

17 November 2020

Dear Member,

The next Management Committee will be held on **24th November 2020, at 6PM via Zoom**

Agenda Item		Lead	Time	
1.	Welcome, <i>Sederunt</i> & Apologies.	Chair	1 min	Verbal
2.	Declarations of Interest.	Chair	1 min	Verbal
3.	Minutes of the Committee Meeting of 29 October 2020	Chair	3min	Approval
4.	Matters Arising & Actions from the minutes report	Director	3min	Note
5.	Assurance Statement & Evidence Bank	Director	20min	Approval
6.	Management Accounts – September 2020	Finance Manager	10min	Approval
7.	Draft Budget (incl. rent increase proposal)	Finance Manager	15min	Approval
8.	Quarter 2 – KPI Report July – September 2020	Finance Manager	10min	Approval
9.	Annual Treasury Management Report	Finance Manager	10min	Approval
10.	Rent Arrears Update	Housing Manager	10min	Note
11.	Operational update	Management Team	15min	Note
12.	AOCB	Chair	5min	
	i. Christmas Closure	Director		Approval
	ii. Early payment	Finance Manager		Approval

Meeting close: 8PM, Next Meeting: 28th January 2020, 11am

**WELLHOUSE HOUSING ASSOCIATION
MINUTES OF THE COMMITTEE MEETING HELD ON 29 OCTOBER 2020
AT 11AM - VIA ZOOM**

1. Welcome, Sederunt & Apologies.

Present:

Darron Brown	Chair
Maureen Morris	Vice-Chair
Jane Heppenstall	Committee Member
Clare Monteith	Committee member
Michelle Harrow	Committee Member
Carol Torrie	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
Scott McCready	Wylie & Bisset (Item 2 only)

Apologies:

Sarah Morris	Committee Member
Shona McKenna	Committee Member
Stewart McIntosh	Committee Member

The Chair welcomed Scott McCready to the meeting.

2. Declarations of Interest.

There were no declarations of interest.

3. Internal Audit Reports.

Scott McCready presented the findings of two audit reports relating to business planning and development.

Development:

Scott highlighted that the development audit highlighted three recommendations all of which were graded as low. He took committee through the areas of review. Two of the recommendations related to the relationship between the Association and its development agent in relation to the signed development agreements and the delay of invoicing from the contractor. The Director stated that the development agreement had been approved by committee and had been signed. This will be reviewed before any live developments begin in Wellhouse. The third related to the Sustainability policy, which was in draft form. The Director intervened stating that Scott had received the incorrect version of the policy which had been approved and was no longer in draft form. The overall conclusion from this Audit provided a strong level of assurance from the review highlighting five areas of good practice.

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Business Planning:

Scott noted that the business planning audit highlighted just one recommendation which was graded as low. The recommendation was to review the fall out of Covid 19 and to take account of global pandemics when drafting future business plans. The management response was to review the effect of Covid 19 had on financial and operational activities and to include global pandemics as potential risks in future business plan. The audit had highlighted 11 areas of good practice with the overall conclusion providing a strong level of assurance. The benchmark against similar housing associations was better than average.

He highlighted that they had undertaken a 3 further audits some weeks ago. There had been a delay in processing the audits due to the auditor at Wylie and Bisset being on sick leave. It was hoped that these would be with the Finance Manager early next week.

Scott thanked the finance team and staff for their assistance during the audit process which had been carried out remotely. He sought comments and/or questions from the committee. There were none.

Resolution:**Committee;**

**Noted the findings of the audits and agreed to the follow up actions as noted within the report;
Approved the draft management responses.**

Scott left the meeting at this time.

4. Minutes of the Committee Meeting of 27 August 2020.**Resolution:**

The Minutes of the Committee Meeting of 27 August 2020 were proposed by Jane Heppenstall and seconded by Clare Monteith as an accurate record of the proceedings.

4.1 Minutes of the Governance items following the AGM 2020**Resolution:**

The Minutes of the Governance items following the AGM 2020 were proposed by Maureen Morris and seconded by Jane Heppenstall as an accurate record of the proceedings.

5. Matters arising:**Development:**

The Director informed committee that at 12:30 today a site visit was being carried out by the GCC Department of Regeneration Services and Scottish Water to look around the whole of Wellhouse and the sites earmarked for development. He spoke of a meeting held on Monday where the Director felt progress had been made in relation to connecting to the sewage drainage systems and discussion of creating water butts and green space drainage areas to deal with flooding issues in Wellhouse. He had also been provided with a map of the underground pipework and he had agreed to the shared cost between GCC and Wellhouse HA to complete

a CCT survey of the underground pipework to ascertain the condition of the drains. He anticipates the shared cost of the survey to be £1,500.00 (£750 each). He updated during the meeting that the survey would be completed on 4th November 2020. He will report on progress.

There were no other issues which were not cover in subsequent agenda items.

6. SHAPS Viability Survey.

The Finance Manger presented the report to update committee of the risk category of Wellhouse HA based on SHAPS Financial Viability assessment survey. He highlighted that all employers participating in SHAPS with any defined benefit liabilities are required to complete an online financial assessment questionnaire each year and is vital for members financial security and to reduce the risk of insolvent employers leaving liabilities in SHAPS for remaining employers to manage. He asked committee to note that Wellhouse were no longer in the defined benefit scheme however due to the past service deficit we are still attached and required to complete the assessment. He highlighted the three areas of forecasting which is a measure of future pension scheme contribution cover and is an indicator of the earnings strength over the next three years. Taking the forecasts into consideration; Wellhouse falls into the low risk category.

Committee noted the results of the SHAPS Financial Viability assessment survey.

6.1 Statutory Annual Return to OSCR.

The Finance Manager asked committee to note that it was a statutory requirement for Wellhouse to complete and submit the Annual Return to OSCR by 31 December 2020. The figures in the Annual Return reflect the figure in the Annual Statutory Accounts approved by committee as at 27 August 2020 and a signed copy of the accounts will be submitted alongside the Annual Return. He sought authorisation to submit the Annual Return to OSCR for Wellhouse HA.

Resolution:

Committee approved submission of the Statutory Annual Return to OSCR;

Clare Monteith proposed and Maureen Morris seconded that the Finance Manager submits the OSCR Annual Return by the specified deadline of 31 December 2020.

7. Rent Arrears update.

The Housing Manager presented the report to update committee on the rent arrears position. She highlighted cause for concern since the last committee update where rent arrears had increased by £14,693 and have since increased by almost £8,000 at the end of September.

She highlighted discussions with the Director in relation to current gross rent arrears at 9.3% (£309,082) of annual income. She discussed the amount of universal credit arears however; her concern was those 110 tenants who owe over £1000 in rent arrears, who collectively owe over £228,232.47. The housing team continue to prioritise this group of individuals. She noted the challenges in contacting people given the current Covid situation and the legal challenges relating to the notice period for NOPs being extended to 6 months.

Jane Heppenstall sought clarification on where Wellhouse were sitting within the sector averages. The Housing Manager referred to the returns from the SHR which indicate that we are about double the national

average. The Director emphasised his concern over the level of rent arrears. He noted a legacy issue within Wellhouse in how rental income was reported and the number of tenants in long term arrears, which was always going to be an issue for us however he considered that an urgent plan of action was required.

Carol Torrie asked what percentage of income of the 167 tenants claiming Universal Credit was paid directly to the housing association. The Housing Manager stated that the number of tenants on managed payment to landlords' changes on a weekly basis however if a recipient does not grant payments to us, the Association is required to wait three months before we can claim payment.

Jane Heppenstall requested that when the proposed action plan is being drawn that consideration be given to the risk factors to the Association and what works this will prevent us from doing in the future.

Committee noted the contents of the report.

Action: The Director and Housing Manager will draw up a proposed plan of action to combat arrears and report back to committee in early 2021.

8. Financial Regulations Update.

The Finance Manager presented the report to advise committee of the proposed changes to the financial regulations. He noted that the regulations and procedure were reviewed earlier in the year however when updated information was being completed to submit to the Clydesdale Bank, a slight inconsistency was highlighted in the processes of cheque signatories and BACS payments and that this report aims to resolve this issue.

He noted that the listing of authorised signatories in the Regulations lists only the Director and Office Bearers as cheque signatories. To provide a bit more consistency to the practice he proposed that by enabling another senior member of staff to sign cheques in addition to the Director, would eliminate the issue of 2 committee members having to sign a cheque without it being signed beforehand by a senior officer if the Director was unavailable for a period of time. He noted internal controls and checks would still be in place.

Subject to committee consideration of the proposed changes he sought approval to for the Finance Officer to update the list of current cheque signatories and submit the form to the Clydesdale Bank.

Resolution:

Committee confirmed their satisfaction and approved the updated document.

Clare Monteith proposed and Maureen Morris seconded the updated financial regulations.

9. Operational update.

1. Director:

Governance/Continuing Assurance:

The Director recommended that in order to keep good governance and assurance under constant and transparent review; that we take part in a joint initiative with Housing Association partners outside greater Easterhouse. He informed committee that he was part of an informal group of chief officers who are working

on this and is being led by Elderpark HA. Wellhouse HA's contribution to the tender would be approximately £2,000. He highlighted the specification document at Appendix 1 and sought committee approval to proceed.

Resolution:

Committee agreed to progressing with the joint initiative and associated costs.

2. Housing & Customer Services Manager:

The Housing Manager updated that the annual review of the housing waiting list is underway and that the Landlord Report had been delivered to tenants and updated on the website. The review of the Common Housing Register Allocation Policy is ongoing and Housing Officers continue to offer support to those tenants affected by Covid 19 and are monitoring and making contact for missed payments and assisting with claims for housing benefit and Universal Credit.

Discussion with Glasgow City Council Homeless Services continue and the Income Advice Officer continues to support the digital assistance programme and is exploring further areas of funding that may be available.

3. Assets and Maintenance Manager:

The Maintenance Manager informed committee that the Stage 3 Adaptions Fund of £25,000 had been fully allocated. A further HAG claim had been submitted to GCC and further funding has been received which will be allocated the 3 referrals currently on hold.

The Estates Team continue to deal with the ongoing issues surrounding the bin areas and other areas of bulk uplift. He noted that we are reporting to GCC re fly-tipping which is being picked up 2-3 days later.

Committee had a lengthy discussion re: bulk uplift within the area. The Maintenance Manager confirmed that GCC are still not doing bulk uplift. Committee had further discussions regarding whether this was a service the Association could provide at a cost on a temporary basis. The Director stated that the local authority had written to us to inform that they have suspended bulk uplifts and charges will be imposed if services resume. He stated that GCC had put up signs in Govanhill informing tenants that their landlord would pick bulk up however had never consulted with the housing associations. The EHRA group has written to the Councillors, MP's and MSP's about this issue. He stated that the Association would give further consideration to providing this service at a cost next year.

Committee asked if during this period could the Association as a gesture of goodwill do a 1 off bulk uplift within the area. The Director reiterated the uplifts that the Estates Team have already completed as a gesture of goodwill. The Maintenance Manager asked committee to consider costs; how this would be resourced and other areas of work which not be completed should the Estates Team be required to continue with uplifts.

4. Finance & Corporate Services Manager:

The Finance Manager provided a summary of the ongoing day-to-day operational activity of the Finance Team. The highlighted that the delayed audit results discussed by Wylie & Bisset are unlikely to be reported to committee until the January meeting. He informed committee that himself and the Director had met with our Insurance Broker last week and we would be going to tender for insurance next April.

10. Gutter Clean and Roof Anchor Testing.

The Maintenance Manager updated committee on the procurement process for the gutter/roof anchor which had been openly advertised on Public Contracts Scotland by Ewing Somerville Partnership LTD. Tenders had been assessed on a price quality evaluation subject to passing the requirement of the European Single Procurement Document. 4 returns had been received; one of which was disqualified for failing to meet the required threshold. A second was disqualified as they failed to complete their responses in the quality submission part.

He took committee through the list of contractors, tender amounts and quality scores. He recommended to committee that Latto Maintenance Ltd be awarded the contract as best overall value and quality at a cost of £174,832 + VAT.

Resolution:

Committee approved Latto Maintenance Ltd being awarded the contract at a cost of £174,832 + VAT.

