

**21 November 2019**

Dear Member,

The next Management Committee will be held on **28 November 2019, at 6:00pm.**

<b>Agenda Item</b>	<b>Lead</b>	<b>Time</b>	
1. Welcome, <i>Sederunt</i> & Apologies.	Chair	1 min	Verbal
2. Declarations of Interest.	Chair	1 min	Verbal
3. Jargon Buster – for information.	Chair	1 min	Information
4. Minutes of the Committee Meeting of 24 October 2019	Director	5 min	Approval
5. Matters Arising & Actions from the minutes report	Director	5 min	Approval
6. Development Funding	Director	10 min	Note
7. Draft Budget 2020/2021	Finance Manager	10 min	Approval
8. Management Accounts to September 2019	Finance Manager	10min	Approval
9. KPI's – Quarter 2	Management Team	10 min	Approval
10. Annual Treasury Management Report	Finance Manager	10 min	Note
11. Management Team Report	Management Team	10 min	Approval
12. Forward Planning: 30 January 2020 Draft Budget 2020/21 Proposed rent increase Management Team Report H.R. Issues Rent Arrears Report	Director	2 min	Note
13. AOCB	Director	2 min	Approval
Christmas lunch & Christmas closure. Newhills Secondary School donation			

Meeting close: 8:30pm

Next Meeting: 30 January 2020, 6pm

## JARGON BUSTER

Terminology	Definition
<b>Unencumbered</b>	Property that is not subject to any claims by <i>creditors</i> . For example, <i>securities</i> bought with <i>cash</i> instead of on <i>margin</i> and homes with <i>mortgages</i> paid off.
<b>Covenant compliance</b>	A loan covenant is a condition in a commercial loan that requires the borrower to fulfill certain conditions or which forbids the borrower from undertaking certain actions, or which possibly restricts certain activities. Compliance means conditions are met in full.
<b>CIPFA</b>	The Chartered Institute of Public Finance and Accountancy
<b>Secured Stock</b>	<b>Secured debt</b> is a formal contract backed by assets that can be sold as collateral if the firm defaults on the loan.
<b>Asset Cover</b>	The term 'asset cover' means the % amount that the valuation must be at in relation to the loan debt.

**WELLHOUSE HOUSING ASSOCIATION**  
**MINUTES OF THE COMMITTEE MEETING HELD ON 24<sup>th</sup> October 2019**  
**AT 6PM AT THE ASSOCIATION'S OFFICE, THE HUB, 49 WELLHOUSE CRESCENT G33 4LA**

**1. Welcome, Sederunt & Apologies.**

**Present:**

Darron Brown	Chair
Maureen Morris	Vice Chair
Clare Monteith	Treasurer
Tom Lucas	Committee Member
Jane Heppenstall	Committee Member
Michelle Harrow	Committee Member
Sarah Morris	Committee Member

**In Attendance:**

Martin Wilkie-McFarlane	Director
Gordon Kerr	Finance & Corporate Services Manager
Carol Hamilton	Housing & Customer Services Manager
Bill Black	Assets & Maintenance Manager
Linda Logan	Minute taker
Shona McKenna	Observer
Tony Kelly	TPAS (Item 3 only)

**Apologies:**

Vanda Cooper	Committee Member
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The Chair welcomed Shona McKenna (Observer), Tony Kelly (TPAS) and Michelle Harrow returning from a leave of absence. Introductions were made and Shona provided background on her experience and why she wanted to contribute to the organisation.

**2. Declarations of Interest**

There were no declarations of interest.

**3. TPAS presentation**

Tony Kelly (TPAS) provided a brief explanation of the Next Steps Programme which aims to help tenants and landlords build an agreed action plan. It is supported by the Scottish Government to build on strengths and to help address any barriers or weaknesses. The programme includes a desk top audit, workshops with tenants, the staff and the committee to develop an action plan, with a 6 month review to assess progress. He stressed that effective tenant participation is when the Association has taken what our customers have said and provides evidence that what they have actually said, has influenced services.

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He highlighted that Wellhouse's current participation strategy and preferred outcomes were to ensure our customers know the ways to be involved in and make decisions on services as well as accessing support and resources to become effective, and to contribute to the development of quality services and standards. Tony asked committee to reflect on what they would like to consult on to develop an action plan and to consider what participation activities work well. He encouraged committee to contact him with comments and to consider how we may possibly network with EHRA to produce a strategy for the area.

He asked committee to agree and to contact him with preferred dates to consult within the next 6 weeks and consideration of the way forward.

The Director elaborated on various activities within the EHRA group over the last few months that had had very positive feedback. He discussed consultation on the ARC, value for money and our estate services. He expressed the positives and opportunity for Wellhouse HA to provide feedback to the Scottish Government.

#### **Resolution:**

**It was agreed that committee would provide a date for TPAS to consult with committee and to develop an action plan for consultation with service users and how our users may influence services.**

Tony left the meeting at this time.

#### **4. Jargon buster.**

Noted for information.

#### **5. Minutes of the Committee Meeting of 29 August 2019, including confidential minutes.**

The minute of the committee meeting of 29 August 2019, including the confidential minute were proposed as accurate by Maureen Morris and seconded by Jane Heppenstall.

#### **6. Matters arising and actions from the minute report.**

##### **Development Proposals:**

The Director confirmed that DRS had verified that they have our SDFP submission and were a perplexed at the query received at the AGM re: our development opportunities. He confirmed that we have applied for housing association grant aid for valuation of the Archdiocese site and if not approved, committee had previously agreed that we would fund the valuation ourselves. He will keep the committee updated on progress.

There were no other matters arising that were not covered in subsequent agenda items.

#### **7. Assurance Statement**

The Director provided a summary on the process of the review of the SHR's regulatory framework and discussions with the SFHA and key stakeholders. He reminded committee of the regular updates they had received on progress on the updated framework during this time and their responsibilities thereof.

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He highlighted that the Association had submitted a voluntary Assurance Statement last year which was testament that the committee were confident to make a statement to the Regulator that they felt assured that the Association was well run and they themselves complied to the regulatory standards, which had been confirmed at our away day with Linda Ewart.

The Director drew committee's attention to our Assurance Statement on page 34 of the report which confirms that the governing body has the appropriate assurance that we comply with the regulatory requirements as set out in Chapter 3 of the Regulatory framework and the standards and outcomes in the Scottish Social Housing Charter and comply with relevant legislative duties. He highlighted committee's responsibility to confirm that they had seen and considered appropriate evidence to support the level of assurance and to confirm the date they had considered and agreed the statement. The Assurance Statement will be signed by the Chair and submitted to the Regulator.

He highlighted to committee that in order for the Association to remain compliant we will during the year focus on improving standards of customer satisfaction and participation, work towards full compliance with human rights and equalities requirements by 2021 and mitigate the impact of welfare reform and the potential impact of Brexit.

The Director took committee through the assurance data bank that has been completed by staff to evidence compliance. He encouraged committee members to scrutinise the evidence and carry out spot checks to ensure that we are compliant. He asked committee to note the new Standard 7 which comprehensively outlines the new requirement for disposals and constitutional change. He highlighted that this Standard does not apply to us however we have compiled evidence to confirm this. He took members through the areas where we already comply and noted that there had been no disposals and no constitutional changes other than a small change to the rules in 2016. He assured committee that all information stored in the evidence bank had been discussed at committee meetings. He highlighted evidence relating to financial returns, the ARC, our internal audit process and our annual landlord report to our tenants. He reiterated the comprehensive improvement plan completed during regulatory intervention, which we have maintained and improved on and would provide committee with further assurance of compliance.

The Chair encouraged members to take up the offer to complete spot checks and to examine the evidence bank. Jane Heppenstall confirmed that she would complete this exercise. The Director welcomed this suggestion.

#### **Resolution:**

**Committee approved the Assurance Statement for submission to the Scottish Housing Regulators.**

**Clare Monteith proposed and Jane Heppenstall seconded, the Chair signing the Assurance Statement for submission to the SHR.**

#### **8. Statutory Annual Return FCA and OSCR.**

The Finance & Corporate Services Manager provided an explanation of the figures reflected in the Annual Returns which were approved by the management committee at its meeting of 29 August 2019. He highlighted that a full set of accounts will accompany each return to the FCA and OSCR and Wellhouse will comply with its

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statutory obligations to submit these Annual Returns to the FCA by 31 October 2019 and to OSCR by 31 December 2019.

**Resolution:**

**Committee approved the submission of the Statutory Annual Return to the FCA and OSCR by the required dates, which was proposed by Sarah Morris and seconded by Maureen Morris.**

**9. Freedom of Information Policy.**

The Finance & Corporate Services Manager noted that the Freedom of Information (Scotland) Act 2002 will come into force on 11<sup>th</sup> November 2019. It was noted that much of this information was already included on our Website and the policy will be uploaded to include the links to the Guide of Information (GTI) to make it easier for users to follow.

The Director sought confirmation if charges were proposed in relation to this link. The Finance & Corporate Services Manager confirmed that the charging schedule will be appended to the GTI. The charging schedule is based on a schedule currently used by Edinburgh Leisure which has been in place for a number of years.

Discussion ensued where information would not be supplied under commercial sensitivity and/or personal breach of GDPR and confidential committee reports and minutes not being uploaded to the website.

**Resolution:**

**Committee approved the Freedom of Information Policy which was proposed by Michelle Harrow and seconded by Maureen Morris for adoption.**

**10. Domestic Abuse Policy – Tenants and Employees.**

The Housing & Customer Services Manager presented the domestic abuse policies for vulnerable tenants as well as vulnerable employees for consideration. She highlighted that she had volunteered to champion our “Make a Stand Pledge” commitment and to support our activity and in collaboration with our partners within the EHRA group.

She highlighted that social landlords have a duty of care to those experiencing domestic abuse and to protect tenants and children’s rights to a home life. She discussed current housing policy and practice responses based on expecting women and children experiencing domestic abuse rather than the perpetrators to leave their homes. She noted that domestic abuse was the main cause of women’s homelessness in Scotland with a high incidence of repeat homelessness on the same grounds.

She stated that the above information applies equally to employees who may suffer from domestic abuse and asked committee to note how we will support employees in such a situation as set out at appendix 2 of the report.

Committee discussed at length preventing and addressing domestic abuse requirements and the need for us to have contingencies in place to react within the first 24 hours. It was noted that this procedure was intended to be safety focused and supportive rather than punitive. Michelle Harrow welcomed our commitment to supporting domestic abuse victims in particular for children, where it could prevent another cycle of homelessness and

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abuse. The Housing and Customer Services Manager highlighted support information for victims to access on our website and further guidance contained within the policy to access support agencies.

The Director thanked the Housing and Customer Services Manager for the comprehensive information she had compiled and her commitment to support this activity. He reaffirmed our commitment to this policy.

#### **Resolution:**

**Committee approved the Domestic Abuse Policies for Tenants and Employees, which were proposed by Clare Monteith and seconded by Michelle Harrow for adoption.**

#### **11. Rent Arrears.**

The Housing and Customer Services Manager presented the report to update committee on the arrears position. She stated that since the last report in July 2019 gross arrears have reduced by £33,981 and non-technical arrears have increased by £28,410. Arrears attributed to Universal Credit have increased by £28,615 for the same period. She highlighted that the number of tenants with rent arrears has risen by 32 which in the main can be attributed to the closure of the office over the September weekend and direct debit payments due on 30<sup>th</sup> September not going into accounts until the 1<sup>st</sup> October 2019.

She provided a snap shot of the Universal Credit arrears between April 2019 and October 2019 which had experienced a 122% increase attributed to an increase in claims to Universal Credit due to natural migration. Housing Officers continue to focus on reducing the average length of time tenants have arrears resulting in the escalation of the process and increase in legal action. The Housing Manager continues to invite those tenants owing more than £1,000 for interview and support. She highlighted that the Income Advice Service has generated financial gains for tenants of £1,706,889 from May 2018 to September 2019.

The Housing & Customer Services Manager provided evidence of Housing Officer activity for contact with those in arrears in excess of £1,000. She provided a comprehensive analysis and breakdown of tasks completed by the Housing Officers and herself which total 5,920 actions and activities completed by the team. In addition, there have been 24 void properties since April 2019, some with several refusals and 49 anti-social behaviour complaints. She highlighted staff shortages due to long term sickness and maternity leave and considered that activity by the team had been exceptional given these factors.

The Chair sought clarification on the means of collection of the 518 Housing Officer rent collection activities and his concern for the number of tenants who have no set routine for paying rent. The Housing & Customer Services Manager confirmed that these activities were completed in the office or by telephone and the time taken to process these activities. Committee discussed payment dates and how this is reflected as an arrear.

Michelle Harrow asked that of the 70 cases of arrears cases due to Universal Credit, how successful had we been in getting payment backdated. The Housing & Customer Services Manager stated that the Income Advice Officer has provided tremendous advice and support to these tenants however those on Universal Credit will always be 4 weeks behind on rent due to delayed payments and the Association will need to absorb this every month.

Committee agreed to discuss the impact of Universal Credit in detail at its next meeting and how to mitigate the risk and support that can be offered to tenants. The Director highlighted discussions he had had with Kevin

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Stewart, Scottish Housing Minister and Aileen Campbell with regards the impact of Universal Credit and hopefully having access to mitigation funds being offered by the Scottish Government.

Committee noted the contents of the report.

**Action: Universal Credit will be included on the November committee meeting agenda.**

## **12. Management Team Report.**

The management team presented the report to highlight any notable changes to the operating environment for Wellhouse HA.

