scottish Housing Quality Standards in relation to Periodic Electrical inspections required us to increase our electrical inspection programme from a 10 year to a 5-year cycle.

## **10. Risk Appetite and assessment**

- 10.1 The organisation's risk appetite relating to building compliance work streams is minimal" i.e., preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward.
- 10.2 Risks relating to repairs and maintenance are set out in our risk register. In addition, some compliance activities, for example gas servicing, and electrical safety are embedded in the Scottish Housing Regulator's reporting return requirements.

## **11. Equalities implications**

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

## **12. Key issues and conclusions**

- 12.1 We will continue to complete all essential compliance activities keeping our homes and customers safe.
- 12.2 We will continue to develop our approach to maximising access for compliance works through our new operating model.
- 12.3 We will continue to offer a "one and done" approach where possible for similar related compliance activities subject to asset cycles, property attributes and customer requirements.
- 12.4 We will ensure we remain agile and alert to any changing legislation or best practice to maintain our commitment to providing a robust level of landlord assurance across the various compliance activities.

- 12.5 We will continue to robustly monitor and manage performance of our property service team and our M&E contractor to ensure tasks are delivered on time and to required standards.

**13. Recommendations**

- 13.1 The Board are asked to note the content of this report and agree the proposed ongoing approach to managing and delivering compliance related works.

**LIST OF APPENDICES**

Appendix 1: Stay Safe branding

## Appendix 1: Stay Safe branding



## Report

**To:** Wheatley Homes East Board

**By:** Lindsay Brown, Director of Financial Reporting

**Approved by:** Pauline Turnock, Group Director of Finance

**Subject:** Finance Report

**Date of Meeting:** 23 March 2023

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### 1. Purpose

- 1.1 The purpose of this paper is to provide the Board with an overview of the management accounts for the period to 28 February 2023.

### 2. Authorising and strategic context

- 2.1 Under the terms of the Intra-Group Agreement between us and the Wheatley Group and our Terms of Reference, our Board is responsible for the on-going monitoring of performance against agreed targets, including the on-going performance of our finances.

### 3. Background

#### *Financial performance*

- 3.1 The results for the period to 28 February are summarised below.

£000	Year to Date (Period 11)		
	Actual	Budget	Variance
Turnover	44,141	37,910	6,231
Operating expenditure	(28,217)	(27,125)	(1,092)
<b>Operating surplus</b>	<b>15,924</b>	<b>10,785</b>	<b>5,139</b>
<i>Operating margin</i>	36%	28%	8%
Net interest payable	(6,445)	(6,640)	195
<b>Surplus</b>	<b>9,479</b>	<b>4,145</b>	<b>5,334</b>
<b>Net Capital Expenditure</b>	<b>26,111</b>	<b>18,093</b>	<b>(8,018)</b>



## **4. Discussion**

### **4.1 Period to 28 February 2023**

A statutory surplus of £9,479k for the period to 28 February 2023 is reported, which is £5,334k favourable to budget. The main driver of the variance is higher grant income recognised in the year offset in part by higher than budgeted repairs and maintenance costs. Key points to note:

- Net rent is £50k adverse to budget due to a combination of delayed handovers at South Gilmerton, Wisp 3C and Almondvale, offset partially by early handovers at Roslin Ph2 and Penicuik as well as favourable void position to budget.
- Grant income recognised is £6,314k favourable to budget due to handovers at Almondvale (72 units) and South Gilmerton (18 units) which were expected to complete in 2021/22, completing in 2022/23. 22 SR units at Penicuik and 2 SR units at Roslin Ph2 have also completed ahead of schedule.
- Operating expenditure is £1,092k unfavourable to budget driven by higher repairs and maintenance costs which are £1,110k higher than budget mainly due to the higher level of customer demand for reactive repairs where there is a 32% ytd increase in job numbers v ytd 2019/20.
- Interest payable of £6,453k is £193k favourable to budget, due to lower floating interest rates and lower loan balances drawn down in the first half of the year than assumed in the budget.
- Net capital expenditure is £26,111k for the period, £8,018k higher than budget. The capital investment programme spend is £298k higher than budget with higher than budgeted fire safety works at the Hostel as well as higher capitalised voids and repairs. In addition, other capital expenditure includes accelerated refurbishment works and environmental works.

## **5. Customer Engagement**

- 5.1 This report relates to our financial reporting and therefore there is no direct customer implications arising from the Finance Report.

## **6. Environmental and sustainability implications**

- 6.1 There are no environmental or sustainability implications arising from this report.

## **7. Digital transformation alignment**

- 7.1 There are no digital transformation alignment implications arising from the Finance Report.

## **8. Financial and value for money implications**

- 8.1 The statutory surplus for the period to 28 February is £5,334k favourable to budget. The underlying results for the period to 28 February 2023 were £1,278k unfavourable to budget, primarily due to higher repairs costs than budgeted arising from an increase in demand and inflationary pressures.
- 8.2 Within the context of the RSL borrower group, financial performance is being managed within the overall budget parameters and covenants and golden rule headroom continues to be met.

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

- 9.1 There are no direct legal, regulatory and charitable implications arising from the Finance Report.

## **10. Risk Appetite and assessment**

- 10.1 The Board's agreed risk appetite for financial performance is "open". This level of risk tolerance is defined as "prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level".

## **11. Equalities implications**

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

## **12. Key issues and conclusions**

- 12.1 This paper presents the financial performance position for the period to 28 February 2023.

## **13. Recommendations**

- 13.1 The Board is requested to note the management accounts for the period to 28 February 2023 at Appendix 1

### **LIST OF APPENDICES:**

Appendix 1: Year to 28 February 2023 Finance Report



# **Year to 28 February 2023**

## **Finance Report**



## 2) Period 11 2022/23 YTD – Operating Statement

	Year to 28 February 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
<b>INCOME</b>				
Rental Income	31,250	31,311	(61)	34,545
Void Losses	(499)	(510)	11	(560)
<b>Net Rental Income</b>	<b>30,751</b>	<b>30,801</b>	<b>(50)</b>	<b>33,985</b>
Grant Income Recognised in the Year	10,347	4,033	6,314	6,996
Other Income	3,043	3,076	(33)	3,363
<b>TOTAL INCOME</b>	<b>44,141</b>	<b>37,910</b>	<b>6,231</b>	<b>44,344</b>
<b>EXPENDITURE</b>				
Employee Costs - Direct	4,088	4,141	53	4,537
Employee Costs - Group Services	1,935	1,936	1	2,116
ER/VR	0	0	0	556
Direct Running Costs	3,746	3,670	(76)	4,011
Running Costs - Group Services	1,203	1,251	48	1,367
Revenue Repairs and Maintenance	5,709	4,599	(1,110)	5,068
Bad Debts	318	310	(8)	341
Depreciation	11,218	11,218	0	12,358
<b>TOTAL EXPENDITURE</b>	<b>28,217</b>	<b>27,125</b>	<b>(1,092)</b>	<b>30,354</b>
<b>NET OPERATING SURPLUS / (DEFICIT)</b>	<b>15,924</b>	<b>10,785</b>	<b>5,139</b>	<b>13,990</b>
<i>Net Operating Margin</i>	36%	28%	8%	16%
Interest receivable	8	6	2	7
Interest payable	(6,453)	(6,646)	193	(7,303)
<b>STATUTORY SURPLUS / (DEFICIT)</b>	<b>9,479</b>	<b>4,145</b>	<b>5,334</b>	<b>6,694</b>