Maureen Morris proposed and Jane Heppenstall seconded the proposal.

11. AOCB.

1. Agreement – committee meeting dates and times.

Committee noted and approved the committee meeting dates and that meetings would rotate on a monthly basis to being held during the day one month and in the evening the following month to allow for those members who work during the day to attend alternate meetings.

2. Governance Items – Election/confirmation of Audit and Risk Committee – Chair

The Corporate & Governance Officer informed committee of the accidental omission of Sarah Morris within the election to the Audit and Risk under Governance items following the AGM report. Sarah has indicated her willingness to be confirmed as a continuing member.

Committee were asked to approve an erratum to the minutes of 23rd September to record accurate recording of such.

Clare Monteith confirmed her willingness to continue as Chair of the Staffing Committee.

Carol Torrie stated her willingness to become a member of the Audit & Risk Committee. Discussion ensued with regards the position of Chair.

A nomination was received Maureen Morris to elect Carol Torrie as Treasurer. Carol Torrie accepted the nomination and was duly elected as Treasurer.

Resolution:

Committee;

Confirmed Sarah Morris as a continuing member of the Audit & Risk Committee;

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Approved an erratum to the minute of 23 September to ensure accurate recording of this.

Maureen Morris proposed and Jane Heppenstall seconded, Carol Torrie being elected as Treasurer.

Action: It was agreed that the Governance Officer would email the Audit and Risk Committee to identify who would be willing to stand as Chair.

3. SGM

The Director reiterated the results arising from the SGM held in September and the required 75% approvals required to adopt the new Rules. He highlighted that the new emergency legislation which enables AGM's to be held remotely had been extended until the end of December 2020. He took committee through the minimal proposed changes to the new Rules and asked committee to consider their preference to reconvene another SGM remotely before the deadline or to convene next September at the AGM. He considered that the packs sent to members in September had been confusing and contained too much information.

Committee discussed at length clear communication to members.

Resolution:

Committee approved reconvening the SGM remotely before the deadline at the end of December.

4. Pay award.

The Director provided for information correspondence received from the EVH re: the Union being uncomfortable with the suggestion that there be no pay award next year. He highlighted that staff members had been happy to accept this given the current circumstances. The Director asked committee to note the possibility of having to discuss this at a later date should the Union come back with a proposal for a pay award.

There was no further business. Meeting closed 1:30pm.

Next Meeting: 24th November 2020, 6pm.

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

Signed (Chair)

Date:.....

Trust

Honesty

Integrity

Excellence

Accountability

Sustainability

ACTIONS ARISING FROM PREVIOUS MANAGEMENT COMMITTEE MEETINGS October 2020

MINUTE REFERENCE	ACTION	OWNER	DUE BY	STATUS OPEN/ CLOSED	PROGRESS
24 October 2019					
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	Open	Site Investigations are suspended during Covid 19 lockdown period.
13. Rent Arrears	Universal credit will be included on the November committee meeting agenda	Carol Hamilton	November 2019	Open	The Housing and Customer Services Manager will provide an update at the 24 November 2020 committee meeting.
November 2019					
11. Management Team Report	The Finance Manager will email proposed dates for fraud training to interested members	Gordon Kerr	January 2020	Open	The Finance Manager is still waiting for proposed dates for fraud training from the auditors. Suspended during Covid 19 lockdown period
April 2020					
10. AOCB Return to work.	The Director will bring a further report to the next committee with regards a recovery plan and measures to be put in place for return to work. He considered the risk to be too high at present and will continue to follow Government advice.	Director	May 2020	Open	The Director continues to follow government advice and will report on progress and measures being put in place as the need arises.

August 2020					
There were no actions arising from the minutes of 27 August 2020					
October 2020					
7. Rent Arrears update	The Director and Housing Manger will draw up a proposed plan of action to combat arrears and report back to committee in early 2021	Housing Manager and Director	Feb 2020	Open	
11. AOCB Governance Items	It was agreed that the Governance Officer would email the Audit and Risk Committee to identify who would be willing to stand as Chair of the Audit and Risk Committee	Governance Officer		Closed	Carol Torrie confirmed her acceptance to stand as Chair of the Audit and Risk Committee.

Management Committee	24 November 2020
Agenda Item	5
Title of Paper	Scottish Housing Regulator (SHR): regulatory framework - ASSURANCE STATEMENT
Author	Martin Wilkie-McFarlane, Director
Attachment(s)	1. Proposed assurance statement
Executive summary	The SHR's Regulatory Framework has been in place since April 2012. The SHR began the process of reviewing this framework in late 2017 in the form of informal discussion with SFHA and key stakeholders. A new regulatory framework was published in February 2019, coming into effect on 01 April 2019, with the requirement to submit our first Assurance Statement by 31/10/19. This was done, although no feedback or regulatory status was forthcoming, due to the Covid 19 lockdown. The second annual assurance statement is due by 30 November 2020.

FOR APPROVAL

1 PURPOSE

- 1.1 To report on the updated framework and remind committee of their responsibilities thereof.
- 1.2 To agree the Assurance Statement

2 RECOMMENDATIONS

- 2.1 To note the regulatory framework;
- 2.2 To note that we are on 'no engagement' at this time, pending submission of our mandatory assurance statement;
- 2.3 To participate in the presentation of the completed toolkit and ask questions as appropriate;
- 2.4 To approve the Assurance Statement and the chair to sign;
- 2.5 To agree 1 or 2 committee members be given temporary remote access to the server to verify the evidence bank and report to committee by 31 March 2021;
- 2.6 To agree on a way forward for additional support and training that may be required.

3 BUSINESS PLAN, VISION AND VALUES

- 3.1 This report is consistent with our strategic objective to provide good governance and financial management
- 3.2 This report is relevant in respect of the following Core Values:-
 - Accountability
 - Excellence

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4 BACKGROUND

- 4.1 The SHR's Regulatory Framework has been in place since April 2012.
- 4.2 This framework was replaced in April 2019. The committee attended a number of briefings in the period running up to that date and were fully apprised as to the changes.
- 4.3 The updated framework places additional responsibilities on governing body members and has shifted toward a system of self-assurance. It is crucial you are familiar with the framework. Should any committee member require specific or updated briefings, please advise the Corporate & Governance Officer.
- 4.4 There is a series of revised additional regulatory guidance: staff have reviewed all core guidance as and when required and appropriate training will be sourced for committee members as needed. The Toolkit for completion of the Assurance Statement and data bank has been completed. This is an updated data bank and evidence log from that which was used in 2019 and has a fully functioning linked evidence. The Director will present this at committee.

5. MAIN ISSUES:

- 5.1 Each RSL must produce an **annual assurance statement** in accordance with published guidance by the end of October each year and make this available to tenants and service users. The statement is to be approved by the management committee. The deadline for submission was extended this year. SHR does not outline a template for submission, it highlights that as part of the statement the governing body must confirm that the governing body has appropriate assurance that the RSL complies with:

- All regulatory requirements set out in Chapter 3 of the Regulatory Framework
- All relevant standards in the Scottish Social Housing Charter
- All relevant legislative duties
- The standards of governance and financial management
- Set out any areas where the RSL does not materially comply and briefly describe how the RSL is planning to improve those areas and the timeframe for improvement.
- Confirm that it has seen and considered appropriate evidence to support the level of assurance it has
- Confirm the date of the meeting that the governing body considered and agreed the statement
- Be signed by the Chair

- 5.1.1 This is due by 30 November 2020.

- 5.2 RSL's must have evidence that it considers **equalities and human rights** in that we must:

- Consider equalities and human rights when making all decisions, in the design and review of all policies and in daily service delivery;
- Collect data in relation to the protected characteristics of all tenants, applicants, staff and committee

5.2.1 This compliance area has been delayed until 2021, pending further guidance and clarity (there is no indication that this will be further delayed). Wellhouse has already updated our equality and diversity statement to include human rights. Full compliance remains to be achieved by Wellhouse.

5.3 In addition, the updated framework introduced number of **other new or revised requirements**, including:

- To have assurance and evidence that the RSLs is meeting all of its legal obligations associated with housing and homelessness services, equality and human rights and tenant and resident safety;
- To make Engagement Plans easily available and accessible to tenants and service users, including online;
- To ensure the RSL (Registered Social Landlord) has effective arrangements to learn from complaints and from other tenant and service user feedback, in accordance with SPSO (The Scottish Public Services Ombudsman) guidance;
- Keep up to date the organisational details in the Register of Social Landlords, by maintaining the information provided through the Landlord Portal;
- To make publicly available, including online, up to date details of who is on its governing body; the date when they first became a member/office holder; how to become a member of the RSL and of the governing body, and minutes of governing body meetings and reports.

Wellhouse has implemented all of the changes.

5.4 In relation to **Statutory Guidance**, RSLs must comply with, and submit information to the SHR in accordance with, guidance on:

- notifiable events;
- group structures;
- consulting tenants where tenant consent is required;
- financial viability of RSLs;
- determination of accounting requirement;
- preparation of financial statements.

5.5 Some of the main changes to **Regulatory Standards** include:

- An entire new Standard 7 to comprehensively outline new requirements around disposals and constitutional change. This is in light of the removal of the consents regime under the Housing (Amendment) Scotland Act 2018);
- New standards relating to internal audit at 4.5 and 4.6, including a requirement for all RSLs to have an internal audit function. We already complied before the new framework.
- Reference to the SHR's Business Planning guidance as part of standard 1.3. We comply.
- References to affordability throughout standard 3 in the context of rents; as well as in the context of salaries and pensions offerings at 3.6. We have already completed 2 affordability studies and will do so again this year..
- New standards relating to severance payments and compromise agreements at standards 5.7 and;

- A number of amendments to Standard 6 – to include reference to succession planning; annual appraisal; diversity of membership; and continuous professional development.
- 5.6 **ARC (Annual Return to the Charter)** indicators – these were reduced and were required for our 2020 submission, although a supplementary document was required. The ARC has been approved and submitted and the report to tenants has been sent. We have also been submitting monthly additional returns to the SHR throughout the lockdown period.
- 5.7 **Removal of High/ Medium/ Low engagement** which has been replaced with compliant/ working toward compliance and statutory action. We have no status at present. We hope to be judged as compliant by the SHR; our self-assessment is presently judged as complaint. We received no status in 2020 and this has been delayed to next year.

We note that we need to improve consultation with residents beyond committee, to do more work for full compliance with human rights & equalities and to ensure we are doing all we can to support tenants with the challenges presented by Universal Credit and Brexit. In addition, we should carry out a specific risk assessment in 2021 on the impact of Covid, especially on costs of component parts/ length of contract in maintenance and in arrears.

6. DISCUSSION

- 6.1 Wellhouse Housing Association, more than most of our colleagues has significant experience with the SHR; and with a high level of scrutiny and audit. We also embrace openness and transparency.
- 6.2 This meeting follows a series of meetings with respect to the new framework and the assurance statement over the last 2 years.
- 6.3 Note that in most areas where it previously said 'the RSL must' the new framework said 'the governing body must' which is a subtle but important shift toward the responsibilities on the management committee.
- 6.4 Director will present the evidence bank at the committee meeting and members must be assured of the content before asking the Chair to sign the statement on your behalf.
- 6.5 I suggest that we arrange for some e-learning, self-managed learning, training and coaching as appropriate to ensure committee members are fully comfortable with the new framework and our proposed plan of action for 2021
- 6.6 Last year, our assurance was spot checked by one committee member (Jane Heppenstall) and audited by our internal auditors and reported to committee. The lessons learned have been taken on board.
- 6.7 It is suggested that one or two committee members be given temporary remote access to the server to carry out a further verification exercise on the evidence bank.

7 REGULATORY, LEGAL AND CONSTITUTIONAL ISSUES

- 7.1 This is a new regulatory framework with which we must comply.

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7.2 The Assurance Statement is the core submission

8. FINANCIAL IMPLICATIONS

8.1 None anticipated at this time.

9 KEY RISKS

9.1

(a) Strategic Risks	(b) Operational Risks	(c) Project Level Risks
If we fail to adopt the framework, we will be deemed to be non-complaint	By not carrying out an annual assurance, committee will not be able to be convinced that we comply	If committee are not fully familiar, they may not be comfortable carrying out self-assessment
Mitigation	Mitigation	Mitigation
Framework has been adopted and we already comply with most areas	We will submit a statement in time	Q&A; learning; coaching; reporting.