### **Director:**

#### **Hub Business Plan**

A draft business plan for the Hub has been drawn up. Due to the Director being distracted with other issues it is anticipated that a clean version will be presented by the end of the calendar year.

### **EHRA**

The Director provided an update on the election of EHRA office bearers. Maureen Morris was elected as Secretary. Committee shadowing across EHRA is being co-ordinated by the Director. Sarah Morris and Clare Monteith have expressed an interest and members of Blairtummock HA will attend our meeting in November.

### **Assets & Maintenance Manager:**

#### **Planned & Cyclical Maintenance Programme.**

The Assets & Maintenance Manager provided an update on completed survey work and cyclical painting works. He stated that Phase 1 & 2 windows were being surveyed to ascertain the quantity of windows required to allow tender work required.

Committee requested that street names be used in reports rather than a Phase number as they found this to be confusing.

### **Tenant satisfaction.**

The Assets & Maintenance Manager provided an explanation of his investigation in the drop in satisfaction levels with repairs in the last quarter. Of the 84 tenants surveyed, 9 were unhappy with the service. He had written to these tenants to ask if they would like to meet or call to discuss issues they have. To date none of these 9 tenants have responded. He provided a breakdown of the repairs requested by these tenants.

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**Housing Manager:****Training:**

The Housing Manager reported that a Housing Officer has updated her skills in relation to the process of dealing with abandoned properties and former tenant arrears and that front line staff had received training to deal effectively with complaints.

**Finance Manager:****Freedom of Information:**

Following on from his report on the Freedom of Information Policy, the Finance Manager provided an update on software and a demonstration which was provided by a company called Kiswebs, on 23 October which should reduce the amount of manual input required in recording information required to be able to report back to the Scottish Information Commissioner on a quarterly basis. The software will be tested before recommendations are made to committee.

He asked committee to note the Freedom of Information schedule attached at appendix 2 of the report.

**Committee noted the contents of the FOI action schedule attached at appendix 2.**

**13. Forward Planning.**

Noted for information. Universal Credit study will be added to the agenda.

**14. AOCB****Governance Matters following the AGM:**

The Corporate and Governance Assistant confirmed that Tom Lucas and Michelle Harrow had completed their Declarations of Interests forms and signed the Code of Conduct. Michelle Harrow confirmed her willingness to continue as a member of the Staffing Committee.

Committee agreed to co-opt Shona McKenna to the management committee.

**Schedule of Committee Meetings:**

Committee approved the updated schedule of committee meetings for the year ahead. The Corporate and Governance Assistant will send the schedule to committee for information.

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There was no other business.

Meeting closed: 9pm. Next meeting: 28<sup>th</sup> November 2019 6pm

I certify that the above minute has been approved as a true and accurate reflection of the proceedings:

Signed (Chair) .....

Date:.....

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**ACTIONS ARISING FROM PREVIOUS MANAGEMENT COMMITTEE MEETINGS November 2019**

MINUTE REFERENCE	ACTION	OWNER	DUE BY	STATUS OPEN/ CLOSED	PROGRESS
<b>24 October 2019</b>					
11. Management Team Report	Site at the former Wellhouse Primary School; The Director will report on the feasibility of progressing a development and a bid for this site.	Martin Wilkie-McFarlane	March 2020	<b>Open</b>	<p>The site appears in the SDFP for 2017/18 as a Category C development (Medium – longer term), taking us to 2020/21.</p> <p>We have requested an update on City Deal fund for NE flood prevention. We await a reply. See letter from P Flynn dated 4/7/19 (Appendix 1) See letter from Archdiocese dated 3/7/19 (Appendix 2)</p> <p>The Strategic &amp; Development Funding Plan has been submitted to Glasgow City Council. Committee agreed at its meeting of 8 October 2019 that if funding is not received, that the Director instruct the costs for valuation related to the Archdiocese site.</p> <p>An update report will be presented at the 28 November 2019 meeting.</p>
3. TPAS	Committee to provide a date for TPAS to consult with committee and to develop an action Plan for consultation with service users	Carol Hamilton		<b>Open</b>	
13. Rent Arrears	Universal credit will be included on the November committee meeting agenda	Carol Hamilton	November 2019	<b>Open</b>	Due to difficulties gathering information from the SDM system it was agreed that a full report will be brought to the January 2020 committee meeting.

<b>Management Committee</b>	28 November 2019
<b>Agenda item</b>	6
<b>Title of Paper</b>	Strategic Development Funding Plan (SDFP)/ Strategic Housing Investment Plan (SHIP)
<b>Author</b>	Martin Wilkie-McFarlane, Director
<b>Attachment(s)</b>	None: reference copy of SHIP available (41 pages)
<b>Executive Summary</b>	Annual SDFP's are required by the local authority. Wellhouse HA's was approved in in June/ August 2019. Flood mitigation remains a barrier. Updates in bold and in boxed areas.

## 1 PURPOSE

To outline our Strategic Development Funding Plan (SDFP) submission to Glasgow City Council (GCC) and a recent update on our position.

## 2 RECOMMENDATIONS

- 2.1 That committee note the update and GCC priorities.

## 3 BUSINESS PLAN, VISION AND VALUES

- 3.1 Our current business plan outlines that after our period of business consolidation, we will explore development opportunities with the local authority from 2019/20. To support this ambition, submitted our annual SDFP. A copy of this in on our website

- 3.2 This report is consistent with our Values of:

- Integrity;
- Excellence;
- Accountability;

and our vision of making Wellhouse *the Place to Be*.

- 3.3 The report reflects the following areas of our 2019/20 Operational Plan:

Development does not feature in the operational plan: committee approved a prudent approach to financial planning until we have certainty on funding. Part 7 of the operational plan covers all aspects of the associated matters, such as feasibility studies.

## 4 MAIN ISSUES

- 4.1 This report is a direct update from previous committee papers.

- 4.2 Our SDFP and associated documents have been submitted.
- 4.3 GCC produced a SHIP on 25 July 2019.
- 4.4 The situation with flood risk has not changed however the situation with foul water removal has. I met with our development agent and DRS on 12 November.

## 5 DISCUSSION

- 5.1 Phase 8. Owned by Wellhouse HA. We have now formally expressed our desire to develop and explained this to DRS and the Scottish Housing Regulator as part of our recent business plan conversation with them. They are supportive of this. Committee will be kept apprised at all stages. **We will also seek site investigations from Scott Bennett Associates in 2020 and hope HAG will be available to cover this.**

Update from Scottish Water 05/11/2019.

*Site 8.1 & Site 8.2 – known as Wellhouse Cres/ Delny Pl*

*These were combined at 50 units on the back of the GCC 2018 HLA. This combined polygon connected to NS66653105 and NS66651201. Was attributed to flooding at cluster 3, but not deemed significant enough to merit mitigation.*

- 5.2 Phase 9. Owned by the Archdiocese of Glasgow. DRS agreed to provide £20,000 HAG for Wellhouse to carry out feasibility studies. The results were shared with the Archdiocese. However, we are no closer to purchase, save for the owner agreeing that social housing is a good use for the site, in a letter to the elected member in June 2019. **We aim to have the site valued in February 2020 – committee have agreed to fund this, but there may be HAG available. We will also seek an opinion on ground quality and undermining from Scott Bennett Associates in 2020 and hope HAG will be available to cover this.**

Update from Scottish Water 05/11/2019.

*Site 9 – known as Wellhouse Cres/ Newhill Rd*

*50 units from the GCC Affordable housing programme, connected to NS66656301. Was attributed to flooding at cluster 3, but not deemed significant enough to merit mitigation.*

- 5.3 Phase 10. Owned by GCC, marketed by City Property. We have completed site investigations and feasibility studies. City Property are aware of our ambitions. This is not wholly dependent on flood mitigation. **We aim to have the valuation updated in 2020 and await a HAG decision from the council.**

Update from Scottish Water 05/11/2019

*Balado Road – known as Balado Rd, Wellhouse PS*

*50 units as of the GCC 2018 HLA, connected to NS66651201. That gives a combined 150 units (although your report mentions 178 units). NS66655101 looks like the manhole with the most flooding in the DIA, it wasn't noted as an impacted manhole within our Stage 1 report and the raw data table actually shows a negative figure.*

- 5.4 All phases are dependent upon a firm response from the statutory authorities who are dealing with foul and ground water flood mitigation issues and we await further information.

Update from Scottish Water 05/11/2019

From these results, it appears that your development sites will be able to proceed with no mitigations works necessary, for sewage, but surface water drainage (flooding) remains an issue.

- 5.5 In addition, we will need a conversation with our lenders in relation to these plans, although they remain keen to lend.
- 5.6 GCC priorities for investment are: ensuring value of money; ensuring design quality producing wider community benefits and meeting diverse needs. These are areas which reflect our own aims and values.
- 5.7 We await more detail on the Scottish Governments post 2021 funding plans and committee will be kept apprised. It is highly unlikely that we will access HAG for new build prior to that date.
- 5.8 For the north East of the city they aim for the following characteristics, which we have already reported we are willing to support.

AHSP Tenure	North East	Home Attributes	North East
Social rent	1,824	General Needs	2,980
Intermediate Mid-Market Rent	1,329	Wheelchair adaptable	242
New Supply Shared Equity	111	Supported	0
Partnership Support for Regeneration	81	Amenity	81
Total	3,345	Total	3,303

## 6. REGULATORY, LEGAL AND CONSTITUTIONAL ISSUES

- 6.1 Regulatory: none at this time.
- 6.2 Legal: none at this time.

6.3 Constitutional: none at this time.

## 7 FINANCIAL IMPLICATIONS

7.1 None at this time. To date, the Drainage Impact Assessment (DIA) and Feasibility Studies have been supported by Housing Association Grant (HAG).

7.2 The Finance Manager will bring a detailed report to committee in time for the planning cycle for our new strategic plans once we are clearer on firm plans.

## 8 KEY RISKS

(a) Strategic Risks	(b) Operational Risks	(c) Project Level Risks
Failure to submit a SDFP could lead to loss of potential future development opportunities	None at this time.	None identified at this time.
Mitigation	Mitigation	Mitigation
Submit SDFP as category C and keep liaison with GCC, development agent and EHRA		n/a

## 9. EQUALITY AND DIVERSITY ISSUES

9.1 None at this time

## 10 SUSTAINABILITY

10.1 Our development sustainability policy will apply at all times.

## 11. SWOT ANALYSIS

11.1 SWOT not required for the submission stage. Will be required in the future. These will all be reported to Committee

## 12. CONCLUSION

12.1 Questions are encouraged and the Director is to keep Committee apprised as to any progress in matters relating to future potential developments. At the time of writing we await further clarification from Scottish Water on flood issues.

<b>Management Committee</b>	28 <sup>th</sup> November 2019
<b>Agenda Item</b>	7
<b>Title of Paper</b>	2020/21 Draft Budget Discussion
<b>Author</b>	Gordon Kerr, Finance Manager
<b>Attachment(s)</b>	1) Draft budget statement of comprehensive income, statement of financial position and cashflow statement.

## FOR INFORMATION

### 1 PURPOSE

- 1.1 To have an early discussion to consider the proposed rent increase for 2020/21 and other financial assumptions which will be used in the Draft Budget.
- 1.2 To give an early indication of how the draft budget would look using these assumptions.

### 2 RECOMMENDATIONS

- 2.1 That the Committee notes the current levels of Consumer Price Index (CPI), Retail Price Index (RPI) and Consumer Price Index with Housing costs (CPIH) and be aware of the assumptions used in the current Business Plan.
- 2.2 To instruct the Finance Manager to bring a report to a future Management Committee meeting to report on progress of this issue and ensure that a committee decision can be made at that meeting to conclude the consultation.
- 2.3 To instruct the staff to progress with tenant consultation on CPI +1%.

### 3 BUSINESS PLAN, VISION AND VALUES

- 3.1 This Report is consistent with Wellhouse's Strategic Objectives:-
  - Objective 1: Deliver excellent services
  - Objective 5: To maintain good governance and financial management
- 3.2 This Report is relevant in respect of the following Core Values:-
  - Accountability
  - Excellence
  - Sustainability
- 3.3 This Report also meets point 12:4 from 2019/20 Operational Plan – "Monitor the external financial environment and economy closely".



- 3.4 This Report also meets point 12:12 from 2019/20 Operational Plan – “Draft and Final budget for following year”.

## 4 BACKGROUND

- 4.1 All Registered Social Landlords (RSLs) are expected to carry out a review and consultation exercise on an annual basis to gauge the level of rent increase to be applied to tenant’s rents on the following 1 April. The level of increase in rental income will go a long way in determining how much funding we have available to manage the operational expenditure of the Association in the following financial year.
- 4.2 The management team are keen that the consultation starts as early as possible this year and the Management Committee are given ample time to consider the proposed increase.

## 5 MAIN ISSUES

There are several factors to be taken into account, when attempting to determine the proposed rent increase:-

- The current levels of inflation;
- CPI or RPI or CPIH?
- Financial viability;
- Affordability
- Sector wide comparisons
- Results of tenant consultation
- Current Business Plan

## 6. DISCUSSION

### Rental Income Assumptions

- 6.1 The most up-to-date figures for October, published mid-November are as follows:-
- CPI – 1.5%, reducing from 1.7% in September;
  - RPI – 2.1%, reducing from 2.4% in September;
  - CPIH (ONS’s new preferred measure of inflation, including an element of owner occupiers housing costs) – 1.5%, reducing from 1.7% in September.
- 6.2 The current Business Plan assumes an inflationary rise plus 1% for each of the next five years. This, in turn, generates a healthy surplus of £4 million for the five years; however, the cash position is a bit different with an increase in cash of £1.2 million over the same five year period.
- The extra 1% rise above inflation generates, roughly, an additional £32,000 of rental income, which would, to use a practical example, be able to replace 13 new kitchens.
- 6.3 We would need to take into account how affordable the rent increase would be for our tenants. The SFHA have published an Affordability Tool, which should be used in conjunction with this exercise.