	Year to 28 February 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
<b>INVESTMENT</b>				
<b>Total Capital Investment Income</b>	<b>20,978</b>	<b>20,096</b>	<b>882</b>	<b>22,306</b>
Total Expenditure on Core Programme	5,756	5,458	(298)	5,851
New Build & Other Investment	38,038	31,249	(6,789)	37,042
Other Capital Expenditure	3,295	1,482	(1,813)	1,510
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>47,089</b>	<b>38,189</b>	<b>(8,900)</b>	<b>44,403</b>
<b>NET CAPITAL EXPENDITURE</b>	<b>26,111</b>	<b>18,093</b>	<b>(8,018)</b>	<b>22,097</b>

### Key highlights year to date:

The results and budget includes activities transferred from WLHP from 5 September 2022.

Net operating surplus of £15,924k is £5,139k favourable to budget. Statutory surplus for the period to 28 February is £9,479k, £5,334k favourable to budget. The main drivers of the variance are higher than budgeted grant income recognised offset in part by higher than budgeted repairs and maintenance costs.

Total income is £6,231k favourable to budget:

- Gross rent is £61k adverse to budget due to delayed completions at South Gilmerton, Wisp 3C and Almondvale. This is partially offset by early handovers at Penicuik and Roslin Ph2. Void losses are £11k favourable to budget.
- Grant income recognised is £6,314k favourable to budget due to handovers at Almondvale (72 units) and South Gilmerton (18 units) expected to complete in 2021/22, completing in 2022/23. Prior to date of transfer WLHP completed 48 units at Almondvale. 22 SR units at Penicuik completed ahead of scheduled March completion date and 8 SR & 6 MMR units at Blackness Rd and 18 SR units at Roslin Ph1 and 2 SR units at Roslin Ph2 have also completed in 2022/23.
- Other income of £3,043k is £33k adverse to budget mainly due to local authority income at WH East Harbour being £69k under budget. This is subject to ongoing contract discussions. This is partially offset by favourable performance in other areas including WHEPS currently £32k favourable to budget.

Total expenditure is £1,092k unfavourable to budget:

- Employee costs - direct are currently £53k favourable to budget, with £23k relating to Harbour staff vacancies. The remaining £30k variance relates to vacancies in the housing team.
- Total running costs (direct and group services) are £28k adverse to budget. Direct running costs are £76k adverse and include £200k unbudgeted donation to Wheatley Foundation for the Here For You fund. A further £200k is forecast to be donated in P12.
- Revenue repairs and maintenance spend is £1,110k unfavourable to budget. The variance primarily relates to a higher than budgeted spend across responsive repairs which is £1,268k higher than budget, with cyclical and compliance spend £158k lower than budget. The increase in spend in responsive repairs is due to the clearance of repairs backlog by c600 jobs, an increase in demand (32% ytd increase in job numbers v ytd 2019/20) and inflationary pressures on the cost of materials.

Interest payable of £6,453k is £193k lower than budget linked to lower floating interest rates and loan drawdowns being required later than budgeted, leading to lower than budgeted interest costs.

Net capital expenditure of £26,111k is £8,018k higher than budget.

- Capital investment income relates to the cash receipt of new build grants, Scottish Housing Net Zero funding and medical adaptation grants and is £882k higher than budget.
- Investment programme spend is £298k unfavourable to budget due to higher than budgeted fire safety works, mainly at the Harbour, as well as higher capitalised voids and repairs.
- New build spend of £38,038k is £6,789k higher than budget due to accelerated spend at Southfort, Raw Holdings, Roslin Ph2 and Westcraigs. Spend at MacMerry is also higher than budget due to deferred spend from 21/22 being incurred in 22/23. This is partially offset by lower than budgeted spend at Penicuik, Rowanbank and Winchburgh BB.
- Other Capital Expenditure includes accelerated refurbishment works.

### 3) Underlying surplus – P11 February 2023

#### Key highlights:

- The Operating Statement (Income and Expenditure Account) on pages 2 and 3 is prepared in accordance with the requirements of accounting standards (Financial Reporting Standard 102 and the social housing Statement of Recommended Practice 2014).
- However, the inclusion of grant income on new build developments creates volatility in the results and does not reflect the underlying cash surplus/deficit on our letting activity.
- The table below therefore shows a measure of underlying surplus which adjusts our net operating surplus by excluding the accounting adjustments for the recognition of grant income and depreciation, including capital expenditure on our existing properties.
- In the period to February 2023, while repairs costs are running higher than budget, we continue to generate a good level of underlying surplus with £4,594k reported.

WH East Underlying Surplus - February 2023				
	YTD Actual £k	YTD Budget £k	YTD Variance £k	FY Budget £k
Net operating surplus	15,924	10,785	5,139	13,990
add back:				
Depreciation	11,218	11,218	0	12,358
less:				
Grant income	(10,347)	(4,033)	(6,314)	(7,171)
Net interest payable	(6,445)	(6,640)	195	(7,296)
Total expenditure on Core Programme	(5,756)	(5,458)	(298)	(5,851)
Underlying surplus	<b>4,594</b>	<b>5,872</b>	<b>(1,278)</b>	<b>6,030</b>

# 4) Period 11 – Property Services Operating Statement

## Key highlights year to date:

	Year to 28 February 2023			Full Year Budget £k
	Actual £k	Budget £k	Variance £k	
<b>INCOME</b>				
Internal Subsidiaries	15,183	11,670	3,513	13,873
External Customers	263	210	53	222
<b>TOTAL INCOME</b>	<b>15,446</b>	<b>11,880</b>	<b>3,566</b>	<b>14,095</b>
<b>COST OF SALES</b>				
Staff	3,721	3,529	(192)	3,777
Materials	2,194	2,112	(82)	3,271
Subcontractor & Other Costs	6,781	3,885	(2,896)	4,500
<b>TOTAL COST OF SALES</b>	<b>12,696</b>	<b>9,526</b>	<b>(3,170)</b>	<b>11,547</b>
<b>GROSS PROFIT/(LOSS)</b>	<b>2,750</b>	<b>2,354</b>	<b>396</b>	<b>2,548</b>
Margin %	18%	20%	11%	18%
Overheads	2,583	2,219	(364)	2,462
<b>NET PROFIT/(LOSS)</b>	<b>167</b>	<b>135</b>	<b>32</b>	<b>86</b>

•Wheatley Homes East Property Services provides in house repairs and maintenance services to Wheatley Homes East and Lowther Homes. In the year to February 2023, Property Services is reporting a surplus of £167k, which is £32k favourable to budget.