10 EQUALITY, DIVERSITY & HUMAN RIGHTS IMPLICATIONS

10.1 None apparent at this time even accidental, save for the plans for 2021.

11. SUSTAINABILITY

11.1 No impact on our sustainability aims at this time even accidental

12. SWOT ANALYSIS

Strengths	Weaknesses
We have internal audit (and A&R subcommittee)	Collecting the data on protected characteristics
We submitted a voluntary assurance statement in 2018 and our first formal one in 2019.	We have not, to date, made minutes public
We have applied most of the guidance already	
Opportunities	Threats
Self-assurance is a good sense check, supports annual appraisals and is an important public statement	
Aim to become compliant with standards.	

13. CONCLUSION

- 13.1 Wellhouse Housing Association, ironically, by virtue of its high engagement and statutory intervention was in a strong position to adapt to the new framework in 2019. However, committee must be sure in their level of knowledge and confidence to self-assess/ assure the SHR
- 13.2 Wellhouse Housing Association are compliant with some small areas of improvement in *non-material* areas at this time. Consequently, committee should be able to submit the 2020 assurance statement.

Assurance Statement 2020

Wellhouse Housing has appropriate assurance that we:

- Comply with the regulatory requirements as set out in Chapter 3 of the Regulatory framework
- Comply with the standards and outcomes in the Scottish Social Housing Charter for tenants, people who are homeless and others who use our services
- Comply with relevant legislative duties
- Comply with the Scottish Housing Regulator's Standards of Governance and Financial Management

The Association's Management Committee assesses compliance against these requirements on a quarterly basis and considers detailed evidence, together with customer feedback, as part of this assessment. This evidence bank, based upon an excel toolkit with hyperlinks, is held in digital form in the office of Wellhouse Housing Association.

In order to remain compliant the Association will be focusing on the following areas during the coming year:

- Improving standards of customer satisfaction and participation, beyond the governing body and Customer Opinion Panel level.
- Working toward full compliance with human rights and equalities requirements by 2021, particularly in relation to data collection.
- Mitigating the impact of welfare reform and ensuring high levels of rent collection;
- Carrying out a risk assessment in relation to the impact of Covid 19 pandemic, specifically in relation to rent arrears and cost/availability of component parts and contract duration/ capacity due to physical distancing requirements.

The governing body does not deem these to be material non-compliance issues and we are therefore confident that we are **compliant** with the standards noted above. This Assurance Statement was approved by the Association's Board at its meeting on 24 November 2020.

Signed by:

Darron Brown, Chair

Management Committee	24th November 2020
Agenda Item	6
Title of Paper	Management Accounts – September 2020
Author	Gordon Kerr, Finance & Corporate Services Manager
Attachment(s)	Management Accounts

FOR INFORMATION & APPROVAL

1 PURPOSE

- 1.1 To provide Management Committee members with a comparison of the budget and actual financial positions to 30th September 2020.

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 2020/21 Operational Plan – "Quarterly Management Accounts".
- 3.4 This Report should ultimately contribute towards our overarching Aim and Vision of making Wellhouse "the Place to Be"

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 2020 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 £641,090 for the year. A draft budget for 2020/21 was considered in November 2019 and the final budget was approved in February 2020.

5 MAIN ISSUES

5.1 Statement of Comprehensive Income (SOCl) -

The budgeted surplus (24) for the period to 30th September 2020 is £337,045, however, the actual results for the period show a surplus of £571,920. There is, therefore, a favourable variance for the period of £234,875.

The overall favourable variance of £234,875 arises from-

- Operational activities £233,397 – favourable variance
- Net interest and other activities £1,478 - favourable variance

Income

Rental income (1) is virtually spot on budget with a slight favourable variance of £636. Void losses (2) are also lower than the budget figure - £8,748 (0.53%) as opposed to £13,196 (0.80%). A favourable variance in net rental income of £5,084.

Commercial rent (3a) is showing quite a significant adverse variance of £4,020 from a budget figure of £27,465 (14.6%). This is explained, mainly due to the revised rental figure for 17-19 Newhills Road being implemented, but also the service charge at The Hub no longer charged after July.

Factoring income (3b) – adverse variance of £1,155 from a budget of £7,912. Although, all standard monthly charges continued to be invoiced during the lockdown period, no rechargeable repairs were carried out.

Stage 3 Medical Adaptations Grant Income (5a) – almost all of the grant funding has been claimed up to the end of the second quarter, however, this is based on a smaller grant than had been budgeted. This is expected to change due to an increased offer of funding and will result in a favourable variance in the quarters going forward.

Grants released from Deferred Income (4) – the budget figure was calculated on a projected figure based on the 2019/20 outturn; however, the actual charge is based on the final 2019/20 position. A bit less (£10,016) due to disposal of components which have now been replaced.

Expenditure

Management & Maintenance Admin - £43,981 under-spend against budget. The following make up this favourable variance: -

- Salaries (6) (£16,075 under-spend) – mainly due to replacement Estate Warden Supervisor not being in post in the first quarter of the year.
- Overheads (7) – an underspend of £27,906 against budget. The attached overheads schedule shows a more detailed analysis of all variances.

Repairs & Maintenance – an underspend of £267,464 against budget 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)– a large under spend of £52,298 (Budget £174,799, actual £122,501). Responsive repairs (underspend £3,092 – almost back on budget as contractors are back to a normal service), estate services (underspend £11,354), voids maintenance (massive underspend of £35,602 – we did not get as many voids as anticipated and some works re kitchens & bathrooms were capitalised).
- Cyclical maintenance (10) – large under-spend of £81,785 - actual £24,815 against budget £106,600. Some external painting carried over from last year's programme, and small amounts of gutter cleaning and electrical testing carried out this year so far. Gas servicing is beginning to pick up but still way down on budget figure.
- Major repairs/planned renewals (11) – under-spend of £133,381 - actual £29,867 against budget £163,248. Kitchen and bathroom extractor fans, back courts and smoke alarms were pencilled in for being carried out in the first half of the year, however, virtually nothing has taken place. Stage 3 medical adaptations are now being carried out, increasing the spend by almost £24,000.
- The large underspends in maintenance come as no surprise. Most of our contractor's staff were on furlough due to covid-19 and only emergency repairs were being carried out. Work should, hopefully, start picking up again from September onwards as contractors return to full strength.

Housing Property Depreciation (12) – favourable variance of £9,265. The budget figure was calculated on a projected figure based on the 2019/20 outturn; however, the actual charge is based on the final 2019/20 position updated to include any replacement components. Replacement components this year much lower than budget so far, also contributing to the lower depreciation charge.

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. Due to the issues of the 2020/21 budget not stacking up, we decided not to budget a charge to income and expenditure this year. However, in actuality, we will be processing a charge each month and rather than being based on a notional budget figure, this is now calculated using the same formula as at the year-end – based on band levels of arrears. The charge for the six months has increased the provision quite substantially by £73,107.

5.2 **Statement of Financial Position-**

The Statement of Financial Position shows the actual position at September 2020 and also the position at March 2020 and the resulting movement in this financial year.

Housing Properties (18) has increased by £173,218. A few individual kitchen, bathroom and boiler replacements has amounted to £48,000, and an additional £38,000 has been spent replacing the boiler in The Hub, however, this is considerably less than the budget figure of just over £606,000. The purchase of an individual property on the open market added an additional £85,000.

Cash (19) has increased by over £500,000 to £2,551,576. Although, the arrears balance has increased due to cash not coming in, there have been significant shortfalls in cash going out, particularly maintenance (see above) resulting in this positive movement in cash.

Payables < 1 Year (20)

- Misc. creditors have reduced by over £100,000 since the year-end. The purchase ledger control A/C has also reduced by over £100,000 accounting for a large part of this movement.
- 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 (21) – have reduced by £119,139 due to the monthly contributions being paid towards this liability.
- Pension deficit (21) – The pension deficit reflects the revaluation of multi-employer DB scheme, due to the new accounting treatment for pensions. At the year-end the liability had been completely wiped out and subsequent payments to this appear to show the deficit as now being an asset. This remains here, purely, for internal reporting purposes as we will not be allowed to recognise an asset as part of the statutory accounts reporting. However, there will be another valuation prior to the year-end, which will, more than likely, re-introduce the liability.
- Deferred income (22) – similarly, the monthly release of deferred grant to Statement of Comprehensive Income of £279,375 has reduced these balances to below £15 million. However, it should be noted that the deferred income increased by £85,000 reflecting the grant received for the purchase of the individual property.

Reserves (23) – has increased by almost £572,000 to over £7.1 million, in line with the 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 accrual's method. The cashflow report shows a cash inflow (surplus) of £532,825 as opposed to a surplus of £571,921 in SOCI.

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

Trust Honesty Integrity Excellence Accountability Sustainability

- 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 (accruals and prepayments).

5.4 Covenant Compliance -

There are no covenant compliance issues with the following results being achieved at September 2020: -

- Interest cover - Target > 110%, Result = 1075.99%
- Gearing - Target < 30%, Result = 19.55%

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

The 2020/21 budget had indicated that there may be interest cover issues for this year and had to be reviewed to avoid this occurring. The approved budget achieved this covenant, albeit by a very tight margin, however, the actual position achieves it much more comfortably.

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.		
Mitigation	Mitigation	Mitigation
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 period to September 2020. The delayed start in carrying out most of the maintenance programmes has contributed, in no small way, to the underspend. A vacant staff post for the period and reduced spend on overheads have also contributed to the variance, however, apart from those the actual performance is pretty close to budget.

Cash position continues to increase and is in a reasonably healthy position finishing the period at over £2.5 million.

Overall, a good performance so far for the first half of 2020/21 resulting in a healthy financial position.

WELLHOUSE HOUSING ASSOCIATION

MANAGEMENT ACCOUNTS TO 31ST AUGUST 2020

STATEMENT OF COMPREHENSIVE INCOME



Ref	Social Lettings Rental & Service Chgs	Commercial Lettings	Actuals To Date Factoring Development	The Hub Services	Corporate Services	Total	Budget to Date	(Adverse) / Favourable Variance	Annual Budget
(1) Rental Income & Service Charges	1,650,172					1,650,172	1,649,536	636	3,299,071
(2) Less: Voids losses	(8,748)					(8,748)	(13,196)	4,448	(26,393)
(3) Commercial Rental Income		13,379		10,066		23,445	27,465	(4,020)	54,930
Factoring Income			6,758			6,758	7,912	(1,155)	15,824
(4) Grants released from Deferred Income	279,375					279,375	289,391	(10,016)	578,781
(5a) Other Revenue Grants	12,788					12,788	16,500	(3,713)	33,000
(5b) Other Income	1,933,586	13,379	6,758	10,066	0	1,963,789	1,977,996	(14,207)	3,955,991
(6) Management Expenses - Staff Costs	244,384		2,096		129,414	375,894	391,969	16,075	783,938
(7) Management Expenses - Overheads	29,426	0	2,049	5,250	133,659	170,384	198,291	27,906	396,581
(8) Service Costs	0					0	0	0	0
(9) Reactive Maintenance	122,481					122,501	174,799	52,298	349,597
(10) Cyclical Maintenance	24,815					24,815	106,600	81,785	213,200
(11) Planned Renewals/Major Repairs	29,867					29,867	163,248	133,381	359,496
(12) Depreciation on Housing Properties	498,691					498,691	507,956	9,265	1,015,913
(13) Bad Debts	73,107					73,107	0	(73,107)	0
	1,022,770	0	4,165	5,250	263,073	1,295,258	1,542,862	247,604	3,118,725
Operating Surplus	910,816	13,379	2,592	4,816	(263,073)	668,531	435,133	233,397	837,267
(14) Release of Negative Goodwill	19,062					19,062	19,067	(5)	38,134
(15) Gain/Loss on Disposal of Fixed Assets	0					0	0	0	0
(16) Interest Receivable	0				2,825	2,825	4,250	(1,425)	8,500
(17) Interest Payable/Other Finance Costs	(118,497)					(118,497)	(121,405)	2,908	(242,811)
(23)	811,381	13,379	2,592	4,816	(260,247)	571,920	337,045	234,875	641,090