Assuming we applied RPI + 1%, this would equate to 3.4% rent increase. This would be much higher than most of the tenant's wage rises or HB payment rises.

Remaining financially viable is not only determined by increasing income but by also cutting costs or operating more efficiently. This should help cap the level of rent increase. An increased focus on Value for Money should identify areas where costs can be controlled.

In 2017, a report was taken to Management Committee recommending a rent increase of CPI + 1% (4%) to be applied from 01 April 2018 onwards. Committee, however, did not accept this recommendation and approved a CPI only (3%) increase to be applied. As previously stated, the Business Plan is modelled on an inflationary rise plus 1% rent increase each year. By approving a CPI only increase, this, effectively, reduced income by around £30,000 in 2018/19 and each subsequent year. Management Team gave a commitment to generate savings in order to absorb this reduction in income. It should be noted that these savings would need to be made every year as the reduction in income is continuous. If Committee approve another rent increase of CPI only to be applied from 01 April 2020, then further savings of around £32,000 would be required for 2020/21 and each subsequent year.

We must remain fully aware of the proposed price increases from our contractors and suppliers, if we are to ensure no detrimental impact on the business plan. We are currently scoping that, but we have to assume that they will follow at least an inflationary increase

- 6.4 We also must ensure that any proposed increase, as well as meeting each of the first four criteria, should not be too far removed from the rest of the RSLs in the sector. Particularly other RSLs in Wellhouse Peer Group or neighbouring RSLs.
- 6.5 Tenant consultation is likely to commence in November or early December, allowing time for healthy debate on the proposals and decide well ahead of the implementation date.
- 6.6 A sensitivity analysis of several potential rent increase scenarios as follows:-
  - Rent Freeze – no increase in rental income for 2020/21. Rent income will remain at circa £3.2 million.
  - 1% increase – an additional £32,000 in rental income for 2020/21.
  - CPI only - an additional £48,000 in rental income for 2020/21.
  - CPI + 1% (as per Business Plan) - an additional £80,000 in rental income for 2020/21.

Using the same practical example as 6.2 above, the difference between applying a rent freeze and applying CPI + 1% increase would result in a difference in rental income of £80,000, equating to the removal of a programme of around 33 kitchen replacements from the Business Plan.

## 6.7 Other Financial Assumptions (with Sensitivity)

- Voids losses on rental income – 0.8%. Each 1% void loss equates to £32,000 in lost rental income.
- Salary increases are based on EVH terms and conditions. We are in the middle of a 3-year wage deal, with year 2 effective April 2020. Any increase due from April 2020 will be determined with reference to the November 2019 CPI figure, which will be released on 18<sup>th</sup> December 2019. Each 1% of salary increase equates to circa £7,000. Draft budget salary increase is based on October CPI figure of 1.5% + 0.1%.
- There are no changes assumed to the existing staff structure. This structure is based on having 3 Housing Officers in place. It also assumes the Modern Apprentice programme will end in May 2020.
- Overheads, with the exception of Insurance, are assumed to remain at the same level of spend but with an inflationary increase of 2.5% added. Insurance has assumed to increase by 6.5%
- Maintenance spend on each area has been provided by Assets & Maintenance Manager based on most up-to-date expectations with an inflationary increase (5%) included.
- Bad debts are assumed to be roughly 1.1% of net rent receivable level.
- Base rate is expected to remain at 0.75% for the first half of 2020/21 and then assumed to rise by 0.25% for the second half of the year. Because the bulk of our loans are fixed, each 0.25% increase in interest rate equates to an additional interest charge of £220 per month.
- No development will take place in 2020/21.
- No properties will be disposed of in the year and there will be no sales of other fixed assets.
- There will be no additional loans taken out and no re-financing of existing loans.

## 6.8 Draft Budget Results

- Results highlighted below are achieved based on the assumption that rent increase of October CP1 + 1% (2.5%) is applied.
- Surplus for 2020/21 will be £480,861.
- Cash is expected to reduce by £207,323 to leave a balance at March 2021 of £1,823,087
- All lenders covenants are comfortably achieved.

## 7. REGULATORY, LEGAL AND CONSTITUTIONAL ISSUES

- 7.1 There is a regulatory requirement for Wellhouse to consult with tenants prior to applying any rental increase.
- 7.2 It is also considered Good Practice for Wellhouse to regularly carry out financial viability exercises.
- 7.3 This also complies with SHR Regulatory Standard 3: The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay. Specific Guidance noted below:-
- 3.1 – The RSL has effective financial and treasury management controls and procedures, to achieve the right balance between costs and outcomes, and control costs effectively.
  - 3.3 – The RSL has a robust business planning and control framework and effective systems to monitor and accurately report delivery of its plans. Risks to the delivery of financial plans are identified and managed effectively.
  - 3.4 – the Governing Body ensures financial forecasts are based on appropriate and reasonable assumptions and information, including information about what tenants can afford to pay and feedback from consultation with tenants on rent increases.

## 8. FINANCIAL IMPLICATIONS

- 8.1 Outlined in main body of the report.

## 9. KEY RISKS

(a) Strategic Risks	(b) Operational Risks	(c) Project Level Risks
<ul style="list-style-type: none"> <li>- Applying a rent increase which is too high may make rent unaffordable to tenants. Damage to Wellhouse reputation as well as financial implications</li> <li>- Applying a rent increase below that of our business plan assumptions will impact on our ability to deliver that plan</li> </ul>	Failure to raise sufficient income would be detrimental to our planned maintenance plans.	
Mitigation	Mitigation	Mitigation
<ul style="list-style-type: none"> <li>- Be aware of proposed rises to HB and UC as well as current wage rises.</li> <li>- Adhere to business plan</li> </ul>	Through regular robust forecasting and good financial viability practice, income should cover all future operational expenditure.	

**10. EQUALITY AND DIVERSITY IMPLICATIONS**

10.1 None apparent.

**11. SUSTAINABILITY**

11.1 Not applicable.

**12. SWOT ANALYSIS**

12.1 Not required.

**13. CONCLUSION**

13.1 This is a key decision for Wellhouse and impacts upon customer satisfaction levels, our reputation and our ability to reinvest in our stock.

**WELLHOUSE HOUSING ASSOCIATION**

**2020/21 Budget**



**STATEMENT OF COMPREHENSIVE INCOME**

	Social Lettings Rental Income	Social Lettings Service Charges	Commercial Lettings	Factoring	Development	The Hub Services	Corporate Services	Total
Rental Income & Service Charges	3,299,071.35							3,299,071.35
Less: Voids losses	(26,392.57)							(26,392.57)
Commercial Rental Income			32,827.79			23,288.62		56,116.41
Factoring Income				15,824.24				15,824.24
Grants released from Deferred Income	578,781.00							578,781.00
Other Revenue Grants	33,000.00							33,000.00
Other Income	3,884,459.78		32,827.79	15,824.24	0.00	23,288.62	0.00	3,956,400.44
								3,956,400.44
Management Expenses - Staff Costs	446,259.69	63,060.62		7,006.74			256,767.59	773,094.63
Management Expenses - Overheads	100,476.13	0.00	1,055.75	3,114.04	0.00	13,196.88	302,558.95	420,401.74
Reactive Maintenance	424,022.40	38,000.00		2,000.00				464,022.40
Cyclical Maintenance	203,000.00							203,000.00
Planned Renewals/Major Repairs	382,995.98							382,995.98
Depreciation on Housing Properties	998,347.70							998,347.70
Bad Debts	35,000.00							35,000.00
	2,590,101.89	101,060.62	1,055.75	12,120.78	0.00	13,196.88	559,326.54	3,276,862.45
Operating Surplus	1,294,357.89	(101,060.62)	31,772.04	3,703.46	0.00	10,091.75	(559,326.54)	679,537.99
Release of Negative Goodwill	38,134.00							38,134.00
Gain/Loss on Disposal of Fixed Assets	0.00							0.00
Interest Receivable							6,000.00	6,000.00
Interest Payable/Other Finance Costs	(242,810.70)							(242,810.70)
	1,089,681.19	(101,060.62)	31,772.04	3,703.46	0.00	10,091.75	(553,326.54)	480,861.29

**WELLHOUSE HOUSING ASSOCIATION****2020/21 Budget****STATEMENT OF FINANCIAL POSITION**

	Mar'21	Mar'20
<b>Non Current Assets</b>		
Housing Properties - gross cost	41,805,283	41,010,283
Depreciation	(13,780,579)	(12,782,231)
	<u>28,024,704</u>	<u>28,228,052</u>
Other	1,311,483	1,341,483
	<u>29,336,187</u>	<u>29,569,535</u>
		0
<b>Negative Goodwill</b>	(1,029,624)	(1,067,758)
<b>Current Assets</b>		
Debtors	104,127	79,127
Inventory	0	0
Cash at Bank and in hand	<u>1,820,975</u>	<u>2,028,298</u>
	<u>1,925,102</u>	<u>2,107,425</u>
<b>Payables &lt; 1 year</b>		
Misc Creditors	(865,616)	(855,616)
Pension Deficit	0	0
Loans	(220,738)	(219,625)
	<u>(1,086,354)</u>	<u>(1,075,241)</u>
<b>Net Current Assets/ ( Liabilities )</b>	838,748	1,032,184
<b>Total Assets less current liabilities</b>	29,145,311	29,533,961
<b>Payables &gt; 1 year</b>		
Loans	(7,699,379)	(7,936,623)
Pension Deficit	(253,378)	(306,864)
	<u>(7,952,757)</u>	<u>(8,243,487)</u>
<b>Deferred Income</b>		
Social Housing Grant	(13,723,121)	(14,301,902)
Non Housing Grants	(730,288)	(730,288)
	<u>(14,453,409)</u>	<u>(15,032,190)</u>
<b>Net Assets</b>	<u><u>6,739,145</u></u>	<u><u>6,258,284</u></u>
<b>Capital and Reserves</b>		
Share Capital	200	196
Reserves	6,738,945	6,258,088
	<u><u>6,739,145</u></u>	<u><u>6,258,284</u></u>



**WELLHOUSE HOUSING ASSOCIATION****2020/21 Budget****CASHFLOW STATEMENT****Mar'20**

Operating Surplus	679,538
Adjust for Depreciation and other non-cash transactions	449,563
Adjusted Operating Surplus	<u>1,129,101</u>
 Movement in Debtors	 (25,000)
Movement in Creditors	(43,486)

**Investing Activities**

Purchase of Properties and Components	(795,000)
Purchase of Other Fixed Assets	(0)
Grants received	<u>0</u>
	(795,000)

**Financing Activities**

Interest receivable	6,000
Interest payable	(242,811)
Loan capital repaid	(236,131)
Share capital issued	<u>4</u>
	(472,938)
	<u><u>(207,323)</u></u>



<b>Management Committee</b>	28th November 2019
<b>Agenda Item</b>	8
<b>Title of Paper</b>	Management Accounts – September 2019
<b>Author</b>	Gordon Kerr, Finance & Corporate Services Manager
<b>Attachment(s)</b>	Management Accounts

## FOR INFORMATION & APPROVAL

### 1 PURPOSE

- 1.1 To provide Management Committee members with a comparison of the estimated and actual financial position to 30th September 2019.

### 2 RECOMMENDATIONS

- 2.1 That members review the attached papers and, subject to satisfaction, approve the management accounts for the period to date.

### 3 BUSINESS PLAN, VISION AND VALUES

- 3.1 This Report is consistent with Wellhouse's Strategic Objective to provide good governance and financial management
- 3.2 This Report is relevant in respect of the following Core Values:-
- Accountability
- 3.3 This Report also meets point 12:2 from 2019/20 Operational Plan – "Quarterly Management Accounts".

### 4 BACKGROUND

- 4.1 Management Accounts are the provision of financial and non-financial information to managers and Committee members. The Management Accounts are a basis for gauging financial viability and are also used as a tool for decision-making to allow the Association to achieve strategic and corporate objectives. Good Governance dictates that Management Accounts are presented to and approved by Management Committee.
- 4.2 Scottish Housing Regulator: Regulatory Standards of Governance and Financial Management – Standard 4 states "The governing body ensures it receives good quality information and advice from staff, and where necessary, expert independent advisers, that is timely and appropriate to its strategic role and decisions. The governing body is able to evidence any of its decisions."

- 4.3 The attached Management Accounts to September 2019 have been prepared using the Accruals Concept where expenditure is charged to the period in which it is incurred and not when the invoice is received or paid and income is credited to the period when it is realised as opposed to the date the sales invoice is raised or paid.
- 4.4 The budgeted results to date are based on the annual budget for the year which shows a projected surplus of £535,563 for the year. A draft budget for 2019/20 was considered in January 2019 and the final budget was approved in February 2019.

## 5 MAIN ISSUES

### 5.1 Statement of Comprehensive Income (SOCl) -

The budgeted surplus (24) for the period to 30 September 2019 is £216,791. The actual results for the period show a surplus of £535,090. There is, therefore, a favourable variance for the period of £318,299.

The overall favourable variance of £318,299 arises from-

- Operational activities £317,346 – favourable variance
- Net interest and other £953 - favourable variance

#### Income

Rental income (1) is slightly higher than budget - £1,735. Void losses (2) are also lower than the budget figure - £6,406 (0.40%) as opposed to £12,861 (0.80%). A favourable variance in net rental income of £8,190.