•Income of £15,446k in the year is £3,566k favourable to budget.

•Correspondingly, cost of sales are £3,170k higher than budget with higher levels of subcontractor work and material costs due to the increased demand for repairs services, as well as additional investment work carried out in the YTD. Salary costs are also £192k higher than budget, due to the appointment of 5 new roles within the Service to pick up emergency call outs improving response times, as well as agency staff and overtime hours being utilised to manage the high level of demand.

•Gross profit of £2,750k is £396k favourable to budget.

•Overhead expenditure includes vehicle, rent and running costs, rates, insurance and other staff and office related costs. These are £364k adverse to budget due to increased waste disposal in line with increase in work levels as well as higher rent & rates and higher vehicle running costs YTD.

# 5) Period 11 – Wheatley Homes East Harbour

	Year to 28 February 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
<b>INCOME</b>				
Rental Income	783	781	2	853
Void Losses	(104)	(39)	(65)	(43)
<b>Net Rental Income</b>	<b>679</b>	<b>742</b>	<b>(63)</b>	<b>810</b>
Local Authority Contract Income	368	437	(69)	477
Other Income	33	12	21	13
<b>TOTAL INCOME</b>	<b>1,080</b>	<b>1,191</b>	<b>(111)</b>	<b>1,301</b>
<b>EXPENDITURE</b>				
Employee Costs	737	760	23	829
Direct running Costs	258	341	83	349
Revenue Repairs and Maintenance	10	56	46	61
Bad Debts and Depreciation	0	0	0	0
<b>TOTAL EXPENDITURE</b>	<b>1,005</b>	<b>1,157</b>	<b>152</b>	<b>1,239</b>
<b>NET OPERATING SURPLUS / (DEFICIT)</b>	<b>75</b>	<b>34</b>	<b>41</b>	<b>62</b>

## Key highlights year to date:

- The service is reporting a surplus of £75k which is 41k favourable to budget with lower costs across all categories contributing to the variance.
- Net rental income of £679k is £63k unfavourable to budget due to Fire mitigation works being undertaken (April – Oct) which required a whole floor at a time to be empty to allow the works to progress, which is resulting in higher void levels. Final works were completed on 3<sup>rd</sup> October resulting in the Harbour returning to full rental capacity.
- Local authority income is £69k adverse to budget. This is due to ongoing discussions with City of Edinburgh Council regarding the revised contract.
- Employee costs of £737k are £23k favourable to budget due to 1.5 FTE staff vacancies.
- Running costs of £258k include insurance, travel, safety equipment, printing, stationary and mobile costs. Costs are £83k favourable to budget largely due to budgeted additional costs associated with the contract negotiations with City of Edinburgh Council, which has not been agreed yet.
- Repairs and maintenance expenditure of £10k are £46k under budget.

## 6) Repairs and investment

Key highlights year to date:

### Repairs and maintenance

- Responsive repairs spend is £1,268k unfavourable to budget, largely driven by continuing high customer demand. Completed jobs in the months of April – February have increased 32% on 2019/20 figures picking up lower activity levels from the previous two years.
- Cyclical repairs spend is £158k favourable to budget due to the delay of non-essential works to offset the overspend on reactive repairs.

### Investment

- Investment spend ytd is £298k unfavourable to budget. The variance reflects higher than budgeted capitalised repairs which are £293k over budget with a large volume of 2-to-3-day major repair jobs being passed to the workshop. Disabled adaptation spend is £62k over budget with disabled adaptation grant income offsetting this partially at £48k favourable to budget. Scottish Housing Net Zero grant income is £40k fully in line with the project spend to date.
- Void costs of £892k are £192k unfavourable to budget. The average cost per void job is 21% higher year on year due to higher material costs, properties being in a greater state of disrepair when inspected by the Housing Officer and a greater number of major/ full clearances being needed.

Repairs and maintenance	Year to 28 February 2023		
	Actual £ks	Budget £ks	Variance £ks
Responsive Repairs	4,142	2,874	(1,268)
Cyclical Maintenance	1,567	1,725	158
	<b>5,709</b>	<b>4,599</b>	<b>(1,110)</b>

WH East Investment Works	Year to 28 February 2023		
	Actual £k	Budget £k	Variance £k
<b>Investment Works Income</b>			
Disabled Adaptions Grant	178	130	48
SHNZ	40	0	40
<b>Investment Works IncomeTotal</b>	<b>218</b>	<b>130</b>	<b>88</b>
<b>Investment Works Expenditure</b>			
Core Programme (excl. SHNZ)	2,786	3,090	304
SHNZ	40	0	(40)
Capitalised Repairs	1,067	774	(293)
Disabled adaptations	229	167	(62)
Voids	892	700	(192)
Capitalised Staff	742	727	(15)
<b>Investment Works Expenditure Total</b>	<b>5,756</b>	<b>5,458</b>	<b>(298)</b>
<b>Net Total</b>	<b>5,538</b>	<b>5,328</b>	<b>(210)</b>