WELLHOUSE HOUSING ASSOCIATION LTD

STATEMENT OF FINANCIAL POSITION AS AT

30 September 2020



ANNUAL BUDGET			AS AT 31/03/2020	ACT YTD 30/09/2020	MOVEMENT
£	Ref		£	£	£
Non Current Assets					
42,000,283	(18)	Housing Properties - gross cost	40,921,893	41,095,111	173,218
(13,798,144)		Depreciation	(12,621,173)	(13,119,865)	(498,692)
28,202,139			28,300,720	27,975,246	(325,474)
1,313,328		Other	1,343,642	1,328,798	(14,844)
29,515,467			29,644,362	29,304,044	(340,318)
(1,029,624)		Negative Goodwill	(1,067,759)	(1,048,697)	19,062
Current Assets					
214,127		Debtors	263,914	181,623	(82,291)
0		Inventory	0	0	0
1,790,370	(19)	Cash at Bank and in hand	2,018,751	2,551,576	532,825
2,004,497			2,282,665	2,733,199	450,534
(20) Payables < 1 year					
(965,616)		Misc Creditors	(1,101,021)	(1,000,650)	100,371
0		Pension Deficit	0	0	0
(220,738)		Loans	(221,338)	(221,338)	0
(1,186,354)			(1,322,359)	(1,221,988)	100,371
818,143		Net Current Assets/ (Liabilities)	960,306	1,511,211	550,905
29,303,986		Total Assets less current liabilities	29,536,909	29,766,558	210,587
(21) Payables > 1 year					
(7,699,379)		Loans	(7,933,510)	(7,814,371)	119,139
(251,825)		Pension Deficit	0	28,760	28,760
(7,951,204)			(7,933,510)	(7,785,611)	147,899
(22) Deferred Income					
(13,723,121)		Social Housing Grant	(14,324,693)	(14,142,118)	182,576
(730,288)		Non Housing Grants	(718,460)	(706,663)	11,797
(14,453,409)			(15,043,153)	(14,848,781)	194,372
6,899,374		Net Assets	6,560,246	7,132,167	571,921
Capital and Reserves					
200		Share Capital	118	118	0
6,899,174	(23)	Reserves	6,560,128	7,132,049	571,921
6,899,374			6,560,246	7,132,167	571,921

WELLHOUSE HOUSING ASSOCIATION LIMITED

MANAGEMENT ACCOUNTS TO

30 September 2020



STATEMENT OF CASHFLOWS

Operating Surplus		668,531	
Adjust for Depreciation and other non-cash transactions		<u>234,160</u>	
Adjusted Operating Surplus		902,691	
Movement in Debtors		82,291	
Movement in Creditors		(129,129)	
<u>Investing Activities</u>			
Purchase of Properties and Components	(173,218)		
Purchase of Other Fixed Assets	0		
Disposal of Other Fixed Assets	0		
Grants received	<u>85,001</u>		
		(88,217)	
<u>Financing Activities</u>			
Interest receivable	2,825		
Interest payable	(118,497)		
Loan capital repaid	(119,139)		
Share capital issued	<u>0</u>		
		(234,811)	
		<u>532,825</u>	
Movement in Cash per Balance Sheet		532,825	

WELLHOUSE HOUSING ASSOCIATION

COVENANTS AS AT 30 SEPTEMBER 2020



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	668,531			
Housing Grants Amortised	279,375			
Pension Deficit Contribution	(28,760)			
Housing Depreciation	498,691			
Component Replacements	(173,218)	Greater than 110%	1075.99%	Yes
	1,244,618			
Interest Payments	118,497			
Interest Receipts	(2,825)			
	115,672			

GEARING	Accounts	Target set by Bank	Actual	Covenant Satisfied?
Balance of Outstanding Loans	8,035,709	Less than 30%	19.55%	Yes
Historic Housing Cost	41,095,111			

WELLHOUSE HOUSING ASSOCIATION

2020/21 Budget



Overheads	Housing Management	Maintenance	Service Costs	Commercial Lettings	Factoring	Development	The Hub Services	Corporate Services	2020/21 Budget Total	Budget Apr-Sep'20	Actual Apr-Sep'20	(Adverse) Favourable Variance
24). Advertising (Publicity & Promotions)								1,000	1,000	500	0	500
25). Audit Fee - External								11,400	11,400	5,700	6,295	(595)
Audit Fee - Internal								12,100	12,100	6,050	3,840	2,210
26). Bank Charges - Allpay	11,800							500	11,800	5,900	4,545	1,355
- General								28,155	500	250	246	4
27). Depreciation - Other Fixed Assets									28,155	14,078	14,845	(767)
28). General Expenses - Miscellaneous								2,800	2,800	1,400	667	733
- Provisions								1,900	1,900	950	0	950
- Staff Welfare Costs								700	700	350	0	350
- Cash Collection Costs (GHS)								600	600	300	0	300
Taxi								1,200	1,200	600	22	578
Health & Safety								800	800	400	3,386	(2,986)
29). General Committee Expenses								3,600	3,600	1,800	0	1,800
30). Heat & Light							4,000	13,900	17,900	8,950	4,067	4,883
31). Cleaning							1,500	5,000	6,500	3,250	3,522	(272)
32). Insurance - Housing Stock	55,050				2,950			18,000	58,000	29,000	28,174	826
- Non-Housing premiums									18,000	9,000	11,152	(2,152)
33). Office Maintenance - Repairs & Renewals							5,000	10,000	15,000	7,500	22,577	(15,077)
- Equip Maintenance								7,000	7,000	3,500	1,148	2,362
34). Office Equipment - New Items								12,500	12,500	6,250	4,405	1,845
IT Maintenance Support Costs								30,500	30,500	15,250	11,313	3,937
IT Expenses								3,000	3,000	1,500	259	1,241
35). Printing (External)								8,200	8,200	4,100	10,952	(6,852)
Printing (Internal Photocopier Charges etc)								6,000	6,000	3,000	399	2,601
Stationery								4,300	4,300	2,150	609	1,541
36). Postage								2,900	2,900	1,450	1,738	(288)
37). Rent & Rates								1,900	1,900	950	472	478
38). Seminars & Training - Staff								16,000	16,000	8,000	1,688	6,312
39). Seminars & Training - Committee								5,500	5,500	2,750	27	2,723
40). Staff Recruitment								3,600	3,600	1,800	0	1,800
41). Subscriptions								25,976	25,976	12,988	13,931	(943)
42). Telephones							2,000	7,500	9,500	4,750	3,995	755
43). Legal Fees - General								12,000	12,000	6,000	3,699	2,301
44). Legal Fees - Housing	9,000							9,000	9,000	4,500	1,252	3,248
45). Professional Fees								13,000	13,000	6,500	2,037	4,463
Housing - Agency Fees - WFR								0	0	0	0	0
46). Commercial Property Cost				1,000				1,000	1,000	500	0	500
47). Donation - CCT Contribution								17,350	17,350	8,675	0	8,675
Donations - Others								400	400	200	3,000	(2,900)
48). Tenant Participation								12,000	12,000	6,000	6,123	(123)
49). Vehicle Costs	12,000							0	0	0	0	0
50). AGM Costs								3,000	3,000	1,500	0	1,500
51).								0	0	0	0	0
	87,850	0	0	0	1,000	2,950	0	12,500	292,281	198,291	170,384	27,906

WELLHOUSE HOUSING ASSOCIATION LTD

MAINTENANCE BUDGET TO MARCH 2021

	Total 2020/21 TOTAL	Budget Apr-Sept'20	Actual Apr-Sept'20	(Adverse) Favourable Variance
CYCLICAL MAINTENANCE				
ELECTRICAL TESTING	36,000	18,000	1,136	16,864
EXTERNAL PAINTING- phase 2B	0	0	3,420	(3,420)
EXTERNAL PAINTING- phase 8	0	0		
EXTERNAL PAINTING - phase 10	0	0		
GAS SERVICING	80,000	40,000	14,345	25,655
GUTTER CLEANING	66,000	33,000	5,054	27,946
GAS SAFETY AUDIT	7,800	3,900	0	3,900
FIRE SERVICE - 14 LANGBAR GDNS	7,800	3,900	0	3,900
	0	0		0
ASBESTOS MANAGEMENT	3,600	1,800	0	1,800
WATER TESTING	12,000	6,000	860	5,140
	<u>213,200</u>	<u>106,600</u>	<u>24,815</u>	<u>81,785</u>
REACTIVE MAINTENANCE				
REACTIVE MAINT	165,026	82,513	85,457	3,092
SCOTTISH POWER L/LSUP	12,071	6,035		
ESTATE SERVICES - Materials	25,000	12,500	2,736	9,764
ESTATE SERVICES - Van/Fuel	13,000	6,500		
Close Cleaning	0	0		
VOIDS	130,000	65,000	29,398	35,602
Facilities Management Costs	2,500	1,250	Code st	1,250
	<u>347,597</u>	<u>173,799</u>	<u>122,501</u>	<u>51,298</u>
Stage 3 Adaptations- Ex GHA				
Stage 3 Adaptations	12,996	6,498	4,125	
	30,000	15,000	19,602	(2,229)
	<u>42,996</u>	<u>21,498</u>	<u>23,727</u>	<u>(2,229)</u>
MAJOR REPAIRS - NON-CAPITALISED				
KITCHEN EXTRACTOR FANS Phase 5	7,500	7,500	818	6,682
Bathroom EXTRACTOR FANS Phase 5	7,500	7,500	0	7,500
	0	0		
Smoke Alarms Phase 8	48,000	48,000	3,487	44,513
External Paths	24,000	0	0	0
Back Courts Phase 1	60,000	30,000	660	59,340
Back Courts Phase 2A	60,000	30,000		
External Verandas	72,000	0	1,175	(1,175)
Consultants Costs	37,500	18,750		18,750
	0	0		
	<u>316,500</u>	<u>141,750</u>	<u>6,140</u>	<u>135,610</u>
MAJOR REPAIRS - CAPITALISED COMPONENTS				
Kitchens Phase 5	319,680	319,680	14,526	305,154
Bathrooms Phase 3	141,120	0	22,867	(22,867)
Gas Boiler Replacements Phase 10	90,000	90,000	10,339	79,661
External Doors 2B	108,000	72,000	1,750	70,250
External Windows 2A	295,200	98,400	Code st	98,400
the Hub boiler replacment	36,000	36,000	37,998	(1,998)
the Hub poss remodeling	0	0		
	<u>990,000</u>	<u>616,080</u>	<u>87,480</u>	<u>528,600</u>

Management Committee	24 th November 2020
Agenda Item	7
Title of Paper	2021/22 Draft Budget Discussion
Author	Gordon Kerr, Finance Manager
Attachment(s)	1) Draft budget statement of comprehensive income, statement of financial position and cashflow statement.

FOR INFORMATION AND APPROVAL

1 PURPOSE

- 1.1 To have an early discussion to consider the proposed rent increase for 2021/22 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 2020/21 Operational Plan – "Monitor the external financial environment and economy closely".

- 3.4 This Report also meets point 12:12 from 2020/21 Operational Plan – “Draft and Final budget for following year”.
- 3.5 This Report should ultimately contribute towards our overarching Aim and Vision of making Wellhouse "the Place to Be"

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 September, published mid-October are as follows:-
- CPI – 0.5%, increasing from 0.2% in August;
 - RPI – 1.1%, increasing from 0.5% in August;
 - CPIH (ONS's new preferred measure of inflation, including an element of owner occupiers housing costs) – 0.7%, increasing from 0.5% in August.
- 6.2 The current Business Plan assumes an inflationary rise plus 1% for each of the first five years. This, in turn, generates a healthy surplus of over £5.5 million for the five years; however, the cash position is a bit different with an increase in cash of just shy of £2 million over the same five-year period.

The extra 1% rise above inflation in the budget generates, roughly, an additional £33,000 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 will be used in conjunction with this exercise. This exercise will be carried out in due course and will be available prior to any final decisions being made on the rent increase.

Assuming we applied RPI + 1%, this would equate to 2.1% 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 (VFM) should identify areas where costs can be controlled.