Stage 3 Medical Adaptations Grant Income (5a) – the budget has been phased evenly over the year, however, no claims have been submitted to date.

Grants released from Deferred Income (4) – the budget figure was calculated on a projected figure based on the 2018/19 outturn; however, the actual charge is based on the final 2018/19 position. Slightly less due to disposal of components which have now been replaced.

#### Expenditure

Management & Maintenance Admin - £57,370 under-spend against budget. The following make up this favourable variance:-

- Salaries (6) (£38,435 under-spend) – due to replacement Assets & Maintenance Manager and one Estate Warden not being in place for the full 6 months.
- Overheads (7) – an underspend of £18,935 against budget. The attached overheads schedule shows a more detailed analysis of all variances.

Repairs & Maintenance – an underspend of almost £264,132 against budget (£513,576) over all areas of maintenance, from a total budget of almost £1million for the full year. A more detailed explanation of some of the over- and under-spends as follows:-

- Reactive maintenance (9)– slight under spend of £7,388 against budget. Responsive repairs (underspend £16,528), voids maintenance (£14,587 underspend) offset by Estate services being overspent by £26,227 due to contractor being on-site covering staff shortages.
- Cyclical maintenance (10) – large under-spend of £61,491. Actual £40,759 against budget £102,250, mostly due to the external paintwork and the gutter cleaning programmes not having started by the end of the second quarter. The Cyclical Painting Programme has been identified and the first phase have been lettered, with the contract now having started in October 2019. Gutter cleaning - following a site inspection there is a meeting arranged with the contractor (13/09/19) to agree the scope of works and finalise costs.
- Major repairs/planned renewals (11) – large under-spend of £49,096. Actual £2,998 against budget £52,094. Extractor fans had been budgeted but no spend as yet as these will be included in the Kitchen and Bathroom replacement programme. No spend yet on Back Courts as we are awaiting GCC to come back with responses on our proposals.

Housing Property Depreciation (12) –the budget figure was calculated on a projected figure based on the 2018/19 outturn; however, the actual charge is based on the final 2018/19 position updated to include any replacement components. Slightly less due to disposal of components in previous year and replacement components this year much lower than budget so far.

Bad Debts (13) – this is actually the charge to income and expenditure, which will increase the provision rather than the actual amount of bad debts written off. Being phased equally over the year in line with budget but will be adjusted at year-end to reflect the actual charge required.

## 5.2 **Statement of Financial Position-**

The Statement of Financial Position shows the actual position at September 2019 and also the position at March 2019 and the resulting movement in this financial year to date.

Housing Properties (18) has increased by £111,872, the cost of replacement components – kitchens, bathrooms, boilers and doors, however, this spend is much lower than the budgeted spend of £541,660 for the two quarters. Delays to the replacement components programmes - the boiler replacement is currently ongoing. The kitchen programmes have been identified and tenants lettered with an expected start date in November. Due to time constraints and procurement issues, the external doors and external windows programmes are not expected to proceed until next financial year.

Cash (19) has increased by almost £95,000 to £1,863,751. Although, there were large payments towards 2018/19 creditors and accruals reducing the cash balance, the delays in the maintenance/component renewals programmes has resulted in the balance increasing.

Payables < 1 Year (20)

- Misc. creditors has reduced significantly due to the purchase ledger control A/C reducing from just over £441,000 to around £75,000. This was due to the large volume of invoices received just prior to the year-end having now been paid.
- Due to the new accounting treatment for pensions, we no longer show the element of pension deficit payable within one year separately.

#### Payables > 1 Year

- Loans and Pension deficit (21) – have reduced by £58,059 and £13,760 respectively due to the monthly contributions being paid towards these liabilities. The pension deficit reflects the revaluation/initial recognition of multi-employer DB scheme due to the new accounting treatment for pensions and increased by £172,000.
- Deferred income (22) – similarly, the monthly release of deferred grant to Statement of Comprehensive Income has reduced these balances.

Reserves (23) – has increased by just over £535,000 in line with surplus made for the period.

### 5.3 Cash-flow Report

This report shows the transactions for the year-to date using the receipts and payments method as opposed to the accruals method. The cashflow report shows a cash inflow (surplus) of £94,831 as opposed to a surplus of £535,090 in SOCI.

Generally, a broad-brush method of reconciling these two figures is as follows:-

- Start with SOCI surplus;
- Add back depreciation;
- Deduct grants released from Deferred income;
- Deduct capital spend; and
- Deduct loan capital repayments.
- Adjust for movement in debtors and creditors.

### 5.3 Covenant Compliance -

There are no covenant compliance issues with the following results being achieved at September 2019:-

- Interest cover - Target > 110%, Result = 577.81%
- Gearing - Target < 30%, Result = 20.28%

Both lenders – Royal Bank of Scotland and Clydesdale Bank - have used the same financial covenants, calculated the same way with the same target result.

## 6. DISCUSSION

Committee is invited to discuss any of the points reported on above.

## 7. REGULATORY, LEGAL AND CONSTITUTIONAL ISSUES

- 7.1 As laid out in Scottish Housing Regulator: Regulatory Standards of Governance and Financial Management (particularly standards 3 and 4) there is a regulatory requirement for Wellhouse to report regularly to Management Committee and for Management Committee to approve these financial reports.
- 7.2 It is also considered Good Practice for Wellhouse to prepare quarterly Management Accounts in order to demonstrate financial viability and to allow for the decision-making process to achieve corporate objectives.

## 8. FINANCIAL IMPLICATIONS

- 8.1 Any material points are noted at section 5 above.

## 9. KEY RISKS

9.1

(a) Strategic Risks	(b) Operational Risks	(c) Project Level Risks
Failure to provide up to date and accurate financial reports and budget monitoring would result in the Association being unaware of its actual financial position. This could lead to decisions being taken on incorrect information and could result in financial and reputational damage.		
<b>Mitigation</b>	<b>Mitigation</b>	<b>Mitigation</b>
Quarterly Management Accounts, and other financial reports, are presented to Management Committee for discussion and approval".		

## 10. EQUALITY, DIVERSITY & HUMAN RIGHTS IMPLICATIONS

- 10.1 None apparent.

## 11. SUSTAINABILITY

- 11.1 Not applicable.

## 12. SWOT ANALYSIS

- 12.1 Not required as no new business activity proposed.

### 13. CONCLUSION

- 13.1 Some over- and under-spends against budget in the Statement of Comprehensive Income, however, overall the actual surplus position is considerably higher than the budget surplus for the six months to September 2019. The delayed start in carrying out some of the maintenance programmes has contributed, in no small way, to the underspend. Also, staff posts vacant for periods has also contributed to the variance, however, apart from that the actual performance is pretty close to budget.

Cash position is slightly higher than the position at March 2019, and is still in a reasonably healthy position.

Overall, a good start to 2019/20 resulting in a healthy financial position.

WELLHOUSE HOUSING ASSOCIATION  
MANAGEMENT ACCOUNTS TO 30TH SEPTEMBER 2019



STATEMENT OF COMPREHENSIVE INCOME

Ref		Actuals To Date						Budget to Date	(Adverse) / Favourable				
		Social Lettings Rental Income	Social Lettings Service Charges	Social Lettings Rental & Service Chgs	Commercial Lettings	Factoring	Development		The Hub Services	Corporate Services	Total	Variance	Annual Budget
(1)	Rental Income & Service Charges	1,609,447	(144)	1,609,303						1,609,303	1,607,568	1,735	3,215,136
(2)	Less: Voids losses	(6,406)		(6,406)						(6,406)	(12,861)	6,455	(25,721)
(3)	Commercial Rental Income				14,868			10,475		25,343	28,090	(2,747)	56,180
	Factoring Income					6,815				6,815	7,912	(1,097)	15,824
(4)	Grants released from Deferred Income	282,915		282,915						282,915	288,439	(5,524)	576,877
(5a)	Other Revenue Grants	0		0						0	16,500	(16,500)	33,000
(5b)	Other Income	1,885,956		1,885,956	14,868	6,815	0	10,475	6,568	6,568	2,332	4,236	4,665
										1,924,538	1,937,980	(13,442)	3,875,959
(6)	Management Expenses - Staff Costs	188,105	33,566	221,662	2,508				123,164	347,333	385,768	38,435	771,535
(7)	Management Expenses - Overheads	29,192		29,192	0	1,871		3,000	155,257	189,319	208,255	18,935	416,509
(8)	Service Costs		213						0	0	0	0	0
(9)	Reactive Maintenance	195,858		195,858	1,215				197,072	197,072	205,460	8,388	410,920
(10)	Cyclical Maintenance	40,759		40,759					40,759	40,759	102,250	61,491	161,500
(11)	Planned Renewals/Major Repairs	11,613		11,613					11,613	11,613	206,866	195,253	354,750
(12)	Depreciation on Housing Properties	485,281		485,281					485,281	485,281	493,567	8,286	987,133
(13)	Bad Debts	15,000		15,000					15,000	15,000	15,000	0	30,000
		965,807	33,770	999,577	0	5,593	0	3,000	278,421	1,286,377	1,617,165	330,788	3,132,346
	Operating Surplus	920,149	(33,770)	886,379	14,868	1,222	0	7,475	(271,853)	638,161	320,815	317,346	743,612
(14)	Release of Negative Goodwill	19,067		19,067						19,067	19,067	(0)	38,134
(15)	Gain/Loss on Disposal of Fixed Assets	0		0						0	0	0	0
(16)	Interest Receivable			0					3,330	3,330	2,500	830	5,000
(17)	Interest Payable/Other Finance Costs	(125,488)		(125,488)						(125,488)	(125,591)	123	(251,182)
(23)		813,747	(33,770)	779,978	14,868	1,222	0	7,475	(268,522)	535,090	216,791	318,299	535,565



## WELLHOUSE HOUSING ASSOCIATION LTD

## STATEMENT OF FINANCIAL POSITION AS AT

30 September 2019



ANNUAL BUDGET £	Ref		AS AT 31/03/2019 £	ACT YTD 30/09/2019 £	MOVEMENT £
<b>Non Current Assets</b>					
41,819,077	(18)	Housing Properties - gross cost	40,686,513	40,798,385	111,872
(13,081,386)		Depreciation	(11,811,668)	(12,296,950)	(485,282)
28,737,691			28,874,845	28,501,435	(373,410)
1,318,645		Other	1,376,927	1,359,205	(17,722)
30,056,336			30,251,772	29,860,640	(391,132)
(1,067,758)		<b>Negative Goodwill</b>	(1,105,893)	(1,086,826)	19,067
<b>Current Assets</b>					
99,860		Debtors	128,912	79,127	(49,785)
0		Inventory	0	0	0
1,306,623	(19)	Cash at Bank and in hand	1,768,920	1,863,751	94,831
1,406,483			1,897,832	1,942,878	45,046
<b>(20) Payables &lt; 1 year</b>					
(1,098,388)		Misc Creditors	(1,295,299)	(855,616)	439,683
(54,500)		Pension Deficit	0	0	0
(219,714)		Loans	(219,625)	(219,625)	0
(1,372,602)			(1,514,924)	(1,075,241)	439,683
33,881		<b>Net Current Assets/ ( Liabilities )</b>	382,908	867,637	484,729
29,022,459		<b>Total Assets less current liabilities</b>	29,528,787	29,641,452	93,598
<b>(21) Payables &gt; 1 year</b>					
(7,950,011)		Loans	(8,169,783)	(8,053,203)	116,580
(49,151)		Pension Deficit	(356,564)	(333,631)	22,933
(7,999,162)			(8,526,347)	(8,386,834)	139,513
<b>(22) Deferred Income</b>					
(14,240,466)		Social Housing Grant	(14,855,967)	(14,584,817)	271,150
(789,108)		Non Housing Grants	(742,052)	(730,288)	11,764
(15,029,574)			(15,598,019)	(15,315,106)	282,913
<b>5,993,723</b>		<b>Net Assets</b>	<b>5,404,421</b>	<b>5,939,512</b>	<b>535,091</b>
<b>Capital and Reserves</b>					
313		Share Capital	196	196	0
5,993,410	(23)	Reserves	5,404,225	5,939,316	535,091
<b>5,993,723</b>			<b>5,404,421</b>	<b>5,939,512</b>	<b>535,091</b>



**WELLHOUSE HOUSING ASSOCIATION LIMITED****MANAGEMENT ACCOUNTS TO****30 September 2019****CASHFLOW STATEMENT**

Operating Surplus		638,161
Adjust for Depreciation and other non-cash transactions		<u>220,088</u>
Adjusted Operating Surplus		858,249
Movement in Debtors		49,785
Movement in Creditors		(462,614)
<u>Investing Activities</u>		
Purchase of Properties and Components	(111,872)	
Purchase of Other Fixed Assets	0	
Disposal of Other Fixed Assets	0	
Grants received	<u>0</u>	
		(111,871)
<u>Financing Activities</u>		
Interest receivable	3,330	
Interest payable	(125,468)	
Loan capital repaid	(116,580)	
Share capital issued	<u>0</u>	
		(238,718)
		<u><u>94,831</u></u>

# WELLHOUSE HOUSING ASSOCIATION



## COVENANTS AS AT 30 SEPTEMBER 2019

This page compares the Association's performance in key areas against financial covenants included within loan agreements.