# 7) New Build Programme

	Status	Contractor	Year To Date (£'000)			FY Budget
			Actual	Budget	Variance	
DEANS SOUTH	Due on Site	Springfield	18	-	(18)	-
HYVOTS	Complete	Hart	1	-	(1)	-
JARVEY	Complete	City Building	4	89	85	89
KIRK LANE	Complete	Persimmon	3	-	(3)	-
MACMERRY	On site	Balfour Beatty	3,230	804	(2,426)	1,278
PENICUIK	On site	Cala	3,464	4,965	1,501	5,151
ROSLIN	On site	Taylor Wimpey	1,468	1,605	137	1,661
ROWANBANK	On site	Artisan	676	2,534	1,859	2,714
SOUTH GILMERTON	Complete	Persimmon	467	-	(467)	84
WINCHBURGH O	Complete	Barratt	-	38	38	38
WISP 3C	On site	Springfield	204	301	96	301
<b>Total Social Rent</b>			<b>9,537</b>	<b>10,335</b>	<b>798</b>	<b>11,315</b>
ABERLADY	Complete	Cruden Homes	1	-	(1)	-
FOUNTAINBRIDGE	Complete	CCG	5	-	(5)	-
GILMERTON	Complete	Miller	7	-	(7)	-
LANARK RD	Approved	Abbotswell	-	41	41	1,561
NEW MILLS ROAD	Complete	Cala	29	-	(29)	-
VICTORY LANE	Approved	Ambassador	2	-	(2)	-
<b>Total MMR</b>			<b>44</b>	<b>41</b>	<b>-</b>	<b>3</b>
ALMONDVALE	On Site	Cruden Homes	618	-	(618)	-
BLACKNESS ROAD	On Site	Cala	176	145	(31)	145
CAMMO FIELDS	Feasability	TBC	1	-	(1)	-
GORGIE	Complete	J Smart & Co.	40	-	(40)	-
GREENDYKES	Complete	Persimmon	2	-	(2)	-
GULLANE	Complete	Harts	39	-	39	-
LANG LOAN	Complete	Persimmon	5	-	(5)	-
LONGNIDDRY	Complete	Cruden Homes	-	17	17	17
NEWMILLS RD PH2	Complete	Cala	3	39	36	39
RAW HOLDINGS	On Site	Persimmon	3,292	1,909	(1,383)	2,221
ROSLIN PH2	On Site	Taylor Wimpey	3,778	2,064	(1,714)	2,333
SOUTHFORT	Approved	Barratt	3,769	577	(3,193)	692
WALLYFORD 5 A/B	TBC	Cruden Building	332	-	(332)	-
WALLYFORD PH 2	On site	Cruden Homes	4,013	3,827	(186)	4,275
WESTCRAIGS	On site	Cruden Building	10,441	7,307	(3,135)	8,667
WINCHBURGH BB	Approved	McTaggart	21	3,920	3,899	4,597
<b>Total Mixed Tenure</b>			<b>26,531</b>	<b>19,806</b>	<b>-</b>	<b>22,987</b>
Property Aquisition			45	-	(45)	-
Capitalised Interest Costs			743	-	(743)	-
Capitalised staff costs			1,139	1,067	(72)	-
<b>Total New Build Investment</b>			<b>38,038</b>	<b>31,249</b>	<b>(6,789)</b>	<b>35,862</b>

<b>Grant Income</b>	<b>20,760</b>	<b>20,096</b>	<b>664</b>	<b>22,130</b>
<b>Net New Build Costs</b>	<b>17,278</b>	<b>11,153</b>	<b>(6,124)</b>	<b>13,732</b>
<b>Grant Income Completions (Recognised in OPS)</b>	<b>10,169</b>	<b>3,904</b>	<b>6,265</b>	<b>6,996</b>

Investment spend at end of P11 was £38.0m against budget of £31.2m, £6.8m higher than budget.

- Deans South Ph 1B (SR/65):** Approved by WDSL Board Nov 2022. Grant funding received. In final negotiations with contractor.
- MacMerry (SR/36):** Spend ahead of budget due to catch up works from 2021/22.
- Penicuik (SR/57):** Spend lower than budget YTD due to accelerated spend in Q4 2021/22. 22 units handed over YTD. Next handovers April 2023.
- Roslin (SR/38):** Spend accelerated in 2021/22 resulting in underspend in 2022/23. Handover of 18 units YTD with 8 more completed in March.
- Rowanbank (SR/33):** Delays due to material and labour supply. Accelerated spend in Q4 2021/22 has led to an underspend in 2022/23.
- South Gilmerton (SR/52):** Complete. Final 18 units handed over in September 2022.
- The Wisp 3C (SR/35):** Handover projected March 2023 due to delays with the service installations c
- Lanark Rd (MMR/12):** CEC has confirmed that it does not want to progress with delivery of affordable units on site due to the high cost.
- Almondvale (MMR/26 and SR/120):** All 120 SR units now complete. Final 26 MMR units expected to complete in March.
- Blackness Road (MMR/6 and SR/8):** Completion October 2022.
- Raw Holdings (MMR/25 and SR/38):** Second tranche of golden brick Sept 2022, potential for early handover of phase 1 units. Handover of 4 units expected in March 2023.
- Roslin Phase 2 (MMR/14 and SR/24):** Restructuring of site timelines by the Contractor has led to accelerated spend. First 2 handovers completed ahead of schedule in January. 16 handovers forecast for March.
- Southfort (MMR/14 and SR/11):** Approved by WDSL Board Sept 2022. All grant has been drawn down. Spend accelerated from original 23/24 projections.
- Wallyford 5/AB (MMR/61 and SR/29):** Approved by WDSL Board Nov 2022. Change of contractor being processed.
- Wallyford Phase 2 (MMR/15 and SR/45):** Progress on site is satisfactory. 12 Handovers anticipated in March 2023.
- West Craigs phases 1 and 2 (MMR/168 and SR/132):** Under construction with progress satisfactory.
- West Craigs Phase 3 (MMR/55 and SR/70):** Acquisition approved by WDSL Board Nov 2022. Grant funding in place for tender.
- Winchburgh BB (MMR/29 and SR/52):** Revised proposals presented to WDSL in Feb 2023. Grant funding now in place.

# 8) Balance sheet

	28 February 2023 £'000	31 March 2022 £'000
<b>Fixed Assets</b>		
Social Housing Properties	460,312	369,689
Other Fixed Assets	10,082	6,622
Investment Properties	34,860	34,860
	<u>505,254</u>	<u>411,171</u>
<b>Current Assets</b>		
Stock	765	717
Trade debtors	544	541
Other debtors	2,874	7,011
Rent & Service charge arrears	1,691	1,291
less: Provision for rent arrears	(877)	(796)
Prepayments and accrued income	941	616
Intercompany debtors	1,525	2,321
Total Debtors	<u>6,697</u>	<u>10,984</u>
Cash & Cash Equivalents	3,613	1,953
	<u>11,076</u>	<u>13,654</u>
<b>Creditors: within 1 year</b>		
Trade Creditors	(3,520)	(2,102)
Accruals	(4,690)	(3,802)
Deferred Income	(43,843)	(25,200)
Prepayments of Rent and Service Charge	(1,734)	(1,607)
Other Creditors	(356)	(853)
Amounts due to Group Undertakings	(10,075)	(6,687)
	<u>(64,218)</u>	<u>(40,251)</u>
<b>Net Current Liability</b>	<u>(53,143)</u>	<u>(26,597)</u>
<b>Long Term Creditors</b>		
Loans	(34,631)	(34,147)
Amounts due to Group Undertakings	(166,328)	(128,849)
Pension Liability	-	-
	<u>-</u>	<u>-</u>
<b>Net Assets</b>	<u>251,152</u>	<u>221,578</u>
<b>Capital and Reserves</b>		
Share Capital	-	-
Revenue Reserve b/f	221,578	221,578
Surplus in the year	9,479	-
Revenue Reserve transferred from WLHP	20,094	-
	<u>251,152</u>	<u>221,578</u>
<b>Association's funds</b>	<u>251,152</u>	<u>221,578</u>

## Key highlights year to date:

The balance sheet reported reflects the audited statutory accounts to 31 March 2022 and includes year end statutory adjustments, including the revaluation of both housing and investment properties and actuarial valuation of the defined benefit pension scheme. Following the transfer of WLHP to DC on the 5<sup>th</sup> September the balance sheet now reflects a combined position under Wheatley Homes East.