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, reduces income by around £33,000 in 2021/22 and each subsequent year. By focusing on VFM, we can generate savings in order to absorb this reduction in income, however, 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 2021, then savings of around £33,000 would be required for 2021/22 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. Inflationary increases alone will not be the only factor to affect the Business Plan but also the pricing structure of jobs by our contractors. Because of the limitations imposed by Covid-19 and numbers of staff members allowed to work together at any one time, jobs will take longer to complete and will be also be priced higher to allow the contractors to remain viable. These factors are also being taken into account when preparing the Maintenance budget.

- 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. The GWSF survey results are our initial indicators of that, although not readily available at this point in time.
- 6.5 Tenant consultation is likely to commence in late-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 2021/22. Rent income will remain at just a shade under £3.3 million.
 - 1% increase – an additional £33,000 in rental income for 2021/22.
 - CPI only - an additional £16,500 in rental income for 2021/22.

- CPI + 1% (as per Business Plan) - an additional £49,500 in rental income for 2021/22.

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 £49,500, equating to the removal of a programme of around 20 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 £33,500 in lost rental income.
- Salary increases are based on EVH terms and conditions. We are in the midst of a 3-year wage deal, with year 3 effective April 2021. However, it is anticipated that further negotiations may need to take place as the agreed lower threshold may be breached. Any increase due from April 2021 will be determined with reference to the November 2020 CPI figure, which will be released in mid-December 2020. Each 1% of salary increase equates to circa £8,000. Draft budget salary increase is based on September CPI figure of 0.5% + 0.1%, but has been increased to reflect a more prudent forecast of 1%.
- There are some changes assumed to the existing staff structure. The current structure is based on having 3 Housing Officers in place. The budget assumes temporary cover of 5 months for one HO being on maternity leave. It also includes 2 additional 0.5 posts – one in Maintenance and one in Housing management. The Modern Apprentice programme ended in May 2020 and is not expected to be taken up again next year.
- Overheads, with the exception of Insurance, are assumed to remain at the same level of spend but with a prudent inflationary increase of around 2% added. Insurance has assumed to increase by 10%. There have been some additional items of spend included in overheads this year: -
 - GCC Anti-Social Behaviour support services - £10,000, however, this should result in savings against legal fees to TC Young – estimated at around £4,500.
 - HomeMaster software – we are reviewing the possibility of investing in new software for moving forward. Annual support subscription of £23,000. This has not been approved by Committee yet and a separate report will be brought to a later meeting with much more detail included.
 - Disaster Recovery/Business Continuity (including remote back-up facility) - assumed to be in the region of £6,000 per year, based on a 3-year contract. Similarly, this has not been approved by Committee yet and a separate report will be brought to a later meeting with much more detail included.
- Maintenance spend on each area has been provided by Assets & Maintenance Manager based on most up-to-date expectations and up-to-date pricing structures included.

- Arrears are assumed to increase by an additional £40,000, with the bad debts provision expected to increase by roughly $\frac{3}{4}$ of that increase.
- Base rate is expected to be at 0.5% for the first half of 2021/22 and then assumed to rise by 0.25% for the second half of the year. Because the bulk of our loans (87%) are fixed, there is less exposure to interest rate rises. Each 0.25% increase in interest rate equates to an additional interest charge of £220 per month.
- Normally in the budget, no account would be taken of the pension scheme revaluation, due to it being so volatile and such an unknown quantity. However, because the pension deficit is appearing as an asset, I have taken the liberty of forecasting negative movements in the second-half of the current year and 2021/22 to allow the pension deficit to appear as a liability again.
- No development will take place in 2021/22.
- No properties will be disposed of in the year and there will be no sales of other fixed assets.
- No additional properties are expected to be purchased either.
- 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 September CP1 + 1% (1.5%) is applied.
- Surplus for 2021/22 will be £447,948.
- Cash is expected to reduce by £132,769 to leave a balance at March 2022 of £2,224,012
- 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"> - Applying a rent increase which is too high may make rent unaffordable to tenants. Damage to Wellhouse reputation as well as financial implications - Applying a rent increase below that of our business plan assumptions will impact on our ability to deliver that plan 	Failure to raise sufficient income would be detrimental to our planned maintenance plans.	
Mitigation	Mitigation	Mitigation
<ul style="list-style-type: none"> - Be aware of proposed rises to HB and UC as well as current wage rises. - Adhere to business plan 	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.

- 13.2 First draft budget is showing moderate surplus of around £1/2 million and a cash outflow in excess of £100,000. Not applying the CPI + 1% rent increase would make these results worse.

WELLHOUSE HOUSING ASSOCIATION

2021/22 Budget

STATEMENT OF COMPREHENSIVE INCOME



	Social Lettings Total Income	Commercial Lettings	Factoring	Development	The Hub Services	Corporate Services	Total
Rental Income & Service Charges	3,352,986.68						3,352,986.68
Less: Voids losses	(26,823.89)						(26,823.89)
Commercial Rental Income	0.00	32,827.79			22,102.42		54,930.21
Factoring Income	0.00		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	0.00					0.00	0.00
	3,937,943.79	32,827.79	15,824.24	0.00	22,102.42	0.00	4,008,698.24
							4,008,698.24
Management Expenses - Staff Costs	564,989.37		7,080.38			281,649.66	853,719.41
Management Expenses - Overheads	95,056.88	1,000.00	3,925.92	0.00	5,500.00	338,209.40	443,692.20
Reactive Maintenance	433,200.00		2,000.00				435,200.00
Cyclical Maintenance	218,800.00						218,800.00
Planned Renewals/Major Repairs	267,996.00						267,996.00
Depreciation on Housing Properties	1,015,912.79						1,015,912.79
Bad Debts	31,555.55						31,555.55
	2,627,510.59	1,000.00	13,006.29	0.00	5,500.00	619,859.06	3,266,875.95
							3,266,875.95
Operating Surplus	1,310,433.19	31,827.79	2,817.95	0.00	16,602.42	(619,859.06)	741,822.29
							741,822.29
Release of Negative Goodwill	38,134.00						38,134.00
Gain/Loss on Disposal of Fixed Assets	0.00						0.00
Interest Receivable	0.00					3,750.00	3,750.00
Interest Payable/Other Finance Costs	(235,758.79)						(235,758.79)
Surplus for the Year	1,112,808.40	31,827.79	2,817.95	0.00	16,602.42	(616,109.06)	547,947.50
Actuarial Gain/(Loss) in Pension Scheme	0.00					(100,000.00)	(100,000.00)
	1,112,808.40	31,827.79	2,817.95	0.00	16,602.42	(716,109.06)	447,947.50

WELLHOUSE HOUSING ASSOCIATION**2021/22 Budget****STATEMENT OF FINANCIAL POSITION**

	Mar'22	Mar'21
Non Current Assets		
Housing Properties - gross cost	42,443,511	41,639,111
Depreciation	(14,634,469)	(13,618,556)
	27,809,042	28,020,555
Other	1,286,604	1,313,953
	29,095,647	29,334,508
		0
Negative Goodwill	(991,501)	(1,029,635)
Current Assets		
Debtors	197,567	189,123
Inventory	0	0
Cash at Bank and in hand	2,224,012	2,356,780
	2,421,579	2,545,903
Payables < 1 year		
Misc Creditors	(1,010,650)	(1,000,650)
Pension Deficit	0	0
Loans	(244,972)	(221,338)
	(1,255,622)	(1,221,988)
Net Current Assets/ (Liabilities)	1,165,957	1,323,915
Total Assets less current liabilities	29,270,102	29,628,789
Payables > 1 year		
Loans	(7,424,586)	(7,693,192)
Pension Deficit	(83,233)	(42,479)
	(7,507,819)	(7,735,671)
Deferred Income		
Social Housing Grant	(13,283,962)	(13,862,743)
Non Housing Grants	(706,663)	(706,663)
	(13,990,625)	(14,569,406)
Net Assets	7,771,659	7,323,712
Capital and Reserves		
Share Capital	122	118
Reserves	7,771,537	7,323,594
	7,771,659	7,323,712

WELLHOUSE HOUSING ASSOCIATION

2021/22 Budget



CASHFLOW STATEMENT

Mar'22

Operating Surplus	741,822
Adjust for Depreciation and other non-cash transactions	464,477
Adjusted Operating Surplus	<u>1,206,299</u>

Movement in Debtors	(8,444)
Movement in Creditors	(49,246)

Investing Activities

Purchase of Properties and Components	(804,400)
Purchase of Other Fixed Assets	(0)
Grants received	<u>0</u>
	(804,400)

Financing Activities

Interest receivable	3,750
Interest payable	(235,759)
Loan capital repaid	(244,972)
Share capital issued	<u>4</u>
	(476,977)
	<u><u>(132,769)</u></u>

Movement in Cash per SOFP	(132,769)
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WELLHOUSE HOUSING ASSOCIATION

2021/22 Budget



COVENANTS AS AT 31 MARCH 2022

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

Royal Bank of Scotland & Clydesdale

		Accounts	Target set by Bank	Actual	Covenant Satisfied?
INTEREST COVER					
Operating Surplus	A	741,822	Greater than 110%	145.39%	Yes
Housing Grants Amortised	B	(578,781)			
Pension Deficit Contribution	C	(59,246)			
Housing Depreciation	D	1,015,913			
Component Replacements	E	(782,400)			
	X	337,308			
Interest Payments	H	235,759			
Interest Receipts	J	(3,750)			
	Y	232,009			
Calculation: X divided by Y; where X=A+B+C+D+E+F & Y=H+J					

GEARING		Accounts	Target set by Bank	Actual	Covenant Satisfied?
Balance of Outstanding Loans	A	7,669,558	Less than 30%	18.07%	Yes
Historic Housing Cost	B	42,443,511			
Calculation: A divided by B					

Management Committee	24th November 2020
Agenda item	8
Title of Paper	Quarter 2 - KPI Report July-September 2020
Author	Gordon Kerr, Finance & Corporate Services Manager
Attachments	Appendix 1 – KPI results quarter 2
Executive Summary	This KPI report is presented from the Management Team on our performance for the second quarter of 2020/21.

FOR INFORMATION

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-September 2020.
- 1.2 The report and attached appendix details performance results for the second quarter against targets set for 2020/21. 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 2020/21 Operational Plan.

- 3.4 This Report should contribute towards our overarching Aim and Vision of making Wellhouse "the Place to Be"

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 and attached Appendix reflect areas included in the ARC. Our own internal targets and any service standard we deem important are collated and monitored separately.

The full suite of KPIs has recently been reviewed to ensure that we are reporting on relevant KPIs with proper targets in place. As well as being a working internal management document, this also appears on the website and is available for everyone to view. This now results in a more condensed version of the KPI report meaning it is less likely that important information could be overlooked.

This quarterly Committee report will still highlight areas of concern and also areas of particularly good performance or improvement and will once again have the recently reviewed table of KPIs as an appendix, as this will still be 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 may also have some attachments displaying visual content.

5 DISCUSSION

5.1 Housing & Customer Services Managers Discussion points

Rent arrears continue to be a cause for concern and they are discussed in a separate report

In quarter 2, 100% of tenants advised that they were satisfied with our contribution to our management of the neighbourhood.

While the % of tenancy offers refused are within target, relet times are lengthier than normal at an average of 26.14 days. The target is 12 days. This is due to a delay in processes as a result of Covid, as only one trade can attend a void at a time and the property has to lie empty for 3 days before inspections can take place.

87.5% of tenants who responded in Q2 feel that we are good at keeping them informed about our decisions, which is slightly less than target, and we know from a recent survey that this has increased to 100%

All other indicators are within target

5.2 Assets & Maintenance Managers Discussion points

Contractors are continuing to perform well given the ongoing situation.

Gas Servicing - we have reported 2.43% of properties, which have not been completed within the 12 months anniversary. These 19 addresses non-completions were due to,

either shielding, or self-isolation. All of these were completed on or before week ending 7th August, following the end of shielding on the 31st of July. We are continuing to work closely with our contractor and tenants to ensure all servicing is completed on time.

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.	
Mitigation	Mitigation	Mitigation
Focus placed on rent arrears and void turnaround times	Redesigning arrears reports and actions	
Improvement plans are ongoing	Regular home visits and estate visits are unable to take place due to Covid-19 but will restart asap	

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 The usual KPIs are causing concern – rent arrears, but plenty other KPIs to take some comfort from. Covid-19 is still causing some issues but as time goes by these issues are becoming less and less..