INTEREST COVER	Accounts	Target set by Bank	Actual	Covenant Satisfied?
Operating Surplus	638,161	Greater than 110%	577.81%	Yes
Housing Grants Amortised	(282,915)			
Pension Deficit Contribution	(22,933)			
Housing Depreciation	485,281			
Component Replacements	(111,872)			
	<b>705,722</b>			
Interest Payments	125,468			
Interest Receipts	(3,330)			
	<b>122,138</b>			

GEARING	Accounts	Target set by Bank	Actual	Covenant Satisfied?
Balance of Outstanding Loans	<b>8,272,828</b>	Less than 30%	20.28%	Yes
Historic Housing Cost	<b>40,798,385</b>			

## WELLHOUSE HOUSING ASSOCIATION LTD

MAINTENANCE BUDGET TO MARCH 2020	Total 2019/20 TOTAL	Budget Apr-Sept'19	Actual Apr-Sept'19	(Adverse) Favourable Variance
<b>CYCLICAL MAINTENANCE</b>				
ELECTRICAL TESTING	22,500	11,250	17,117	(5,867)
EXTERNAL PAINTING- phase 2B	16,500	16,500	7,670	49,330
EXTERNAL PAINTING- phase 8	25,200	25,200		
EXTERNAL PAINTING - phase 10	15,300	15,300		
GAS SERVICING	30,000	15,000	14,525	475
GUTTER CLEANING	40,000	10,000	583	9,417
GAS SAFETY AUDIT	6,000	3,000	634	2,366
FIRE SERVICE - 14 LANGBAR GDNS	6,000	6,000	229	5,771
	<u>161,500</u>	<u>102,250</u>	<u>40,759</u>	<u>61,491</u>
<b>REACTIVE MAINTENANCE</b>				
REACTIVE MAINT	207,168	103,584	93,554	16,528
SCOTTISH POWER L/LSUP	12,996	6,498		
ESTATE SERVICES - Materials	23,040	11,520	53,107	(26,227)
ESTATE SERVICES - Van/Fuel	12,120	6,060		
Close Cleaning	18,600	9,300		
VOIDS	129,996	64,998	50,411	14,587
Facilities Management Costs	5,000	2,500	Code si	2,500
	<u>408,920</u>	<u>204,460</u>	<u>197,072</u>	<u>7,388</u>
<b>Stage 3 Adaptations- Ex GH A</b>	12,996	6,498	0	
<b>Stage 3 Adaptations</b>	30,000	15,000	2,559	18,939
	<u>42,996</u>	<u>21,498</u>	<u>2,559</u>	<u>18,939</u>
<b>MAJOR REPAIRS - NON-CAPITALISED</b>				
KITCHEN EXTRACTOR FANS Phase 5	29,946	29,946	9,054	176,314
Bathroom EXTRACTOR FANS Phase 5	29,946	29,946		
	0	0		
Smoke Alarms Phase 8	32,704	32,704		
External Paths	20,000	0		
Back Courts Phase 1	89,004	59,336		
Back Courts Phase 2A	50,154	33,436		
External Verandas	60,000	0		
	0	0		
	<u>311,754</u>	<u>185,368</u>	<u>9,054</u>	<u>176,314</u>
<b>MAJOR REPAIRS - CAPITALISED COMPONENTS</b>				
Kitchens Phase 5	309,546	309,546	20,874	288,672
Bathrooms Phase 3	145,377	0	12,026	(12,026)
Gas Boiler Replacements Phase 10	99,072	99,072	58,794	40,278
External Doors 2B	84,987	56,658	20,178	36,480
External Windows 2A	114,576	76,384	Code si	76,384
	<u>753,558</u>	<u>541,660</u>	<u>111,872</u>	<u>429,788</u>

## WELLHOUSE HOUSING ASSOCIATION

## 2019/20 Budget



Overheads	2019/20 Budget Total	Budget Apr-Sept'19	Actual Apr-Sept'19	(Adverse) Favourable Variance
24). Advertising (Publicity & Promotions)	1,030	515	0	515
25). Audit Fee - External	10,600	5,300	9,436	1,736
- Internal	11,745	5,873		
26). Bank Charges - Allpay	12,000	6,000	5,027	973
- General	720	360	148	212
27). Depreciation - Other Fixed Assets	33,282	16,641	17,722	(1,081)
28). General Expenses - Miscellaneous	3,608	1,804	4,528	(994)
- Provisions	1,800	900		
- Staff Welfare Costs	660	330		
- Cash Collection Costs (G4S)	500	250		
- Health & Safety Costs	500	250		
29). General Committee Expenses	3,500	1,750	1,551	199
30). Heat & Light	16,800	8,400	10,170	1,480
31). Cleaning	6,500	3,250		
32). Insurance - Housing Stock	50,676	25,338	26,217	(879)
- Non-Housing premiums	16,789	8,395	7,430	965
33). Office Maintenance - Repairs & Renewals	50,000	25,000	34,534	10,966
- Equip Maintenance	13,000	6,500		
34). Office Equipment	2,500	1,250	1,250	
IT Maintenance Support Costs	23,000	11,500		
IT Expenses	2,500	1,250		
35). Printing (External)	7,000	3,500	9,078	(3,078)
Printing (Internal Photocopier Charges etc)	3,000	1,500		
Stationery	2,000	1,000		
36). Postage	4,350	2,175	1,147	1,028
37). Rent & Rates	1,200	600	766	(166)
38). Seminars & Training - Staff	15,000	7,500	8,421	(921)
39). Seminars & Training - Committee	10,500	5,250	949	4,301
40). Staff Recruitment	2,000	1,000	1,175	(175)
41). Subscriptions	24,500	12,250	11,225	1,025
42). Telephones	9,200	4,600	2,048	2,552
43). Legal Fees - General	10,000	5,000	3,871	1,129
44). Legal Fees - Housing	10,000	5,000	2,974	2,026
45). Professional Fees	8,149	4,075	12,600	(8,526)
Housing -Agency Fees - WR	0	0		0
46). Commercial Property Cost	1,000	500	0	500
47). Donation -CCT Contribution	20,000	10,000	10,650	(650)
-Others	400	200	1,000	(800)
48). Tenant Participation	25,000	12,500	6,438	6,062
49). Vehicle Costs	0	0		0
50). AGM Costs	1,500	750		750
51).	0	0		0
	0	208,255	189,105.83	19,149

<b>Management Committee</b>	28th November 2019
<b>Agenda item</b>	9
<b>Title of Paper</b>	Quarter 2 - KPI Report July to September 2019
<b>Author</b>	Gordon Kerr, Finance & Corporate Services Manager
<b>Attachments</b>	Appendix 1 – Maintenance KPI results Appendix 2 – Maintenance KPI results
<b>Executive Summary</b>	This KPI report is presented from the Management Team on our performance for the second quarter of 2019/20.

## 1 PURPOSE

- 1.1 The purpose of this report is to bring to the attention of Committee the performance in relation to Key Performance Indicators (KPI) for period July to September 2019.
- 1.2 The report details performance results for the second quarter against targets set for 2019/20. Committee is asked to discuss with the Management Team any of the presented performance trends, consider any influencing factors and suggest appropriate responsive action.

## 2 RECOMMENDATIONS

- 2.1 Committee is asked to discuss and note the contents of this report

## 3 BUSINESS PLAN, VISION AND VALUES

- 3.1 Key areas of performance are integral to business; we measure our success by setting targets against these objectives, ensuring that we deliver them effectively and efficiently. The six objectives are to:-
  1. Deliver excellent services.
  2. Provide good quality homes.
  3. Anticipate, understand and respond to local needs.
  4. Foster an attractive, successful and thriving community.
  5. Maintain good governance and financial management.
  6. Value and invest in our people.
- 3.2 It is also consistent with our Values of:
  - Trust, Honesty, Integrity, Excellence, Accountability, Sustainability
- 3.3 The report reflects priorities set from the 2019/20 Operational Plan.

#### 4. BACKGROUND and MAIN ISSUES

Committee is kept updated throughout the year on key areas of the business, the Annual Return of the Charter (ARC) also provides areas of performance. The KPI targets referred to in this report reflect areas included in the ARC, our own internal targets and any service standard we deem important to monitor.

Committee felt that the table of figures showing the KPIs, target figures and actual figures, previously attached to this report as an appendix was too busy and it felt that important information could be overlooked due to the amount of content shown.

This report will still highlight areas of concern and also areas of particularly good performance or improvement but will no longer have the table as an appendix. The table is still populated and used as an internal document and is the source of any information contained in this report. The Housing & Customer Services Manager and Assets & Maintenance Manager will concentrate on certain areas for discussion each quarter and will have some attachments displaying visual content.

#### 5 DISCUSSION

##### 5.1 Rent Management – Performance & ARC.

The result for the end of Quarter 2 for gross rent arrears was £221,332.98 - 6.88% of rental income. While this was an improvement on the previous quarter at 7.22%, it continues to be a cause for concern. In line with previous annual trends the figure will continue to rise until the fiscal year end due to increases in technical arrears. The gross arrear figure for the end of October is £230,239 - 7.15% of rental income.

Universal Credit (UC) and Welfare Benefit Reform continues to have an adverse impact on the collection of rent. To date there are 100 tenants in receipt of UC who have accumulated arrears of £111,442.84.

**5.2** To the end of Quarter 2 we received 23 voids and re-let 17 of these. Void loss totalled £2752.74 or 261 days to the end of period, which is 0.17% of the rental income expected to date. The annual target 0.8%.

**5.3** The average re-let period for Quarter 2 was 15 days. The annual target is 12 days. 5 of these properties were void for 23-38 days due to their condition and for kitchen and bathrooms to be replaced. The refusal rate continues to be low.

##### 5.4 Satisfaction – ARC.

**5.4.1** The ongoing trends for the ARC satisfaction indicators are generally improving customer satisfaction rates across the range of indicators but with two exceptions:

**Indicator 7** - *How satisfied or dissatisfied are you with the overall quality of your home?*

Satisfaction has reduced from 85% at the end of last quarter to 80% and dissatisfaction has increased from 11% to 16%.



**Indicator 12** - *Thinking about the LAST time you had a repair or maintenance carried out, how satisfied or dissatisfied were you the repairs and maintenance service provided by your landlord?*

Satisfaction has reduced from 93% at the end of last quarter to 80% and dissatisfaction has increased from 7% to 20%.

**5.4.2** The area with the largest satisfaction this quarter was:

**Indicator 2** - *How good or poor do you feel your landlord is at keeping you informed about their services and decisions?*

Satisfaction has increased from 87% at the end of last quarter to 92% and dissatisfaction has decreased from 12% to 8%.

**5.4.3** The area which took a dip this quarter but still showing a significant improvement was:

**Indicator 13** - *Overall, how satisfied or dissatisfied are you with your landlord's contribution to the management of the neighbourhood you live in?*

Satisfaction has reduced from 91% at the end of last quarter to 82% but remains higher than first Quarter survey result of 65%. Dissatisfaction has increased from 8% to 14%.

## **5.5 Maintenance – Performance & ARC.**

**5.5.1** Please see attached Appendices for commentary on Emergency and Non-emergency repairs results and comparatives.

**5.5.2** The contractors continue to perform well on response times , we still need to do some work on the classification of job priorities.

## **6. REGULATORY, LEGAL AND CONSTITUTIONAL ISSUES**

**6.1** There are no regulatory, legal or constitutional issues to consider in this performance report.

## **7. FINANCIAL IMPLICATIONS**

**7.1** Committee are asked to note the impact of arrears and void rent losses.

## **8. KEY RISKS**

(a) Strategic Risks	(b) Operational Risks	(c) Project Level Risks
Increasing arrears impact on our income	Financially due to lost income	

Reputational through possible failure to provide excellent services.	Problems with stock – internal and external.	
<b>Mitigation</b>	<b>Mitigation</b>	<b>Mitigation</b>
Focus placed on rent arrears and void turnaround times	Redesigning arrears reports and actions	
Improvement plans are ongoing	Regular home visits and estate visits.	

## 9. SWOT ANALYSIS

Not required

## 10. EQUALITY AND DIVERSITY ISSUES

- 10.1 There are no identified impacts on any of the main minority groups or diversity implications even an unintended one.

## 11. SUSTAINABILITY

- 11.1 There are no identified impacts on sustainability even an unintended one.

## 12. CONCLUSION

- 12.1 Some KPIs still causing some concern, particularly Arrears, however, this is something that the Housing Customer & Service Manager is aware of and is being addressed.
- 12.2 Income Advice and Void loss KPIs continue to show some positive results.
- 12.3 Maintenance KPIs continue to demonstrate some positive results.