- The value of our **fixed assets** reflects additions in the year less depreciation.
- Debtors** include other debtors of £2.9m, which is a reduction of £4.1m from March 2022. This is due to receipt of grant income owed from Scottish Government. Prepayments and accrued income of £0.9m has increased £0.3m relating to owner occupied repairs works. Rent arrears of £0.8m (after bad debt provision) have increased £0.3m YTD.
- Cash at Bank** – At 28 February cash at bank was £3.6m.
- Short-Term Creditors** – Amounts due within one year of £64.2m includes £10.1m due to other Wheatley entities, £4.7m in accruals and £43.8m in deferred income. The increase in deferred income relates to grants received in advance of new build completions from both DC and those transferred over from WLHP (£7.9m). The remaining balance includes rent received in advance from our tenants, trade and other creditors (factoring deposits and payroll creditors).
- Loans** of £200.9m relate to funding drawn down from WFL1 DC (£137.3m) and WLHP (£29.0m), and external funding of £34.6m due to THFC and Allia (inclusive of rolled up interest charges).

## **Report**

**To:** Wheatley Homes East Board

**By:** Stephen Wright, Director of Governance

**Approved by:** Anthony Allison, Group Director of Governance and Business Solutions

**Subject:** Governance update

**Date of Meeting:** 23 March 2023

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### **1. Purpose**

- 1.1 This report provides an update to the Board on the following governance-related matters:
- New Board Member appointment
  - Tenant Board Member pathway programme
  - Gifts and Hospitality
  - Register of Interests

### **2. Authorising and strategic context**

- 2.1 We are required to operate in accordance with our Rules, as well as our Terms of Reference (as set out in the Group Standing Orders) and our intra-group agreement with Wheatley Group. Our Rules, as supplemented by our Terms of Reference, set out the process for the appointment of Board members. Appointments are made by our Board, with the appointment of independent Board members also requiring approval from the Group Remuneration, Appointments, Appraisals and Governance Committee.

### **3. Background**

- 3.1 The Board is responsible for overseeing recruitment and succession planning. As part of this, the Board is responsible for ensuring we have a blend of skills and experience, in line with our agreed skills matrix. We have identified a new candidate with skills and experience that fit our skills matrix. In addition, following the recent retirement of a tenant Board member we have designed a new tenant board member pathway programme to help ensure we have a pool of potential candidates available whenever a tenant Board vacancy arises in future.

- 3.2 As part of joining the Board, Board members agree to be bound by a Code of Conduct. This sets out the standards that Board members are required to adhere to. It also requires Board members to manage any interests as well as offers of gifts and hospitality. Each year we seek confirmation from Board members about these matters, which will be reported on as part of our year-end processes.

#### **4. Discussion**

##### *Board recruitment*

- 4.1 Bryan Pitbladdo, a tenant member of the Board, decided to retire from the Board for personal reasons following our meeting in February. This means that our Board has reduced to eight members. Our Rules provide that we can have a Board of up to 12, comprising up to seven independent members, up to four tenant board members and (if appointed) up to one parent appointee. As part of the strategic governance review we agreed to set a recommended limit of 10 members (six independents and four tenants).
- 4.2 When we formed our partnership with West Lothian Housing Partnership, it was agreed that Judith McGlashan would take up an independent Board member vacancy. At that time we already had four tenant board members but recognised the importance of ensuring we had a tenant from the West Lothian Housing Partnership area with particular knowledge of its areas of operation. Following Bryan's retirement, it is recommended that Judith is re-designated as a tenant Board member.
- 4.3 With Judith moving to the tenant board member category, we now have four independents. We have identified a suitable candidate, Heather Macnaughton, to take up an independent vacancy to also replace the skills gaps, per our agreed skills matrix, left through the Board retirements in 2022 (Mary Mulligan, Jill Cronin).
- 4.4 Heather is currently a serving member of the Wheatley Homes South but who is an Edinburgh resident. She first joined the Wheatley South Board in March 2018, therefore has four further years of her tenure remaining.
- 4.5 Heather has extensive senior management experience across a range of areas complimentary to our activities, including at Edinburgh Chamber of Commerce, Children in Scotland, and as Head of Community Investment at Castle Rock Edinvar where she worked for over 10 years. Heather has also worked as Interim Operations Executive at SFHA and is now the Partnership Manager at Historic Scotland.
- 4.6 Given that Heather is well known to us and has a track record of being a strong Board contributor a formal interview process was not considered necessary however formal approval is being sought.
- 4.7 If the Board agrees to appoint Heather, this will leave one remaining vacancy for an Independent member. It is proposed that we commence recruitment to fill this vacancy with a non-executive who has a broad range of skills and experience. Having regard to our skills matrix and the proposed appointment of Heather we already have a good range of commercial, governance, financial and housing management. We do not have any specific specialist skills gaps.

- 4.8 The panel for the recruitment shall be made up of the Chair and at least one other Board member. Members availability will be sought when we have candidates ready for the interview stage. The Chair will be asked to affirm prospective candidate's suitability for interview.

*Tenant Board member pathway programme*

- 4.6 In order to help us continually grow a pool of candidates, we have developed a tenant Board member pathway programme. The programme is focused on developing a sustainable pool of future Board members. As part of this we will have a structured approach to:
- Developing appropriate experience through prior membership of the Group Scrutiny panel;
  - Access to an individual coaching and mentoring; and
  - Knowledge building
- 4.7 The programme approach is being introduced within some of our partner organisations to address more immediate recruitment needs. We plan to write to those tenants whom we know to be interested in engaging with us through our Customer Voices programme to advise them about the programme. Candidates would have the opportunity to serve on the Scrutiny Panel for a period of up to three years, which would coincide with the first planned retirement date of our four tenant Board members (2026).