Within target
Minor Concern
Concern

Function	Business Area	ARC QUESTION	KPI Brief Description	Annual KPI Target	Performance at End of Year 2019/2020	End of Quarter 1	Variance	Comments	End of Quarter 2	Variance	Comments
Rent Management	ARC	26	Rent Collected as % of total rent due for year	100%	98.37%	89.83%	10.17%		90.39%		
		27	Gross Rent Arrears as % of rent due for year	8.00%	8.89%	9.57%	1.57%	Impacted by Covid	10.49%	2.49%	Impacted by Covid
		18	% of Void Rent Loss	0.60%	0.19%	0.08%			0.10%		
		22	Number of court actions which resulted in eviction	n/a	0	0	N/A		0	N/A	
	Performance		Current Tenants Arrears	7.00%	8.22%	10.17%	3.17%	Impacted by Covid	9.61%	2.61%	Impacted by Covid
			Former Tenant Arrears %	1.00%	1.08%	1.04%	0.04%		1.12%	0.12%	
Allocations	ARC	14	Tenancy offers refused	30%	46.97%	0.00%	0.00%		20%		
		17	Property that became vacant in the year	n/a	35	3	N/A		13	N/A	
		30	Relet time	12 days	14.46 days	30 days			26.14 days	Due to Covid	
	Performance		No of lets made	n/a	35	2	N/A		7	N/A	
Maintenance	ARC	6	% of stock meeting SHQS	100%	97.98%	97.98%			97.98%		
		8	Average time to complete EME repairs	4 hours	2.06 Hours	2.4 Hours			2.0 Hours		
		9	Average time to complete NON-EME repairs	6 days	3.72 days	3.3 Days			3.5 Days		
		10	Reactive repairs carried out completed right first time	100%	99.81%	100%			100%		
		11	How many times did you not meet your statutory obligations to complete a gas safety check within 12 months of fitment or its last check	0%	0%	2.78%		Due to Covid	2.43%	Due to Covid shielding ended 31/7/20	
	Performance		Average time to complete Urgent jobs	3 days	2.1 Days	N/A	N/A	Due to Covid	1.9 Days		
Adaptations	ARC	19	The number of Households currently waiting for adaptations to their home.	n/a	6	4			3		
		20	The total cost of adaptations complete in year	n/a	£25,118	N/A	N/A	Due to Covid	£28,676.47		
		21	The average time to complete adaptation	60 days	65.28 days	N/A	N/A	Due to Covid	143 days	Due to Covid	
Estate Management	ARC	15	% of ASB cases reported in the last year which were resolved	n/a	94.20%	69.56%	N/A	Due to Covid	67.39%	N/A	Due to Covid
		22	% of court actions initiated which resulted in eviction	n/a	0	0	N/A		0	N/A	
Satisfaction	ARC	1	% of tenants satisfied with overall service provided by their Landlord	90%	86.5%	84.7%	5.30%		95.8%		
		2	% of tenants who feel their Landlord is good at keeping them informed about their services and decisions	95%	88.0%	94.5%	0.50%		87.5%	7.50%	
		5	% of tenants satisfied with the opportunities given to them to participate in the landlord's decision making processes	85%	85.8%	100.0%	100.00%		93.1%		
		7	% of existing tenants satisfied with the quality of their home	80%	83.1%	82.0%	2.00%		93.1%		
		12	% of tenants who have had repairs or maintenance carried out in the last 12 months satisfied with the repairs and maintenance service.	85%	88.2%	82.5%	2.50%		89.5%		
		13	% of tenants satisfied with the landlord's contribution to the management of the neighbourhood they live in	90%	79.5%	83.3%	6.70%		100.0%		
		25	% of tenants who feel that the rent for their property represents good value for money	85%	84.0%	90.3%	5.30%		94.50%		
Complaints			The percentage of all complaints responded to in full at Stage 1	100%	100%	N/A	N/A		100%		




	ARC	3	The percentage of all complaints responded to in full at Stage 2	100%	100%	N/A	N/A		100%		
			The average time in working days for a full response at Stage 1	5 days	6.12 days	N/A	N/A		4.25 days		
		4	The average time in working days for a full response at Stage 2	20 days	14.46 days	N/A	N/A		5 days		
Communications	Service Standards		4 newsletter articles per annum	100%	100%	1	0.00%		100%	0.00%	
Factoring	ARC	29	% of factored owners satisfied with factoring service they receive	70%	87.5%	87.5%	17.50%	Based on last Su	87.5%	17.50%	Based on last Survey April/May 2019

QTR 2 – Emergency & Non-Emergency Repairs Comparison 20-21

EMERGENCY REPAIRS RESULTS TABLES

For Period		01/07/2020	to	30/09/2020	
Comparative Period		01/07/2019	to	30/09/2019	
Average Emergency Hours - By Urgency - This Period		DATASOURCE			
E/ NER Calc	E		Set to E for Emergency Jobs Only		
Compl Actl This Period	1		Set to 1 for This Period		
Row Labels		No. Jobs	Tot Emerg Hrs	Ave. Hrs	No. Late
Emergency		35	77.2	2.2	0
Emergency OOH		42	70.0	1.7	0
Right to Repair 1day		52	114.8	2.2	0
Grand Total		129	261.9	2.0	0

EMERGENCY REPAIRS RESULTS TABLES

For Period		01/07/2020	to	30/09/2020	
Comparative Period		01/07/2019	to	30/09/2019	
Average Emergency Hours - By Urgency - Comparative Period			DATASOURCE		
E/ NER Calc	E		Set to E for Emergency Jobs Only		
Compl Actl Last P	1		Set to 1 for This Period		
Row Labels		No. Jobs	Tot Emerg Hrs	Ave. Hrs	No. Late
Emergency		36	63.5	1.8	0
Emergency OOH		49	82.7	1.7	0
Right to Repair 1day		144	349.3	2.4	0
Grand Total		229	495.5	2.2	0

QTR 2 – Emergency & Non-Emergency Repairs Comparison 20-21

NON-EMERGENCY REPAIRS RESULTS TABLES

For Period		01/07/2020	to	30/09/2020
Comparative Period		01/07/2019	to	30/09/2019

Total Non Emergency Average - This Period

[DATASOURCE](#)

E/ NER Calc	NER	<input type="button" value="v"/>	Always set to NER for Non Emergency Reactive
Compl Actl This Period	1	<input type="button" value="v"/>	Always set to 1 for This Period

		Tot Non-Emerg		Average of Tot Non-Emerg	
Row Labels	<input type="button" value="v"/>	No. Jobs	Days	Days	No. Late
Urgent		91	177	1.9	0
Routine		68	309	4.5	0
4 Weeks		6	89	14.8	0
Grand Total		165	575	3.5	0

NON-EMERGENCY REPAIRS RESULTS TABLES

For Period		01/07/2020	to	30/09/2020
Comparative Period		01/07/2019	to	30/09/2019

Total Non Emergency Average - Last Period

E/ NER Calc	NER	<input type="button" value="v"/>	Always set to NER for Non Emergency Reactive
Compl Actl Last P	1	<input type="button" value="v"/>	Always set to 1 for Comparative Period

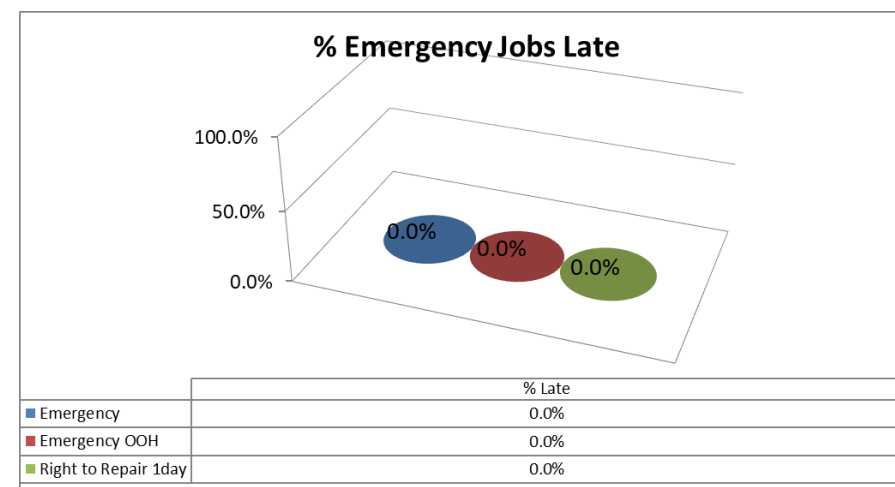
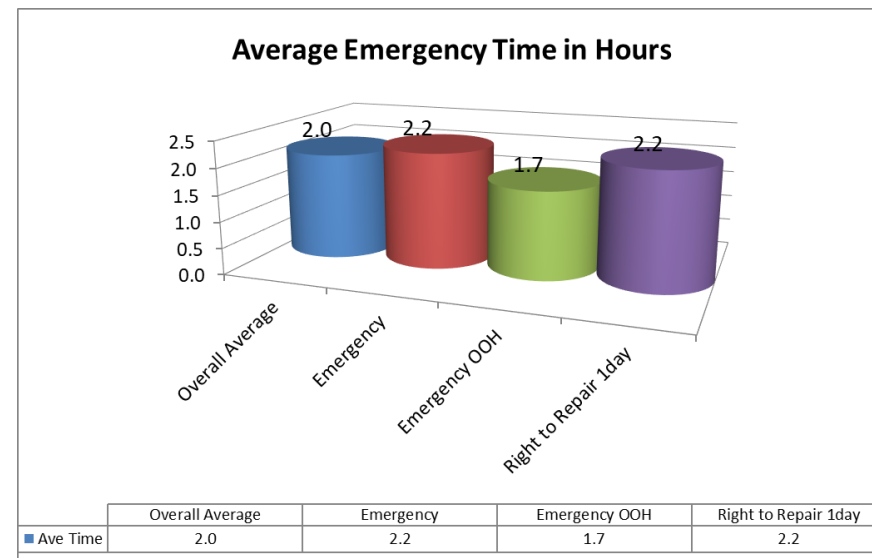
		Tot Non-Emerg		Average of Tot Non-Emerg	
Row Labels	<input type="button" value="v"/>	No. Jobs	Days	Days	No. Late
Urgent		179	358	2.0	0
Routine		138	553	4.0	0
4 Weeks		25	409	16.4	0
Right to Repair 7day		1	2	2.0	0
Right to Repair 3day		1	1	1.0	0
Grand Total		344	1,323	3.8	0

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

For Period	01/07/2020	to	30/09/2020
Comparative Period	01/07/2019	to	30/09/2019

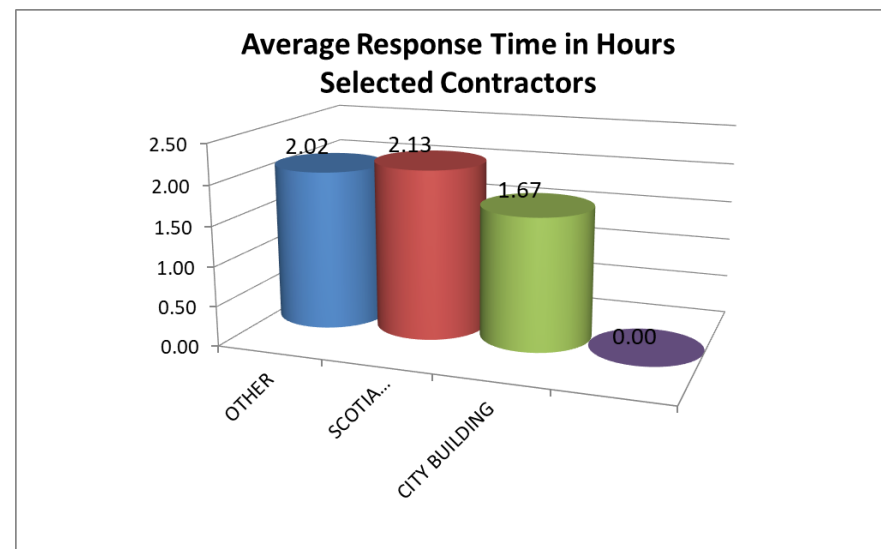
Urgency Code			Comparative
Overtime	Average Time of Reactive Repairs	Ave Time	Ave Time
	Overall Average	2.0	2.2
EMER	Emergency	2.2	1.8
EOOH	Emergency OOH	1.7	1.7
RR1	Right to Repair 1day	2.2	2.4