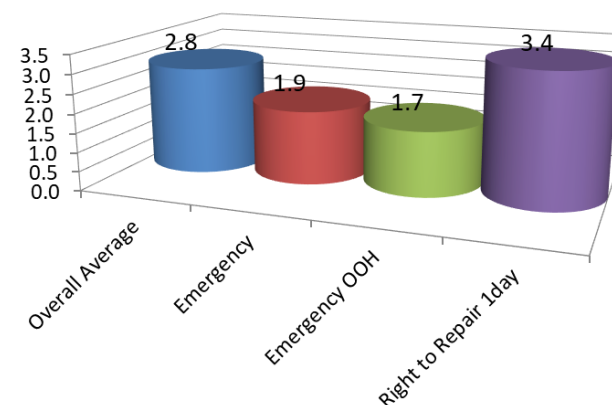
## EMERGENCY REPAIRS CHARTS – AVERAGE TIMES AND ON-TIME/LATE PERFORMANCE

For Period	01/07/2019	to	30/09/2019
Comparative Period	01/04/2019	to	30/06/2019

### Average Time of Reactive Repairs

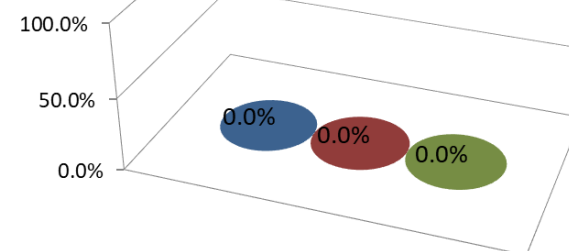
	<u>Ave Time</u>	<u>Comparative Ave Time</u>
Overall Average	2.8	15.3
Emergency	1.9	2.5
Emergency OOH	1.7	1.4
Right to Repair 1day	3.4	24.1

**Average Emergency Time in Hours**



	Overall Average	Emergency	Emergency OOH	Right to Repair 1day
Ave Time	2.8	1.9	1.7	3.4

**% Emergency Jobs Late**



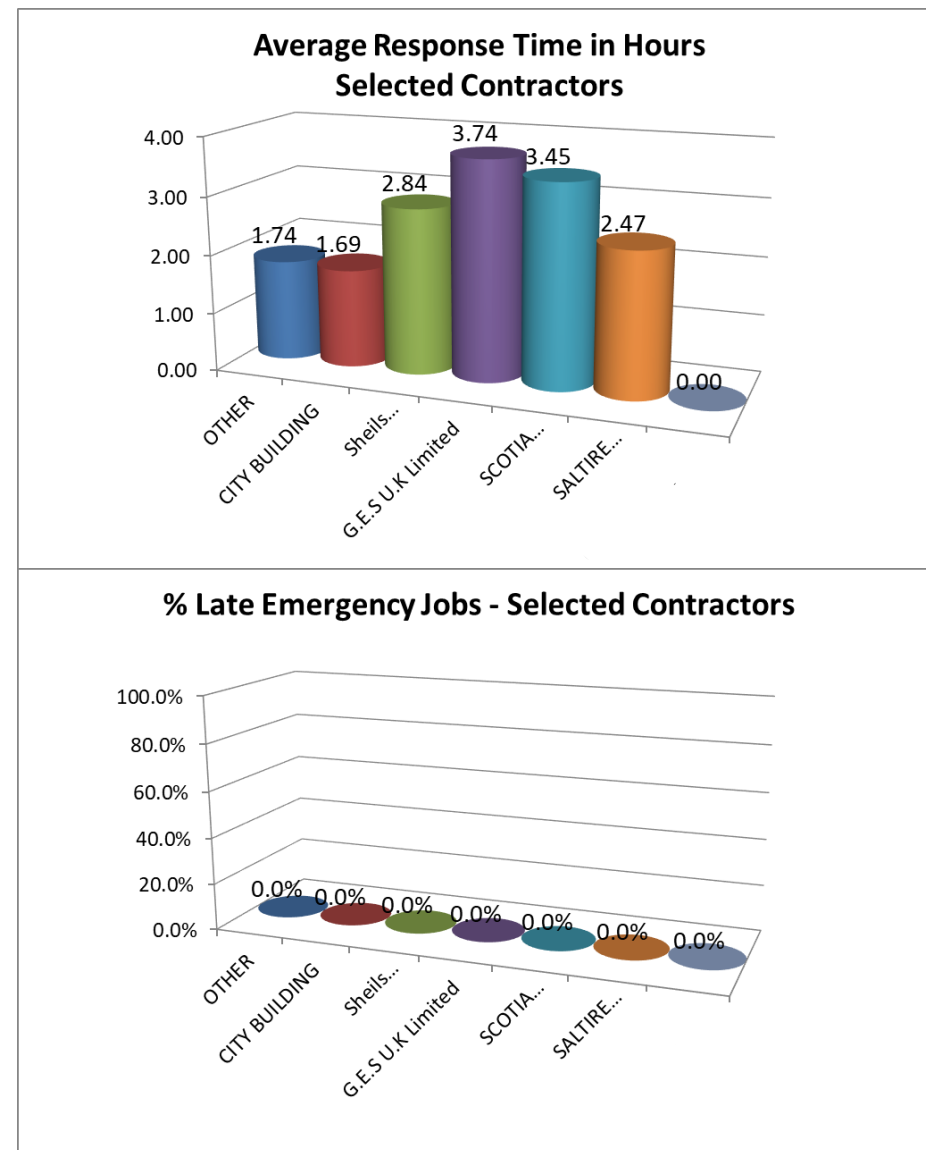
	% Late
Emergency	0.0%
Emergency OOH	0.0%
Right to Repair 1day	0.0%

### Late Jobs by Urgency

	<u>% Late</u>	<u>Comparative % Late</u>
Emergency	0.0%	0.0%
Emergency OOH	0.0%	0.0%
Right to Repair 1day	0.0%	0.0%

## EMERGENCY REPAIRS CHARTS – AVERAGE TIMES AND ON-TIME/LATE PERFORMANCE

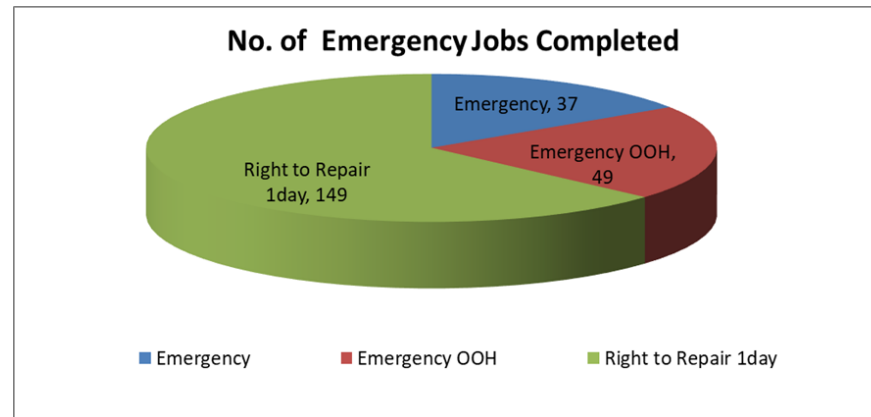
<u>Analysis by Contractor</u>	<u>Ave Time</u>	<u>Comparative Ave Time</u>
OTHER	1.74	2.43
CITY BUILDING	1.69	1.47
Sheils Construction Joinery & Maintenance Limited	2.84	2.58
G.E.S U.K Limited	3.74	3.35
SCOTIA PLUMBING & HEATING	3.45	4.95
SALTIRE FACILITIES MANAGEMENT LTD	2.47	1.65



<u>Analysis by Contractor</u>	<u>% Late</u>	<u>Comparative % Late</u>
OTHER	0.0%	0.0%
CITY BUILDING	0.0%	0.0%
Sheils Construction Joinery & Maintenance Limited	0.0%	0.0%
G.E.S U.K Limited	0.0%	0.0%
SCOTIA PLUMBING & HEATING	0.0%	0.0%
SALTIRE FACILITIES MANAGEMENT LTD	0.0%	0.0%

## EMERGENCY REPAIRS CHARTS – AVERAGE TIMES AND ON-TIME/LATE PERFORMANCE

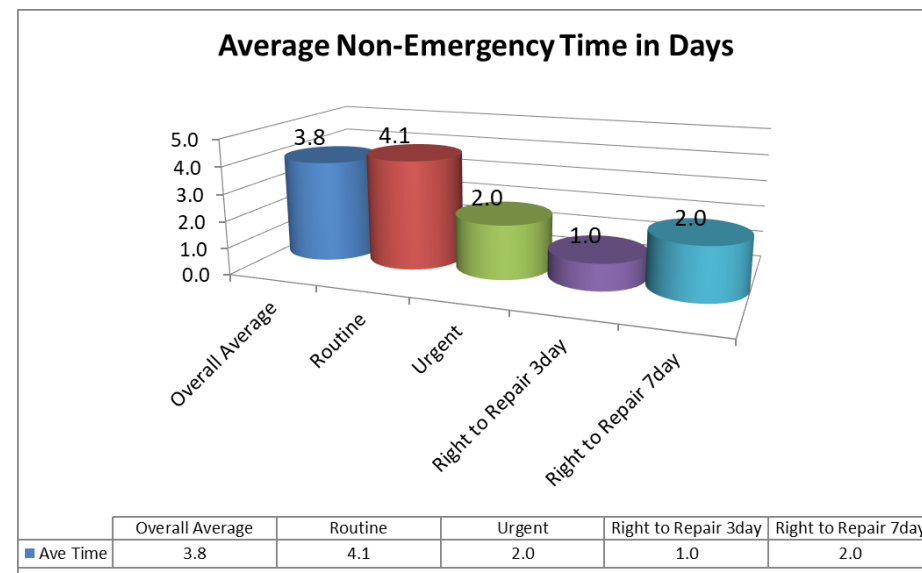
<u>Reactive Repairs by Urgency</u>	<u>No Jobs</u>	<u>Comparative</u> <u>No Jobs</u>
Emergency	37	49
Emergency OOH	49	60
Right to Repair 1day	149	164



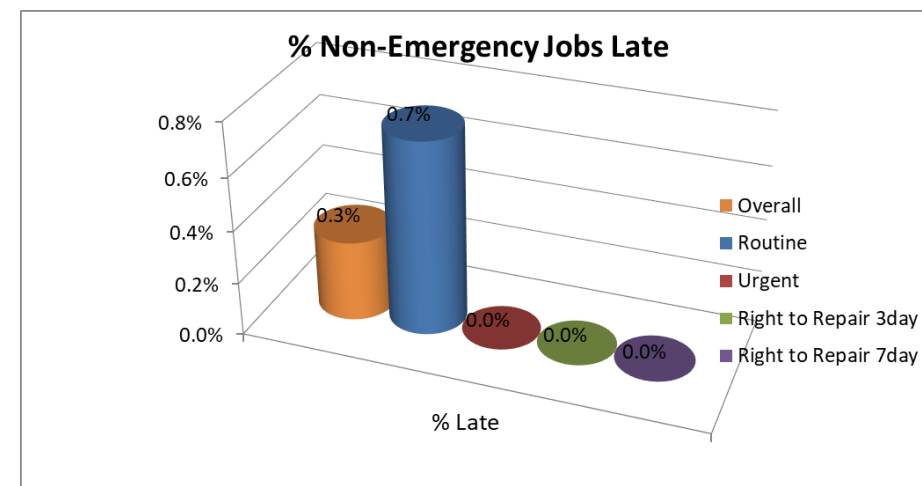
## NON-EMERGENCY REPAIRS CHARTS – AVERAGE TIMES AND ON-TIME/LATE PERFORMANCE

For Period	01/07/2019	to	30/09/2019
Comparative Period	01/04/2019	to	30/06/2019

	<u>Ave</u> <u>Time</u>	<u>Comparative</u> <u>Ave Time</u>
<b><u>Average Time of Reactive Repairs</u></b>		
Overall Average	3.8	4.4
Routine	4.1	4.9
Urgent	2.0	2.3
Right to Repair 3day	1.0	2.5
Right to Repair 7day	2.0	0.0

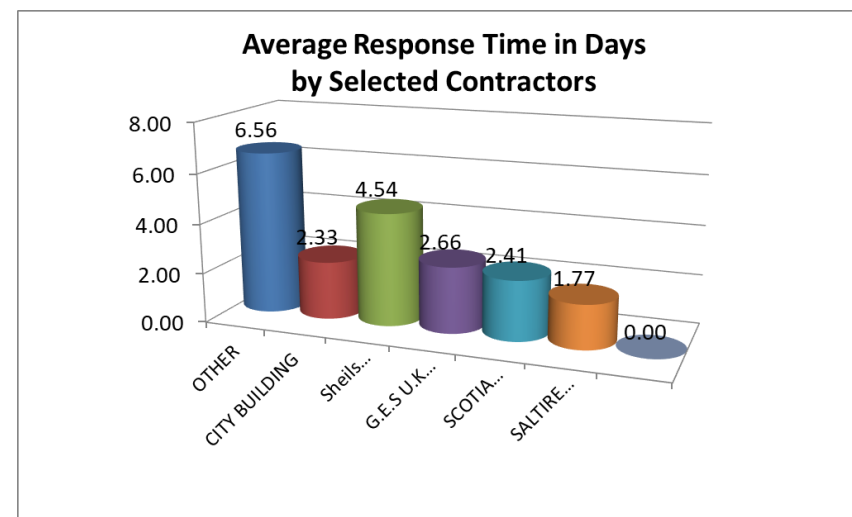


	<u>% Late</u>	<u>Comparative</u> <u>% Late</u>
<b><u>Late Jobs by Urgency</u></b>		
Overall	0.3%	0.0%
Routine	0.7%	0.0%
Urgent	0.0%	0.0%
Right to Repair 3day	0.0%	0.0%
Right to Repair 7day	0.0%	0.0%