*Gifts and Hospitality and Registration of Interests*

- 4.8 Board members are required to declare offers of gifts and hospitality when these are made or received. Our Group Policy (Payments, Benefits, Gifts and Hospitality Policy) forms part of our induction and was last reviewed by the Board in August 2022.
- 4.9 A register of gifts and hospitality is maintained by the Governance Team. During the current financial year, no Board member offers of gifts or hospitality have been recorded. This is consistent with previous years.
- 4.10 Under our Code of Conduct, Board members are required to ensure they register any interests and update their entry whenever a new interest arises. We have a Group policy on Board member conflicts of interest which was last reviewed in August 2022.
- 4.11 Information on Board member interests is published on our website, along with Board member profiles. In addition, we are required to provide information to our auditors in relation to related parties transactions. Our Register of Interests assists with this process. Our Register of Interests is available for Board members through our portal, AdminControl.
- 4.12 Declaration of Interests form a standing agenda item at each meeting, where members are requested to declare any further interests, any amendments to the register of interests or declare any conflicts related to specific agenda items. As part of our year-end procedures, we will seek confirmation from Board members that they have no new declarations that require to be made.

## **5. Customer engagement**

- 5.1 We want tenants to be at the heart of everything we do. Our approach to tenant board membership is consistent with our approach to customer engagement. We continue to recognise the benefit of sharing tenant board vacancies on our website; however our customer voices programme has provided us with an excellent opportunity to focus our recruitment on those customers who have expressed an interest to be involved in shaping our activities.

## **6. Environmental and sustainability implications**

- 6.1 There are no environmental or sustainability implications arising from this report.

## **7. Digital transformation alignment**

- 7.1 There are no digital transformation implications associated with this report.

## **8. Financial and value for money implications**

- 8.1 There are no financial implications arising from the recommendations contained within this report.

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

- 9.1 Standard 6 of the SHR Standards of Governance and Financial Management requires the governing body of all RSLs to 'have the skills and knowledge they need to be effective'.
- 9.2 As a matter of corporate and charity law, it is important that we manage any potential conflicts of interest. We can support compliance with this by ensuring that we maintain a clear policy position and proactively manage gifts, hospitality and outside interests.

## **10. Risk appetite and assessment**

- 10.1 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". This reflects our risk appetite in relation to laws and regulation, which is "averse", with the avoidance of risk and uncertainty being a key organisational objective and a priority for tight management controls and oversight.
- 10.2 Our strategic risk register contains the risk that, *"The governance structure is not clearly defined, is overly complex and lacks appropriate skills at Board and Committee levels to govern the Group effectively. Failure of corporate governance arrangements could lead to serious service and financial failures."*
- 10.3 We mitigate this risk by having clearly defined roles and responsibilities across our governance framework, regularly reviewing our framework and submitting our governance arrangements to external review.

## **11. Equalities implications**

- 11.1 We have a strong commitment to equality and diversity and recognise the benefit of having people with different lived experiences on our Board. Our commitment is emphasised through our tenant board member pathway programme. This includes our commitment to making reasonable adjustments to support candidates who may have additional requirements.

## **12. Key issues and conclusions**

- 12.1 Board planning, both in terms of personnel as well as annual business, is a key strength and helps us to ensure that we have effective arrangements in place to achieve our strategic objectives.

## **13. Recommendations**

- 13.1 The Board is asked to:

- 1) approve the appointment and membership of Heather Macnaughton; and
- 2) approve the introduction of our tenant Board member pathway programme.

## **LIST OF APPENDICES**

None

## Report

**To:** Wheatley Homes East Board

**By:** Laurie Carberry, Director of Procurement

**Approved by:** Anthony Allison, Group Director of Governance and Business Solutions

**Subject:** Group Procurement - annual strategy and policy updates

**Date of Meeting:** 23 March 2023

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### 1. Purpose

- 1.1 This report presents the annual updates to the Procurement Strategy, Procurement Policy, Group Sustainable Procurement Policy and Group Community Benefits Statement as approved by the Wheatley Solutions Board and prior to publication.
- 1.2 This report also details our procurement-specific updates and performance, with a look ahead to the delivery for in the year ahead.

### 2. Authorising and strategic context

- 2.1 Under its Terms of Reference, set out in the Group Standing Orders, the Wheatley Solutions Board has delegated authority to approve the Group procurement strategy and policy. Our procurement strategy and policy is a lever to support us achieving strategic objectives within our strategy, such as sustainability, creating job and training opportunities more widely maximising value for money.
- 2.2 As a Group wide policy and strategy which can impact both how we achieve value for money and support the delivery of our own five-year strategy we intend to present it to this Board on an annual basis.

### 3. Background

- 3.1 As a registered public body we are required to comply with procurement legislation as defined for Contracting Authorities within Procurement Regulations 2015.
- 3.2 The first Group Procurement Strategy was published in December 2016 and it is a legal requirement to review it annually by 31 March. The updated Procurement Strategy 2023 (Appendix 1) updated Procurement Policy 2023 (Appendix 2), proposed Group Sustainability Procurement Policy 2023 (Appendix 3), and updated Community Benefits Statement (Appendix 4) have all been developed in compliance with this requirement.



- 3.3 The Group Procurement Policy 2023 (Appendix 2) has been updated to capture other business activity underway, such as our revised Group Equality, Diversity and Inclusion (“EDI”) policy and action plan and the launch of the Group Contract Management System (“CMS”).
- 3.4 Our external expenditure in 2021/22 was £38m of which 78% (£30m) was on capital and 22% (£8m) on revenue. The high level of capital spend was due to our new build housing programme.
- 3.5 Below are examples of Group wide procurement activity delivered during 2022 that will directly benefit us:
- £3.6m Legal Services Framework;
  - £55m Technical Consultancy Framework;
  - £500m Generation 3 – New Build Framework;
  - £2.4m Hybrid Mail Contract; and
  - Procured and launched Contract Management System and online training programme adopted Group wide.
- 3.6 As and when required, specific contracts have been delivered for us ensuring we continue the momentum of delivery of capital investment and new build projects being commenced:
- Group New Build, Technical Consultancy and Legal Services frameworks all now designed to take into account delivery of services within Edinburgh and the Lothians, making sure we have the benefit of Group purchasing scale but developers, consultants and legal services designed for our specific need; and
  - Work is underway to design a new Trade Materials solution in partnership with Saint Gobain to support the delivery of the new Civica job management system for our repairs and investment team. This will provide an integrated materials ordering and distribution system to ensure the continued delivery of high-quality repairs to customers homes.