Urgency Code			Comparative
Overtime	Late Jobs by Urgency	% Late	% Late
EMER	Emergency	0.0%	0.0%
EOOH	Emergency OOH	0.0%	0.0%
RR1	Right to Repair 1day	0.0%	0.0%

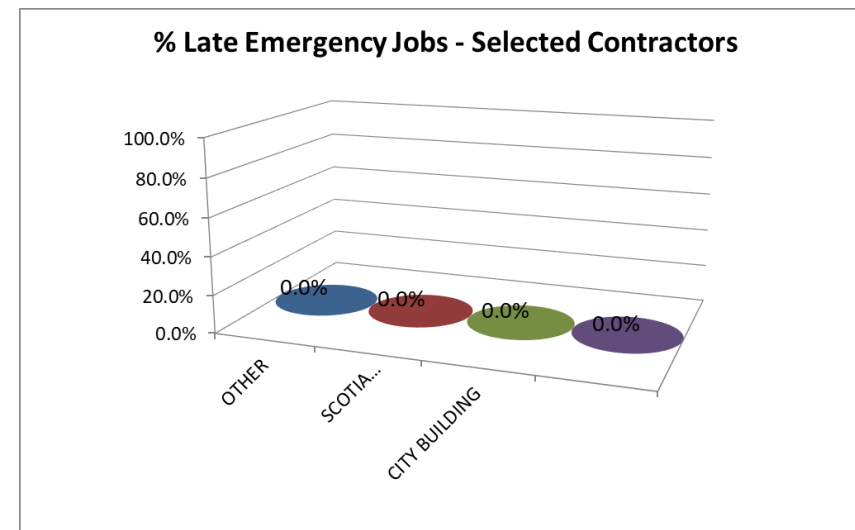


EMERGENCY REPAIRS CHARTS – AVERAGE TIMES AND ON-TIME/LATE PERFORMANCE

			<u>Comparative</u>
	<u>Analysis by Contractor</u>	<u>Ave Time</u>	<u>Ave Time</u>
Overtime	OTHER	2.02	2.16
SCO01	SCOTIA PLUMBING & HEATING	2.13	2.32
CIT01	CITY BUILDING	1.67	1.69

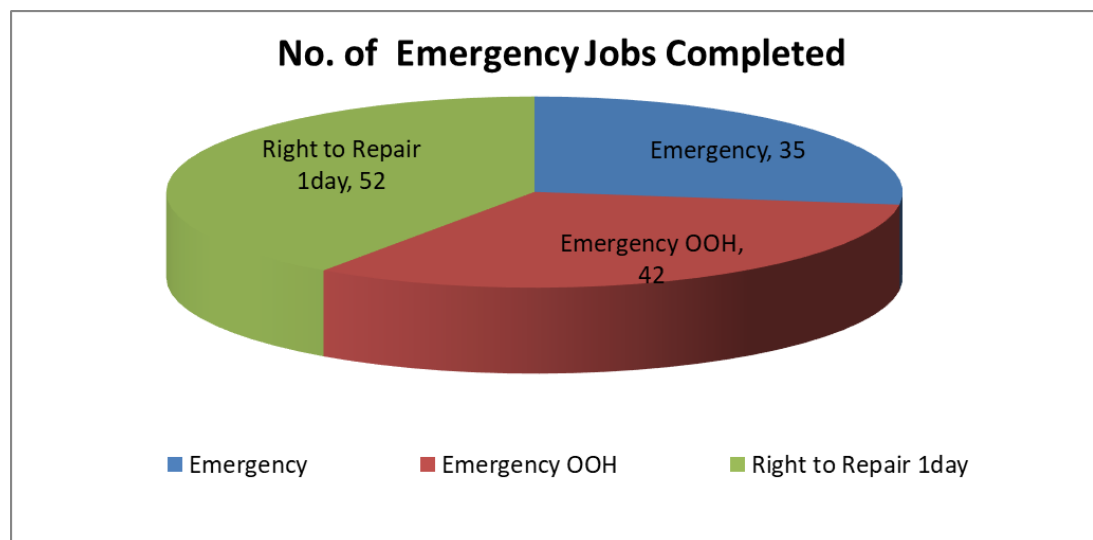


			<u>Comparative</u>
	<u>Analysis by Contractor</u>	<u>% Late</u>	<u>% Late</u>
Overtime	OTHER	0.0%	0.0%
SCO01	SCOTIA PLUMBING & HEATING	0.0%	0.0%
CIT01	CITY BUILDING	0.0%	0.0%



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

<i>Overtime</i>	Reactive Repairs by Urgency	<i>Comparative</i>	
		<u>No Jobs</u>	<u>No Jobs</u>
EMER	Emergency	35	36
EOOH	Emergency OOH	42	49
RR1	Right to Repair 1day	52	144



Management Committee	24th November 2020
Agenda Item	9
Title of Paper	Annual Treasury Management Report
Author	Gordon Kerr, Finance & Corporate Services Manager
Attachment(s)	Appendix: I – Property Valuation Summary Appendix: II – Loan Balances Appendix: III – Asset Cover Appendix: IV – Unencumbered Stock
Executive Summary	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 2020/21 Operational Plan – "Treasury Management".

- 3.4 This Report should contribute towards our overarching Aim and Vision of making Wellhouse "the Place to Be"

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 30/9/20 (Appendix I)
- Loan information in relation to each lender as at 30/9/20 (Appendix II)
- Asset cover information as at 30/9/20 (Appendix III)
- Unit details of unsecured stock as at 30/9/20 (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. A further valuation of Clydesdale Bank funded stock will be carried out this month and dialogue has already started with the Relationship Director and JLL who will be valuing the stock.

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 £22,800 to £32,500. 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 2020.

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 87% 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 87%

Total loan debt has reduced from £8.3 million at 30 September 2019 to just over £8 million at 30 September 2020 and 87% of the debt is with Royal Bank of Scotland (RBS) and the remaining 13% 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 2020 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 £10.6 million of excess security in place. The Association could, if it wishes, 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 137 properties unsecured to any lender at the report date. This has increased from 136 last year reflecting the additional property purchased during the Summer of 2020.

Unsecured stock has an approximate EUV in excess of £3 million.

5.5 **FUTURE PROPOSED BORROWINGS**

Using approximate EUV figures there is an ability (at 30 September 2020) to borrow a further £13.7 million. 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 2020 the overall cash resources are around £2.6 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 £1.7 million over the next five years. And are expected to consistently rise until years 15 and 16 in the 30-year plan.

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

The Bank of England Base rate was reduced from 0.25% to 0.10% in March 2020 and, unfortunately, this has only consolidated the low rates of interest on offer for deposits with financial institutions.

Earnings for the 6 months to 30 September 2020 were only £2,825. 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. The main aim of the Treasury Management policy is to remain risk averse, meaning that tying up cash deposits for any length of time and with any institution other than the standard high street banks (on the approved list) will not happen.

Too much staff resources would have to be invested to gain very little return.

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 0.10%. 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 August 2020 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. Recent dialogue held with GCC and Scottish Water suggest that this now may be more likely to happen than it has done over the last few years.

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 (87% 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 there are any base rate rises materialising in the near future, there will be very little, if any, in the way of additional costs 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 137 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 £13.7 million.

The most recent valuations carried out on behalf of RBS show an increase in value of RBS funded stock, and it is anticipated that this will also be the case with CB funded stock when it is valued later this year.

Lenders financial covenants continue to be met comfortably.

Outstanding loan balance continues to fall and is now just over £8.0 million.

APPENDIX I - PROPERTY VALUATION SUMMARY
AS AT 30 SEPTEMBER 2020

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		7,150,000	7,150,000		December 2018	DTZ
Phase 2A	38		985,000	1,820,000		December 2018	DTZ
Phase 2B	53		1,465,000	2,560,000		December 2018	DTZ
Phase 3	56		1,570,000	2,960,000		December 2018	DTZ
Phase 4	86		2,635,000	4,580,000		December 2018	DTZ
RBS total	546	-	13,805,000	19,070,000	-		
CLYDESDALE			£	£	£		
Phase 5A+5B	111		3,611,000		5,189,000	December 2017	JLL
Clydesdale total	111	-	3,611,000	-	5,189,000		
Total Units in Security	657	-	17,416,000	19,070,000	5,189,000		

TREASURY MANAGEMENT REPORT
APPENDIX II - LOAN BALANCES AS AT 30 SEPTEMBER 2020

	No of Units Secured	Original Loan	Drawdown Date	Loan Term	Fixed/Variable	Current Rates including Margin	Balance 31 March 2020	Debt Per Unit
ROYAL BANK OF SCOTLAND SST Phase 2A & 4 Phase 3 & 6 Phase 7		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) LIBOR +1.60% until Aug 13, then Fixed 2.49% + Margin 1.6% 10yrs LIBOR + Margin 1.90% - Interest Only LIBOR + 1.85% - Interest Only	1,651,947	
		1,375,000	March 2003	30	Fixed - Fac A		838,373	
		2,250,000	Oct 2012	5	Fixed		2,237,079	
		4,600,000	Jan 2013	5	Fixed		2,236,000	
	546	10,375,000					6,963,400	12,753
CLYDESDALE Phase 1 Phase 5A Phase 5A Phase 5B		227,443	Sept 1997	25	Variable	Base plus margin 0.45% Fixed 6.18% (inc margin of 45% + MLA0.02%) to 2019 LIBOR + 0.45%	-	
	0	1,000,000	February 2004	25	Fixed		497,486	
	111	1,132,361	February 2019		Variable		574,823	
			October 2004	25	Variable		1,072,310	9,660
	111	2,359,804					13%	
TOTAL	657	12,734,804					8,035,710	
Fixed Rate Loans: Variable Rate Loans: Total	£	Mix %						
	6,963,400	87%						
	1,072,310	13%						
	8,035,710	100%						

**APPENDIX III - ASSET COVER INFORMATION
(COMPARISON OF DEBT TO SECURITY)
AS AT 30 SEPTEMBER 2020**

	Valuation	%	Loan Cover	Balance 31 March 2020	Excess Security	MVST Stock Valuation /Loan Debt
Royal Bank of Scotland						
Existing Use Value - Social Housing	7,150,000	115%	6,217,391	6,963,400	8,423,222	221%
Market Value - Subject to Tenancy	11,920,000	130%	9,169,231			
Clydesdale Bank						
Existing Use Value - Social Housing	3,611,000	110%	3,282,727	1,072,310	2,210,417	
Totals			18,669,349	8,035,710	10,633,640	

**APPENDIX IV - FREE SECURITY
AS AT 30 SEPTEMBER 2020**

<u>Unsecured stock</u>	<u>No of Units</u>	<u>Existing Use 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	51	1,052,000
144 Bartiebeth Rd purchased Aug'20	1	
	<u>137</u>	<u>2,721,000</u>
Four commercial units market value	4	<u>340,000</u>

<u>Stock total check</u>		
Secured	657	83%
Unsecured	137	17%
Stock Nos per Valuation	<u>794</u>	

Management Committee	24 November 2020
Agenda Item	10
Title of Paper	Rent Arrears Update
Author	Carol Hamilton, Housing & Customer Service Manager
Attachment(s)	Appendix 1- EHRA Universal Credit Numbers
Executive summary	<p>The following information is recorded at the end of Period 7, 31st October 2020:</p> <ul style="list-style-type: none"> Gross current tenant rent arrears are £319,250.77– 9.68% of annual income Net arrears are £307,301.49 – 9.31% of annual income Former Tenant's arrears are £38,761.63 Rent collection is currently 90.32% (cumulative 7 months to end October 2020) 110 tenants owing £1000+ now owe £230,328.53 collectively – 72.15% of current arrears and 6.98% of annual rent income. 62 -59.67% of these are UC recipients (£137,427.19). The number of tenants claiming UC is 168. The amount of UC arrears figure is £180,822.06 or 56.64% of the gross arrears.