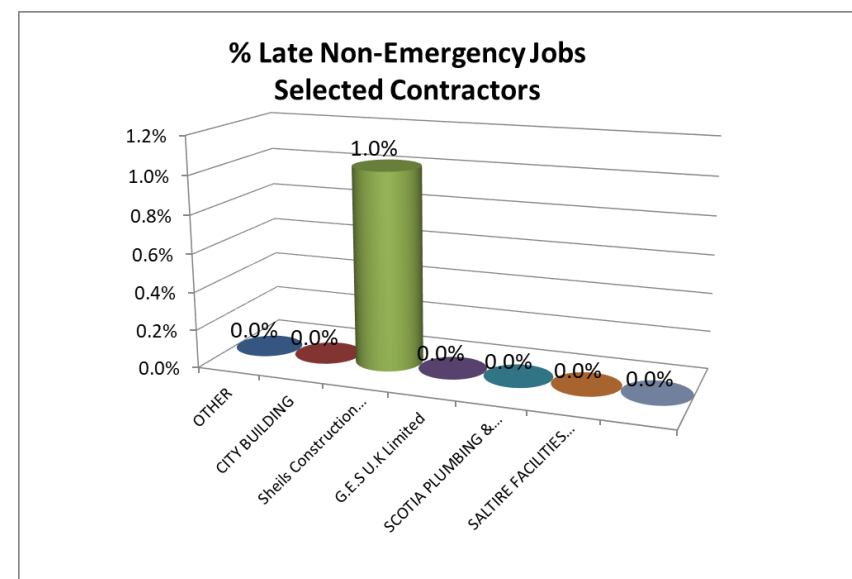


## NON-EMERGENCY REPAIRS CHARTS – AVERAGE TIMES AND ON-TIME/LATE PERFORMANCE

<u>Analysis by Contractor</u>	<u>Ave Time</u>	<u>Comparative</u>
		<u>Ave Time</u>
OTHER	6.56	6.88
CITY BUILDING	2.33	3.00
Sheils Construction Joinery & Maintenance Limited	4.54	5.44
G.E.S U.K Limited	2.66	2.92
SCOTIA PLUMBING & HEATING	2.41	2.56
SALTIRE FACILITIES MANAGEMENT LTD	1.77	2.34

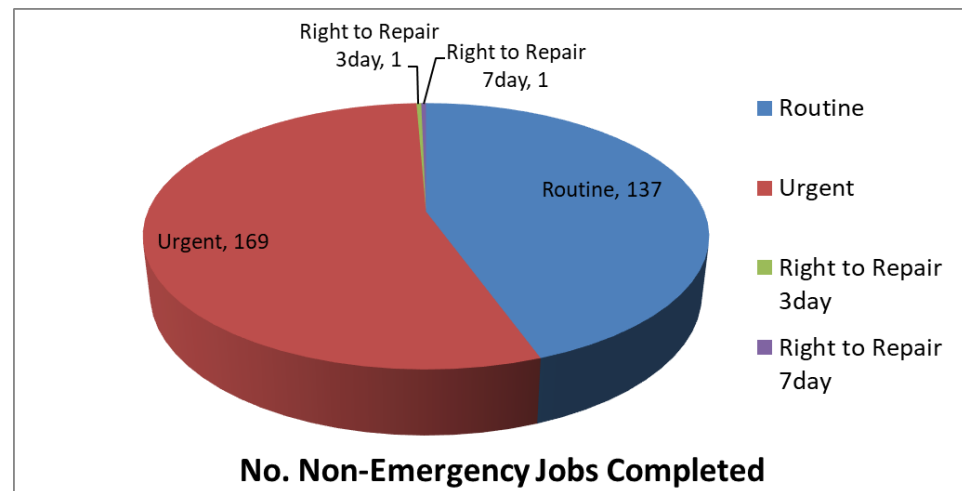


<u>Analysis by Contractor</u>	<u>% Late</u>	<u>Comparative</u>
		<u>% Late</u>
OTHER	0.0%	0.0%
CITY BUILDING	0.0%	0.0%
Sheils Construction Joinery & Maintenance Limited	1.0%	0.0%
G.E.S U.K Limited	0.0%	0.0%
SCOTIA PLUMBING & HEATING	0.0%	0.0%
SALTIRE FACILITIES MANAGEMENT LTD	0.0%	0.0%



## NON-EMERGENCY REPAIRS CHARTS – AVERAGE TIMES AND ON-TIME/LATE PERFORMANCE

<u>Reactive Repairs by Urgency</u>	<u>No. Jobs</u>	<u>Comparative</u> <u>No Jobs</u>
Routine	137	152
Urgent	169	173
Right to Repair 3day	1	2
Right to Repair 7day	1	0



<b>Management Committee</b>	28th November 2019
<b>Agenda Item</b>	10
<b>Title of Paper</b>	Annual Treasury Management Report
<b>Author</b>	Gordon Kerr, Finance & Corporate Services Manager
<b>Attachment(s)</b>	Appendix: I – Property Valuation Summary Appendix: II – Loan Balances Appendix: III – Asset Cover Appendix: IV – Unencumbered Stock
<b>Executive Summary</b>	This report provides Committee with a review of the Association's treasury management activity and results over the last 12 months, covering such areas as – loans, investments, covenant compliance, secured stock and valuations, proposed borrowings and a Treasury Management Strategy for the next 12 months. This report meets the requirements of CIPFA Code of Practice on Treasury Management.

## FOR CONSIDERATION FOR APPROVAL

### 1 PURPOSE

- 1.1 To inform and advise committee on Treasury Management operations over the past 12 months and forecast for the next 12 months.

### 2 RECOMMENDATIONS

- 2.1 That the Management Committee consider the financial information detailed in the report and also that Management Committee approve the proposed strategy set out in the report.

### 3 BUSINESS PLAN, VISION AND VALUES

- 3.1 This report is consistent with Wellhouse's Strategic Objective to provide good governance and financial management
- 3.2 This report is relevant in respect of the following Core Values:-
- Accountability
- 3.3 This report also meets point 12:3 from 2019/20 Operational Plan – "Treasury Management".

## 4 BACKGROUND

Treasury Management refers to the set of policies, strategies and transactions that a social landlord adopts and implements to manage its investment, cash flows, banking, money market transactions, capital markets transactions and the risk associated with those activities.

The Association's Treasury Management Policy notes the requirement to report to the Management Committee on Treasury Management operations. This report therefore contains the following information:

- Secured stock per lender and stock valuations as at 30/9/19 (Appendix I)
- Loan information in relation to each lender as at 30/9/19 (Appendix II)
- Asset cover information as at 30/9/19 (Appendix III)
- Unit details of unsecured stock as at 30/9/19 (Appendix IV)
- Future proposed borrowings
- Projected cash flow position and review of liquidity
- Covenant compliance
- Interest earnings from surplus funds
- Compliance with policy
- Treasury Management strategy for the next 12 months

## 5 MAIN ISSUES

### 5.1 SECURED STOCK & STOCK VALUATION DATA

When loan finance is taken out, the Association is required to offer sufficient security to the lender so that in the event of an inability to repay, the lender may sell the properties and use the proceeds of sale to repay the debt.

There are normally 3 bases on which stock shall be valued by lenders:

- Existing Use Value (EUV) - Basis 1
- Existing Use Value with Sales (EUV-S) - Basis 2
- Market Value Subject to Tenancies (MV-ST) - Basis 3

The basis used is selected by the lender and will result in different stock valuation figures. The stock value (together with the asset cover requirements of the loan agreement) determines how much can be borrowed at the outset.

Appendix I to this report notes for each lender the stock provided as security, the number of properties secured, various valuation figures provided by the external valuation, the valuation basis and the date of the last valuation.

Loan agreements normally include clauses advising that stock valuations should be carried out periodically (every 3 years) however the lender reserves the right to ask for a valuation intermittently if they feel that the stock value - for whatever reason - has deteriorated. The valuation of the Clydesdale Bank funded stock was carried out in December 2017 and the valuation of RBS funded stock was carried out in November 2018.



The secured stock values are, on average, valued around £26,500 per unit on a EUV basis (£35,000 per unit on a MV-ST basis) although the properties range in value from £18,000 to £35,000. The EUV is driven by social housing rent levels and the timing and level of planned investment required. The higher MV-ST basis has been calculated assuming that the properties were available on the open market and therefore rents would rise to a market related level.

## 5.2 LOAN INFORMATION

Appendix II notes for each lender how much was borrowed initially, the loan term, the loan margins, whether the loan is on a variable or fixed rate basis and the balance at 30 September 2019.

The total mix of fixed rate and variable rate finance is noted at the bottom of Appendix II. It is noted that the Association had 86% of its debts on a fixed rate basis which is much higher than the proportion range (40%-60%) as stipulated in the Treasury Management policy. The benefit of a fixed rate is a certainty in the level of future payments. The downside of a fixed rate is you would not be able to take advantage of any reductions in interest rates and, generally, the fixed rate is considerably higher than any variable rates available.

The Clydesdale Bank fixed rate loan for Phase 5A matured in February 2019. The fixed rate at that time was 6.18%. Allowing the outstanding balance of this loan to convert to variable rate resulted in a saving of around £30,000 per annum in interest payments and has allowed the percentage of fixed rate loans to reduce from 92% to 86%

Total loan debt has reduced from £8.5 million at 30 September 2018 to £8.3 million at 30 September 2019 and 86% of the debt is with Royal Bank of Scotland (RBS) and the remaining 14% is with Clydesdale Bank.

Loan margins range from 0.45% to 1.90%.

## 5.3 ASSET COVER

The term 'asset cover' means the % amount that the valuation must be at in relation to the loan debt. Therefore if borrowings are £10 million for a lender and the asset cover is 100%, the value of the stock must be at least £10 million. If asset cover was 130% the value of the stock would have to be at least £13 million.

Appendix III notes the total stock secured valuation, the asset cover % per the loan agreement, the loan cover amount, the maximum amount that could be borrowed based on the valuation and the asset cover, the loan balance at 30 September 2019 and the 'excess' security currently in place.

The latter represents the amount of security in place (based on the last valuations) that is in excess of the loan agreement requirements. There is around £10.4 million of excess security in place. The Association could ask for some of the secured stock to be released from security per the asset release clauses of the loan agreements.

In any new loan agreement, the Association should ensure that asset release clauses are included in the loan documentation. As debt is naturally repaid over time excess security increases therefore an asset release clause allows the Association to have stock removed from security at no penalty from the lender. The Clydesdale Bank loans in particular do not include any reference to asset release. Although, Clydesdale Bank allowed this to take place recently, at Wellhouse's request, there is no guarantee that they will agree to this again in the future.

In general terms, as the loan debt is repaid it would be expected that excess security would result assuming also that the last valuation figure is at least maintained.

#### **5.4 SECURED AND UNSECURED STOCK**

The final attachment to the report (Appendix IV) details the total stock secured by existing loans and the stock that remains unsecured or 'unencumbered'.

Based on this information there are 136 properties unsecured to any lender at the report date.

Unsecured stock has an approximate EUV of £3.3m

#### **5.5 FUTURE PROPOSED BORROWINGS**

Using approximate EUV figures there is an ability (at 30 September 2019) to borrow a further £13.5m. This is based on the existing excess security plus the value of the unsecured stock on asset cover of 115%.

This does not mean that the Association could afford to pay for such an additional loan amount (in the absence of additional income); it simply means that if the business plan indicated new houses being built then, subject to a viable proposition, there is an ability to borrow.

Currently there are no plans that require additional borrowing. However, a development working group is looking into all the options available to Wellhouse in terms of future developments.

#### **5.6 PROJECTED CASH-FLOW POSITION**

At 30 September 2019 the overall cash resources are around £1.9 million.

The current draft long term projections (base case model) indicate a positive cash position over the short to medium term. Cash balances are expected to increase by around £1.2 million over the next five years. However, in the following five years cash balances are expected to consistently rise.

#### **5.7 COVENANT COMPLIANCE**

There are no loan covenant issues expected at any point based on the draft long-term projections.

## 5.8 INTEREST EARNINGS FROM SURPLUS FUNDS

Although the Bank of England Base rate was increased from 0.5% to 0.75% in late 2017, unfortunately this has not influenced the low rates of interest on offer for deposits with financial institutions.

Earnings for the 6 months to 30 September 2019 were only £3,330. Given that even 12 month deposits are earning considerably less than 1%, it is not envisaged that there will be any material activity in terms of placing cash on deposit.

## 5.9 COMPLIANCE WITH POLICY

There are no issues to be noted in respect of non-compliance with policy and there is no requirement to amend the existing treasury management policy, which was formally reviewed in November 2018.

The policy is based on the recommendations of the Code of Practice on Treasury Management issued by Chartered Institute of Public Finance and Accountancy (CIPFA). It also takes account of Scottish Housing Regulator Regulatory Standards which govern treasury management. There have been no recent regulatory or statutory publications or legislation which need to be incorporated into the policy.

The underlying principle of the policy is that Wellhouse should, at all times, remain risk averse. The capital of the Association should not be put in jeopardy in pursuit of slightly better investment interest rates.

## 5.10 TREASURY STRATEGY FOR NEXT 12 MONTHS

The Association is relatively risk averse and the main intentions of the treasury activity are-

- effective management and control of risk
- to protect the capital sums held by the Association
- ensure sufficient liquidity for the Association in its day to day operations
- ensure access to sufficient resources for any future new build activity
- keeping loan costs to a reasonable level
- at all times be risk averse

The Bank of England BASE rate of interest is currently sitting at 0.75%. The only certainty with interest rates is that no one fully knows what is going to happen.

In the event that new build potential opportunities materialise in the short – medium term, there is an ability to borrow based on stock values and the main requirement will be for the project to be considered on a stand-alone basis in terms of viability. Although, the Five Year Financial Projections (FYFP) submitted to Scottish Housing Regulator in June 2019 does not include any development expenditure, there is a possibility that some development may take place within the next 2 – 3 years. A development working group is looking into the possibility of developing, appraising all the options available.

The Association currently has a mix of fixed and variable rate finance although the current % of fixed rate debt is at a much higher level than that of policy requirements (86% as opposed to ranging from 40% to 60% noted in policy). Because the current fixed rate loans will expire in 2023 and 2027, there will be no change to the fixed to variable ratio in the next 12 months. However, if the speculation of further base rate rises materialise, there will be very little, if any, in the way of additional cost to Wellhouse.

The Finance Manager will have a look at available deposit rates from other Institutions and gauge if it is worthwhile, financially, spending time on this exercise. Because of the historically low interest receivable rates, it is not expected that there will be much additional investment over the next twelve months.