#### **4. Discussion**

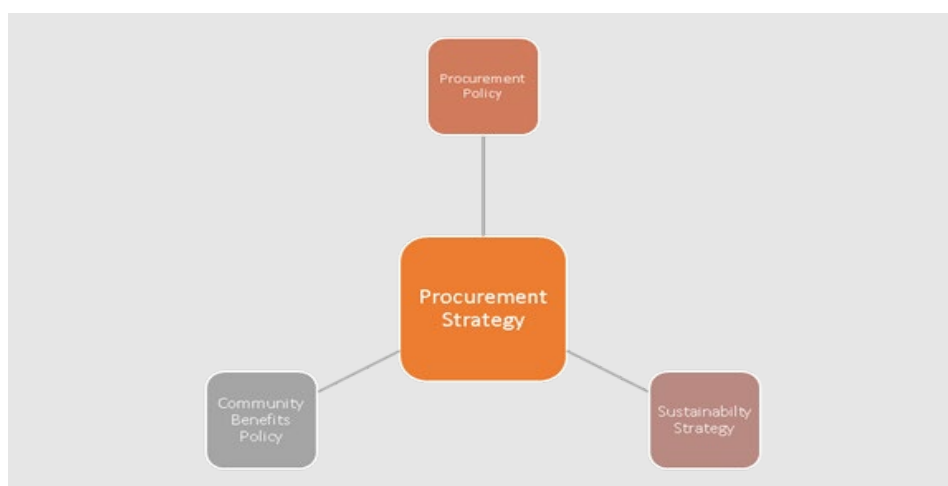
- 4.1 The Group Procurement Strategy 2023 is a legislative reporting requirement for all large Scottish contracting authorities. As a minimum, the strategy must include the following elements:
- 12-month retrospective review of contracts awarded;
  - 24-month forward plan of future contract opportunities;
  - Community Benefit Delivery;
  - Proposed Sustainability requirements; and
  - Embedded compliance to legislation.

- 4.2 Our procurement strategy contributes to the delivery of a number of themes within our strategy, including:
- creating jobs and training opportunities through the use of Community Benefit clauses;
  - drawing on the value of group wide contracting arrangements which allow us to be more efficient and reinvest more money in our communities;
  - build our overall resilience by having a wide range of supply chain options, which in turn can also drive competition and innovation;
  - reducing potential counterparty risk and contractor financial exposure through the use of frameworks such as in development to reduce reliance on a small number of contractors; and
  - driving wider change in our supply chains by making areas such as EDI and sustainability practices requirements to contract with us.

### Procurement Updates

- 4.3 The Procurement Strategy is our road map towards achieving our overarching objectives and to meet Scottish government's commitments to efficient and effective procurement, whilst reflecting important legislative changes which ensure that Group is in line with Scottish Government procurement legislation and best practice.
- 4.4 To support us in achieving standardised practises and procedures pertaining to procurement across the Group the Procurement Policy, Sustainability Policy & Community Benefit Policy were developed to deliver the overall Procurement Strategy. To ensure these documents remain fit for purpose they are required to be reviewed on an annual basis.

The hierarchy of these documents is as follows :



### Procurement Strategy

- 4.05 The updated Procurement Strategy incorporates changes which have taken place, including changes to tender thresholds. From January 1<sup>st</sup> 2023 for all Works the threshold is £5,336,937, this was previously £4,733,252, Goods and Services threshold is £213,477, this was previously £189,330, and 'Light Touch Regime' Services threshold remains at £663,540 and has not been changed. For clarity, all threshold values are exclusive of VAT.

- 4.06 The Strategy pipeline has also been updated to reflect the recently procured contracts in the last 12 months and the upcoming procurements for the next 24-month period.

#### Procurement Policy

- 4.07 The updated Procurement Policy 2023 includes the addition of desirable requirements, which are for contractors to have an Equality, Diversity and Inclusion (EDI) policy and the increased legislative tendering thresholds. By adding the EDI policy as a desirable, this highlights to our potential suppliers the importance of EDI to us as an organisation. This helps support our Group EDI and Human Rights policy and our EDI aims more widely. In particular, this supports our aim to ensure 'EDI is embedded in all our policies and services with an ability to report on this' as contained within our Group EDI Action Plan, approved by the Wheatley Solutions Board in November 2022. Following the addition of the EDI policy requirement, we will be able to report on how many suppliers we procure with meet this requirement.
- 4.08 By having this as a desirable rather than an essential requirement, this helps ensure that this does not indirectly discriminate for example, small suppliers who may not have an EDI policy. It does however encourage and raise awareness with suppliers that they should be considering EDI in their operations and that our procurement process is cognisant of equalities. This approach is further confirmed through our Community Benefits.

#### Group Sustainable Procurement Policy

- 4.09 We have an ambitious target for our corporate activities to be Carbon Neutral by 2026. Using the breadth and depth of our service, combined with our experience and skills, our aim is to be a catalyst for change in the housing sector and a significant contributor to the national decarbonisation goals. Critical to this objective is how we work with our partners, stakeholders, customers, and suppliers to prioritise sustainable solutions and embed sustainability in each of our decisions. We have therefore created a new Group Sustainable Procurement policy as detailed in Appendix 3.
- 4.10 Our aim is to switch to carbon neutral capable fleet, where suitable electric, hybrid and hydrogen fuelled vehicles exist (i.e., have sufficient gross vehicle weight and range to meet our business need), by the end of 2026. In advance of doing this, we will work to ensure there is suitable charging infrastructure including at our depots and other corporate locations. We will also, where we have the ability to do so, deploy charging infrastructure in our communities, which will benefit our business operations, customers and the wider community in these locations. We will also explore options for reducing emissions associated with staff travel such as active travel, public transport and encouraging use of low emission vehicles.

- 4.11 Our wider long-term sustainability targets include, becoming carbon neutral across our corporate estate, eliminating fuel poverty, and reducing carbon emissions from our homes by at least 4000 tonnes per year. Procurement will take an active role in supporting these ambitions through sustainable sourcing of goods services and materials, as well as ensuring our supply chains also work towards these targets. It will be ensured that consideration of social, ethical, environmental, and economic impacts is present in each procurement activity. With the use of the newly launched Contract Management system, outcomes will be measured, monitored, and recorded.
- 4.12 Procurement shall continue to seek to eliminate and reduce where possible, the use of single use plastics, pesticides and chemicals that may cause harm to the environment, as part of all procurement activity across the Group. The commitment to zero waste going to landfill will also be a key contracting consideration.

#### Community Benefits Statement

- 4.13 The formation of this statement takes note of Scottish Government Guidance, legislation, and the need for requirements to be proportionate (Appendix 4). This guidance is in-line with Scottish Procurement Legislation and Regulations.
- 4.14 Procurement has an important role in the delivery of Community Benefits. Working in partnership, Group Community Benefits are a shared responsibility for all contract leads across the Group. Where possible there is a focus on maximising jobs and training places and supporting local community activity.
- 4.15 We are therefore able to deliver new jobs, apprenticeships, training opportunities and supply chain development activities for the community. Procurement and contract leads ensure compliance in terms of Construction related contracts and the obligation of the Contractor therein, which is a mandatory requirement captured through the terms of the Contract.
- 4.16 This also supports our Group EDI aims, as going forward we will use our customer equality data and Wheatley Foundation equality data to inform our Community Benefit approach through analysis of our employability programmes.

#### Contract Management System (CMS)

- 4.17 Procurement have implemented a Contract Management System (CMS) to digitise our contracts and assist Contract Owners with their contract management responsibilities. All Contract Owners will receive log in details to the CMS and will have access to administer, monitor and manage their suppliers/contracts. The CMS has three modules:
- Sourcing – Use to add new suppliers, amend supplier details and routinely check supplier information (insurances, bank details etc). For sole use of Procurement currently.
  - Contract Management – this module is where contracts are set up and documentation is uploaded to ensure that all information relevant to the contract can be viewed in one place. To be used by both Procurement and Contract Owners (predominantly Procurement)

- Supplier Relationship Management (SRM) – this module is used to collate supplier performance via scheduled supplier requests aimed at understanding performance against pre-determined Key Performance Indicators (KPIs) or other performance targets. To be used by both Procurement and Contract Owners (predominantly Contract Owners).

- 4.18 Procurement shall work with Contract Owners to set up their contracts in the first instance and maximise the CMS' functionality. Contract Owner shall be responsible for contract/supplier interactions thereafter. The CMS will alert the Contract Owner when an action is due and will repeat the alert until action is taken.

#### Challenges for Procurement 2023

- 4.19 In line with the challenging Scottish Government policy on carbon reduction to net-zero, we seek to ensure that sustainability is rooted within all procurement activity. For example, the new build properties are designed to a high standard of energy efficiency, and boilers that are being installed in customers' homes are specified to ensure low consumption rates. However, these challenging targets will require a common-sense approach to developing our communities ensuring sustainability is an objective to each and every procurement that is undertaken. This was a major factor in our new sustainability strategy being developed; the targets and initiatives detailed within will play an important role in all procurement activities.
- 4.20 The UK insurance market for Housing Associations has significantly changed in the last 12-18 months and we are still very much in a hard insurance market. This is currently in the most distressed the property stock market has been in over 30 years. Limited capacity in the market has also impacted insurer appetite with them being more selective and only considering better quality risks, and also increased premiums irrespective of claims experience. We have recently seen our Group property insurance renewal increase.
- 4.21 The new build contracting market continues to require strong monitoring with suppliers now increasingly seeking to mitigate their risk on costs in the way they contract and seek cost increases. Our approach has been to seek fixed costs and have contractors take the risk on cost inflation.
- 4.22 [redacted]
- 4.23 [redacted]
- 4.24 [redacted]
- 4.25 An update on the impact for our own existing or planned sites (West Craigs, Almondvale and Wallyford) with Crudens will be provided at the meeting.

## **5. Customer Engagement**

- 5.1 Each procurement exercise will take into consideration customer engagement. Customer consultation will be carried out when applicable. Community Benefit delivery aspirations also involve key customer engagement activities.
- 5.2 The use of the new CMS system will ensure we are driving all the additional value and community benefit offerings from Group contracts, ensuring the best possible outcomes for our customers.

## **6. Environmental and sustainability implications**

- 6.1 Our aim is to be carbon neutral in our corporate activities by 2026. Scotland has set a target to phase out the sale of new fossil fuel vehicles by 2032. To ensure delivery of these requirements we have a dedicated fleet team to oversee the transition of Group fleet to carbon neutral by 2026.
- 6.2 Sustainability outcomes will continuously be measured against Group targets and Procurement will take an active role in supporting these ambitions through sustainable sourcing of goods services, materials and supply chains.

## **7. Digital transformation alignment**

- 7.1 The new Contract Management System (CMS) allows for integrated use of IT systems and acts as a central repository for all contracts, this replaces an Excel spreadsheet-based contracts register.

## **8. Financial and value for money implications**

- 8.1 The key drivers for the value for money framework are customer service, investment to assets, carbon neutral targets, and improving repairs. These objectives are being achieved by the leverage of our size and scale to ensure the Asset improvement program deliver's greater value for money and continued investment to the enhancement of the online savings portal for customers MySavings, providing up to 10% savings of household running cost.
- 8.2 Effective procurement is a key approach to meet the Group business plan, sustainability targets, and identified savings targets

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

- 9.1 By publishing the Group Procurement Strategy by March 2023, we are meeting our legal obligation and adhering to government requirements. All procurement within the Group adheres to legislative procurement requirements.

## **10. Risk Appetite and Assessment**

- 10.1 Our agreed risk appetite relating to laws and regulations is “**Averse**”. This level of risk tolerance is defined, as “Avoidance of risk and uncertainty is a key organisational objective”.

- 10.2 The key procurement strategic risk (SSR15) for the Group is Non Compliance with current Scottish Procurement Legislation/Regulation relating to procurement and award of contracts. In order to mitigate any risks to Group the following measures are embedded:
- Compliance with Group standing orders;
  - Annually reviewed Group procurement policy;
  - Visibility of our Contract Register;
  - Mandatory training for all staff authorised to procure 'Passport to Procure' eLearning tool;
  - Procurement plans for above threshold procurements; and
  - Dedicated Procurement team with specialist knowledge / training Support from legal advice as required.
- 10.3 The Procurement Policy 2023 and the updated Procurement Strategy 2023, proposed Sustainable Procurement Policy 2023, and updated Community Benefits Statement 2023 help us mitigate the risks of non-compliance of regulation and legislation.

## **11. Equalities Impact**

- 11.1 Through its procurement approach, relationships with Group wide and local suppliers, and awareness of equalities legislation, the Procurement Team promote equality across all areas of procurement business.
- 11.2 Updates made to our Procurement Policy and Community Benefits approach supports out EDI aims as a Group, contained within our Group EDI Action Plan as approved in November 2022 by the Solutions Board. This supports the implementation of our Group EDI and Human Rights policy.
- 11.3 Our procurement strategy outlines how we will work to ensure our procurement process is inclusive for example through: Equal Treatment, Non-Discrimination, Transparency and Proportionality; Prevention of Modern Slavery; Fair and Ethical trading; the Living Wage; Supporting SMEs and social enterprises.

## **12. Key issues and conclusions**

- 12.1 We must comply with legislative requirements for procurement and contracting arrangements due to our classification as Contracting Authority.
- 12.2 Our suite of procurement documents presented to the Board, which will be published on our website, help ensure we are compliant.

## **13. Recommendations**

- 13.1 The Board is asked to note the following documents attached as appendices:
- 1) Wheatley Group Procurement Strategy (2023 – 2025)
  - 2) Wheatley Group Procurement Policy 2023
  - 3) Wheatley Group Sustainability Procurement Policy 2023
  - 4) Wheatley Group Community Benefits Statement 2023

## LIST OF APPENDICES:

Appendix 1 – Group Procurement Strategy 2023 – 2025

Appendix 2 – Group Procurement Policy 2023

Appendix 3 – Group Sustainability Procurement Policy 2023

Appendix 4 – Group Community Benefits Statement 2023

Can be found [here](#)