Short. Medium and long-term cash forecasts will continue to be produced, monitoring movement of cashflow. These will also monitor financial covenants, highlighting any pressure points at the earliest opportunity

## **6. DISCUSSION**

6.1 Questions or points of clarity are invited.

## **7. REGULATORY, LEGAL AND CONSTITUTIONAL ISSUES**

There is a regulatory requirement for Wellhouse to maintain good Treasury Management.

The following SHR Regulatory Standards, contained within the new Regulatory Framework, which govern Treasury Management have been taken into account:-

- RS 3:1 The RSL has effective financial and treasury management controls and procedures to achieve the right balance between costs and outcomes, and control costs effectively. The RSL ensures security of assets, the proper use of public and private funds, and access to sufficient liquidity at all times.
- RS 3:2 The governing body fully understands the implications of the treasury management strategy it adopts, ensures this is in the best interests of the RSL and that it understands the associated risks.
- RS 3:5 The RSL monitors, reports on and complies with any covenants it has agreed with funders. The governing body assesses the risks of these not being complied with and takes appropriate action to mitigate and manage them.

Chartered Institute of Public Finance and Accountancy has issued a Code of Practice on Treasury Management which RSLs are expected to follow.

It is also considered Good Practice for Wellhouse to regularly review and report on its Treasury Management operations. Committee should always be aware of the cash position of the Association.

## 8. FINANCIAL IMPLICATIONS

8.1 Not applicable.

## 9. KEY RISKS

9.1

(a) Strategic Risks	(b) Operational Risks	(c) Project Level Risks
Failure to report on Treasury Management operations annually and prepare a Treasury Management Strategy for the coming year would result in Wellhouse failing to comply with SHR Regulatory Standards.		
Mitigation	Mitigation	Mitigation
Regular monitoring and reporting on Treasury Management as part of quarterly financial reporting. Regular cashflow reporting included in all forecasting models.		

## 10. EQUALITY, DIVERSITY & HUMAN RIGHTS IMPLICATIONS

10.1 None apparent.

## 11. SUSTAINABILITY

11.1 Not applicable.

## 12. SWOT ANALYSIS

12.1 Not required.

## 13. CONCLUSION

13.1 Wellhouse has 136 unencumbered units which are readily available as security in the event of any future development.

Unencumbered stock and excess security allow for the potential borrowing of £13.5 million.

Latest valuations carried out on behalf of RBS show an increase in value of RBS funded stock.

Lenders financial covenants continue to be met comfortably.

Outstanding loan balance continues to fall and is now below £8.3 million.

APPENDIX I - PROPERTY VALUATION SUMMARY  
AS AT 30 SEPTEMBER 2019

LENDER	HOUSING UNITS	OTHER UNITS	EUV-SH VALUATION	Market Value Vacant Possession	EUV-SH WITH SALES	DATE OF VALUATION	COMMENTS
ROYAL BANK OF SCOTLAND							
SST	313		£	£	£		
Phase 2A	38		7,150,000	7,150,000		November 2018	JLL
Phase 2B	53		985,000	1,820,000		November 2018	JLL
Phase 3	56		1,465,000	2,560,000		November 2018	JLL
Phase 4	86		1,570,000	2,960,000		November 2018	JLL
			2,635,000	4,580,000		November 2018	JLL
<b>RBS total</b>	<b>546</b>	<b>-</b>	<b>13,805,000</b>	<b>19,070,000</b>	<b>-</b>		
CLYDESDALE							
Phase 5A+5B	111		£	£	£		
			3,611,000		6,124,000	December 2017	JLL
<b>Clydesdale total</b>	<b>111</b>	<b>-</b>	<b>3,611,000</b>	<b>-</b>	<b>6,124,000</b>		
<b>Total Units in Security</b>	<b>657</b>	<b>-</b>	<b>17,416,000</b>	<b>19,070,000</b>	<b>6,124,000</b>		

TREASURY MANAGEMENT REPORT

APPENDIX II - LOAN BALANCES AS AT 30 SEPTEMBER 2019

	No of Units Secured	Original Loan	Drawdown Date	Loan Term	Fixed/Variable	Current Rates including Margin	Balance 30 September 2019	Debt Per Unit
<b>ROYAL BANK OF SCOTLAND</b>								
SST		2,150,000	June 2010	30	Fixed - Fac B	LIBOR +1.60% until Aug 13, then Fixed 2.65% + Margin (1.75% 7yrs, 1.85% 10yrs, 1.9% to end)	1,716,521	
Phase 2A & 4		1,375,000	March 2003	30	Fixed - Fac A	LIBOR +1.60% until Aug 13, then Fixed 2.49% + Margin 1.6% 10yrs	905,443	
Phase 3 & 6		2,250,000	Oct 2012	5	Variable	LIBOR + Margin 1.90% - Interest Only	-	
Phase 7		4,600,000	Jan 2013	5	Variable	LIBOR + 1.85% - Interest Only	-	
Phase 3 & 6 & 7		4,473,079	Apr'17		Fixed	Fixed Rate 1.208% + Margin 1.50%	4,473,079	
	546	10,375,000					7,095,043	12,995
							86%	
<b>CLYDESDALE</b>								
Phase 1		227,443	Sept 1997	25	Variable	Base plus margin 0.45%	-	
Phase 5A	111	1,000,000	February 2004	25	Fixed	Fixed 6.18% (inc margin of 45% + MLAO 0.02%) to 2019	553,347	
Phase 5A			February 2019		Variable	1 Month LIBOR + 0.45%	624,525	
Phase 5B	111	1,132,361	October 2004	25	Variable	LIBOR + 0.45%	1,177,872	10,611
		2,359,804					14%	
<b>TOTAL</b>	657	12,734,804					8,272,915	
Fixed Rate Loans:	£	Mix %						
Variable Rate Loans:	7,095,043	86%						
	1,177,872	14%						
<b>Total</b>	8,272,915	100%						



**APPENDIX III - ASSET COVER INFORMATION  
(COMPARISON OF DEBT TO SECURITY)  
AS AT 30 SEPTEMBER 2019**

	Valuation	%	Loan Cover	Outstanding Loans Balance 30 September 2019	Excess Security
<b>Royal Bank of Scotland</b>					
Existing Use Value - Social Housing	7,150,000	115%	6,217,391	7,095,043	8,291,579
Market Value - Subject to Tenancy	11,920,000	130%	9,169,231		
<b>Clydesdale Bank</b>					
Existing Use Value - Social Housing	3,611,000	110%	3,282,727	1,177,872	2,104,855
<b>Totals</b>			<b>18,669,349</b>	<b>8,272,915</b>	<b>10,396,434</b>



**APPENDIX IV - FREE SECURITY  
AS AT 30 SEPTEMBER 2019**

<u>Unsecured stock</u>	<u>No of Units</u>	<u>Existing Use</u>
		<u>Value - SH</u> £
Phase 6A & 6B	43	1,669,000
Phase 7	40	-
Newills Road x2	2	-
Phase 1 - released in 15/16 from CB	50	1,626,577
SST	1	22,843
	<u>136</u>	<u>3,318,420</u>
Four commercial units market value	4	<u>340,000</u>

Stock total check

Secured	657
Unsecured	<u>136</u>
Stock Nos per Valuation	<u>793</u>

<b>Management Committee</b>	28 November 2019
<b>Agenda Item</b>	11
<b>Title of Paper</b>	Management Team Report
<b>Author</b>	Management team
<b>Appendices:</b>	

## FOR INFORMATION AND DECISION

### 1 PURPOSE

- 1.1 To present the management team report, highlighting any notable changes to the operating environment for Wellhouse Housing Association, including:
- issues flagged up by membership organisations;
  - reporting on training opportunities for committee members;
  - any feedback from training events;
  - reporting progress on key issues which the committee are tracking and;
  - seeking decisions on minor matters that do not require a full report.

### 2 RECOMMENDATIONS

- 2.1 That the various update reports be noted for information.

### 3. BACKGROUND

- 3.1 The purpose of this report is to both improve the efficiency of meetings and rationalise meeting agendas. Management must keep a close eye on key external changes that may affect Wellhouse Housing Association, and report on these systematically to committee.
- 3.2 The Director continues to provide monthly updates, which supplement this report. It is important that committee read the updates and raise any question that they may have. In addition, the Director sends under separate cover the EHRA committee minutes and other key information and committee are encouraged to sign up to SFHA updates and SHARE newsletters. Scottish Housing News and SFHA daily newsletter are a good source of information too.

### 3.3 Business Plan and values

- The production of a management team report (and the monthly update) is consistent with:
- strategic objective 5: to maintain good governance and financial management and;
  - our values of excellence, honesty, trust and accountability.

**Trust    Honesty    Integrity    Excellence    Accountability    Sustainability**

#### **4. MAIN ISSUES: Director:**

##### **4.1 Hub BP**

Delayed till end of financial year, to allow a full assessment of uses, now that CCT have terminated their relationship with WHA.

##### **4.2 Development**

A separate report applies but, in a nutshell, we have had confirmation that foul water drainage is no longer a concern but ground water (flooding concerns) are. The previously proposed solution was valued up to £800k. We await a response from SEPA and Scottish Water.

##### **4.3 Updates from EVH, SHARE, etc.**

Sent under separate cover.

##### **4.4 EHRA General Election Hustings.**

The EHRA General Election Hustings will be held at Blairtummock Hall, 4 December 19.00 to 21.00. Candidates from Labour, Lib Dem, Conservative and SNP have confirmed attendance. At the time of writing, I am organising a chair.

##### **4.5 Christmas Panto.**

We have purchased 200 tickets for the Panto at the Plat-form and have begun promoting this.

#### **5. MAIN ISSUES: Assets & Maintenance Manager**

##### **5.1 Planned & Cyclical Maintenance Programs**

The Contractor is on site carrying out surveys work, which is due to start early November.

Cyclical Painter works are due to start 21/10/19

Phase 1 and 2 Windows are being surveyed for quantity of windows required to allow tender work to be started.

##### **5.2 Tenant Satisfaction**

Satisfaction with repairs has fallen to 80 % from 93% in the last quarter. Of the 84 tenants surveyed 9 were unhappy with the service. I have written to the 9 tenants asking if they would like to meet or call to discuss the issues they believe they have. Qtr. 2 Emergency & Non-Emergency Repairs Comparison are attached at appendix 1 for information.

## **6. MAIN ISSUES: Housing Manager**

The following is an update on relevant activity within the Housing Team for the November Committee meeting:

### **6.1 Arrears Performance**

A separate Arrears report has been provided to Committee. As more tenants migrate onto Universal Credit, the manual task of assessing its impact on rental income is becoming extremely onerous. As a result we are currently exploring electronic options. The Income Advisor has now generated almost £2m for the benefit of tenants and the Association and the drop-in sessions are still very well attended.

### **6.2 Information sharing and joint working**

An initial meeting has been held with a Senior Manager from Direct Regeneration Services, GCC, to establish a network of services which will support WHA in their efforts to deal with estate issues, nuisance and anti – social behaviour. A multi-agency approach is essential for finding effective solutions.

In addition the team met with the Link Officer for the Health and Social Care Partnership who will enable us to access vital support for tenants timeously.

### **6.3 Tenant Participation**

The 'Next Steps' Programme is moving forward. TPAS have completed a desk top survey of WHA's service in relation to Tenant Participation. The report will be shared in January 2020 when a suitable date is arranged for the board, staff and the Customer Opinion Panel (COP) to meet.

### **6.4 Training**

Since approval by the Board in October of the Domestic Abuse Policies, the Housing staff have met with the Violence against Women Coordinator, GCC, and training for staff and contractors is now being arranged. 2 members of staff are attending a local Multi Agency Risk Assessment Conference (MARAC) to observe the approach taken and to ascertain how WHA can benefit and contribute to dealing with domestic abuse in our area.

## **7. MAIN ISSUES: Finance & Corporate Services Manager**

### **7.1 Fraud Training**

The Finance & Corporate Services Manager (FCSM) has been in contact with Wylie & Bisset with a view to providing some Fraud training. Wylie & Bisset are our internal auditors and are well versed in holding training sessions. Scott McCready, who Committee will be familiar with, is likely to be the person presenting the session and because of the nature of their business, it won't focus solely on financial fraud but also potential frauds within processes etc.

Because this is an important topic, we aim to have as many staff members attending as possible but would like some Committee members to attend as well. It is hoped that this

training will take place prior to Christmas and we will likely have two sessions planned – one during the working day and one in the evening to try and accommodate as many staff and Committee members as possible.

Potential dates will be notified to everyone in due course.

**Recommendation:**

- Committee members are asked to contact FCSM and notify him of their intention of attending one of these sessions.

## **7.2 December Salary Pay Date**

The December salary pay date (28<sup>th</sup> December) falls on a Saturday and is potentially in the middle of a proposed Christmas Break shutdown. To allow the December salary to be sent to the bank prior to any shutdown and also to have Finance staff/authorised signatories available if necessary, it is proposed to bring forward the pay date to Friday 20<sup>th</sup> December. Committee is asked to give approval for the FCSM to action this.

**Recommendation:**

- Committee is asked to approve December salary being paid on Friday 20<sup>th</sup> December.

## **8. REGULATORY, LEGAL AND CONSTITUTIONAL ISSUES**

These are dealt with in the body of the report.

## **9. FINANCIAL IMPLICATIONS**

Dealt with in the body of the report.

## **10. KEY RISKS**

Failure to produce this management team report in a manner approved by the committee could lead to an under informed committee.

## **11. EQUALITY AND DIVERSITY**

None apparent at this time