FOR INFORMATION

1 PURPOSE

- 1.1 To update Committee on the arrears position

2 RECOMMENDATIONS

- 2.1 That the update on the arrears position be noted.

3 BUSINESS PLAN, VISION AND VALUES

- 3.1 The production of an arrears report is consistent with:
- our strategic objective 5: to maintain good governance and financial management and:
 - our values of excellence and accountability

4 BACKGROUND

- 4.1 Committee have requested regular arrears reports
- 4.2 This summary forms an update to the end of October position.

5. MAIN ISSUES:

- 5.1 Since the last Committee update, gross current tenant rent arrears have increased by £2,117.64. There are 377 tenants with rent arrears which is 29 more than the previous month.
- 5.2 This small increase can be attributed to delayed direct debit payments for those scheduled on the 31st of the month, which fell on a Saturday, and are not included in October rent collection figures.
- 5.3 21.23% of all tenants are now in receipt of Universal Credit (UC) and arrears attributable to UC have increased by £693.08 to £180,822.06 since September. This is a much smaller increase than previous months and is likely as a result of an improved payment process by the DWP. Although payments are still paid in arrears, an electronic schedule for UC payments has reduced payment processing delays. In addition, UC payments are now paid to coincide with the tenant's pay date rather than on a set 28-day payment schedule which reduces delays further. The changes to the payment process are having a positive impact and we will monitor the effect in the coming months.
- 5.4 The information on the table in Appendix 1 indicates the UC trends across the EHRA group and has been collated to assess the impact of Covid-19. Although Wellhouse has a higher number of UC recipients than the others, Provanhall HA have the highest % of UC claimants while we are close behind. The table illustrates that UC claims are continuing to rise across the group. This is an issue for all landlords nationally and rent arrears are continuing to be adversely affected.
- 5.5 The Notices of Proceedings (NOPs) currently being served by Officers will not be raised in court until June 2021 due to recent temporary legislative changes.

6. DISCUSSION

- 6.1 The full extent of the impact of Covid-19 on the rental income of the Association remains to be seen. It remains unclear at this stage how it has affected the ability of some tenants to pay their rent on time. Similarly, the ongoing impact of UC will be monitored closely and further reports will be provided to Committee.

7 REGULATORY, LEGAL AND CONSTITUTIONAL ISSUES

- 7.1 ARC report will include our performance.
- 7.2 Regulatory and current legislation dictates that legal action will not be pursued where arrears have occurred solely as a result of the Covid-19 situation.

8. FINANCIAL IMPLICATIONS

- 8.1 Dealt with in the body of the report.

9 KEY RISKS

- 9.1 Failure to robustly manage arrears is a failure to deliver on core KPI and reduces income to the Association. Mitigation – persistent and consistent application of policy

and staff performance management.

- 9.2 Any rise in evictions may lead to reputational damage. Mitigation- use only as a last resort and adhere to Coronavirus (Scotland) Bill.

10 EQUALITY, DIVERSITY & HUMAN RIGHTS IMPLICATIONS

- 10.1 The rent management policy has been written with our commitment to diversity included.

EHRA Universal Credit Numbers - COVID 19

	March - No.	Mar %	April - No.	April %	May - No.	May %	June - No.	June %	July No	July %	Aug - No	Aug %	Sept No.	Sept %	Oct No	Oct %
Blairtummock	93	13%	120	17%	130	18%	141	20%	135	19.00%	139	20%	142	20%		
Calvay	111	13.82%	115	14.32%	150	18.68%	153	19.05%	163	20.30%	165	20.55%	166	20.68%		
Easthall park	98	14.10%	114	16.40%	121	17.40%	124	17.80%	127	18.27%	136	19.50%	146	21%		
Gardeen	28	11.10%	47	18.60%	49	19.40%	50	19.80%	53	20.90%	54	21.30%	51	21.70%		
Lochfield	33	7%	31	6%	34	7%	38	8%	44	8.92%	43	8.69%	47	9.50%		
Provanhall	95	19.10%	106	21.32%	112	22.53%	115	23.13%	116	23.34%	120	23.90%	124	24.55%	127	25.14%
Ruchazie	29	12.90%	39	17.30%	41	18.20%	41	18.20%	44	19.50%	45	20%	47	20.80%		
Wellhouse	140	17.70%	155	19.60%	161	20.35%	161	20.35%	165	21.00%	166	21%	167	21.11%	168	21.23%
				131%		142%		146%		151.23%		155%		66.46%		
Total No.	627	14%	727	16.32%	798	17.75%	823	18.25%	847	18.90%	868	19.37%	890	20%		
No. increase per month			100		71		25		24		21		22			

Average

Management Committee	24 November 2020
Agenda Item	11
Title of Paper	Operational Update Report
Author	Management Team
Appendices:	<ol style="list-style-type: none"> 1. Wellhouse Tenant Satisfaction Trends 2. GCC – Bulk uplift 3. Examples – flood prevention work

FOR INFORMATION AND DECISION

EXECUTIVE SUMMARY:

1. Director – Main Issues

1.1 Governance/ Continuing Assurance

- Committee approved a governance peer review at the last committee meeting. The tender has been completed and the contract awarded. The project will last 6 months and should take place in 2021. Committee should note the project will cost £5,000 per organisation (not £2K as originally anticipated) this is within my delegated authority limits.
- SGM. Proposed date Wednesday 9th December at 6pm.

1.2 Development

- I met with Both DRS (Glasgow City Council) and Scottish Water to discuss various options around retrofitting of flood prevention work – some of the preferred options are included in the appendix 3. A CCTV survey of the drains was carried out on 4 November and we await the results of that.
- I have re-submitted our plans for development (no changes since committee approval, so not a 'formal submission') to the local officers to keep them in the loop and shared the flood report from a few years back

1.3 Wellhouse & Queenslie Community Council

- I have written to the secretary and requested a copy of the complaint letter they made about Wellhouse. The request is to be discussed at their December meeting.
- The secretary asked me about 'legal proceedings' against CCT. I have written to her asking for more detail. At the time of writing this has not been received.
- The secretary asked me for a copy of the hub business plan. As this is not a public document, I have explained that we it is not for distribution at the present time.
- I have asked for clarity as to whether the community council has been meeting throughout lockdown (I am not aware of notices, minutes or requests for WHA updates) I await a reply.

1.4 The Hub

- We continue to work with Ramsay McMichael in planning any remedial work required and with our new service providers

1.5 Newhills Rd

- We have an interested commercial tenant in the double unit vacated by Connect and negotiations are in their very early stages. As reported previously, there is a lot of work to do to bring it to lettable standard.

2. Housing & Customer Services Manager – Main Issues

- The annual review of the housing waiting list is complete and has resulted in 65 cancellations;
- Tenant satisfaction trends are continuing to improve and the table in Appendix 1 indicates how some key indicators have advanced since 2015;
- Officers are continuing to offer support to those tenants and families affected by Covid-19 and monitoring rental income by contacting tenants regarding missed payments and assisting with claims for Universal Credit / Housing Benefit;
- The Team are dealing with a surge in voids despite Covid-19. 10 have been let since July and 10 are in process of being repaired or waiting for the arrival of keys from outgoing tenants.
- Training has been provided to the Housing Team by Turning Point, who specialise in the 'Housing First' concept, whereby homeless applicants are fast tracked into permanent accommodation with support. Referrals will be made through Glasgow City Council (GCC) Casework team and we will monitor the progress in the coming months.
- The £9750 awarded by the Supporting Communities Fund for digital assistance has so far supplied 30 tablets and 5 mobile phones to households. We have budgeted for 10 extra tablets in the event that some families face difficulties over the winter period. EE, data provider, has indicated that the terms for data provision will change in December and we are uncertain what the new costs will be at this stage;
- The Income Advisor Officer has text tenants and updated the website with advice on the eligibility criteria for the Scottish £10 child payment. Families with children under 6 years old are eligible for a weekly payment for each child to alleviate child poverty.

3. Assets & Maintenance Manager – Main Issues

- Estate Services - The Team carried out what should be the last cut of the grass for this season. We are working to update the winter back court maintenance program. The Team will be looking at areas for small projects which can improve the area. Once identified we will cost and consult with the Housing Team.

- Bulk is still an issue and GCC have sent out a letter to all Housing Associations, appendix 2. They are carrying out a one off clean around the City then will be introducing a request only service which will be chargeable .Bulk should no longer be presented at the former bulk collection points. GCC intends to hold online meetings over the next few weeks to discuss the implications for Housing Associations.
- Stage 3 Adaptations, we have fully committed our £25,000 allocation and have received a further £20,000.00 in funding at present there is one adaptation on hold due to continued access issues. We received some positive feedback from one of the OTs “That’s fantastic news, wish all housing authorities were as quick as you lol “
- We are direct issuing repairs to cut down on the need for any inspections. We are asking tenants to send in photos to help diagnose any repairs. There is more time being spent on voids as well due to the need for coordinating the trades. We continue to have issues with the Utility Company’s on getting meters reset or replaced.

4. Finance & Corporate Services Manager

4.1 Stock Valuations

As part of the conditions of any loans we take out, Wellhouse must agree to having the stock secured by that Lender valued on a 3-yearly cycle. This year, the 111 units secured by Clydesdale Bank are to be valued. The Relationship Director provided quotes by JLL and Savills, and JLL proved to be the more competitive quote. JLL have carried out the last 2 valuations of the Clydesdale Bank stock, so there should be an element of consistency with this exercise. FCSM has been in contact with the valuer and has provided some background information to make the process run a bit smoother. The exercise should be completed by the end of November or early December at the latest.

4.2 Internal Audits

The second visit of the year took place in October and the following areas of the business were audited:-

- Factoring;
- Fixed Assets Register; and
- Follow-up Review.

Unfortunately, due to staff absences, we have not received the final reports for these audits yet but we have received the draft reports and are collating our management responses. The reports, in full, will be presented at the next Management Committee meeting, however, the draft reports are indicating two strong conclusions and one substantial conclusion.

4.3 Operational Activities

The following is a summary of the ongoing day-to-day operational activity of the Finance & Corporate Services Team continuing to be carried out since remote working began:

- Adjusting to home working, with the following functions continuing to be carried out remotely;

Trust Honesty Integrity Excellence Accountability Sustainability

- Posting all rent payments to tenant's accounts
- Posting all factoring payments to owner's accounts
- Sending out sales invoices to commercial customers
- Processing purchase invoices and paying suppliers
- Processing payroll and paying staff, HMRC and Pensions Trust
- All statutory and regulatory reporting and Returns: –
 - SHR – Loan Portfolio (Jun'20)
 - SHR – AFS (Aug'20)
 - SHR – FYFP (Sep'20)
 - FCA – Annual Return (Sep'20)
- Additional Covid-19 Regulatory returns completed for SHR (monthly return and one-off staff costs) and SFHA Financial Data Collection return - quarterly.
- Internal management reporting
- Treasury management and loan repayments.
- Liaising with Lenders and ensuring that all requirements included in the financial covenants are met – quarterly management accounts, 30-year forecast and annual statutory accounts by Sep'30.
- Dealing with GDPR and FOI requests – Two requests, one which resulted in a charge being levied was not followed up.
- Quarterly FOI/GDPR statistical return submitted – May, August & November.
- Internal and external audit functions 2 internal audits carried out at beginning of August – Development and Business Planning and 2 further audits carried out in October – Factoring and Fixed Assets Register along with the Follow-up Review.
- Liaising with Hiper and Resource to ensure IT/Telephony functions continue to operate smoothly
- Update website
- Finalised Year-End Annual Statutory Accounts exercise.
- Regular staff contact and conducting 1-2-1's
- Liaising with Insurance Broker in preparation for going out to tender for new contract commencing 1st April 2021.
- Liaising with Hiper with a view to having the IT back-up performed remotely, with no need for manual use of tapes.

Tenant satisfaction trends Wellhouse Housing Association.

Question	2015	2020
Satisfaction with the overall service provided by your landlord, Wellhouse HA	78%	96%
Is Wellhouse HA good at keeping you informed about its services & decisions	90%	100%
Are you satisfied with opportunities given to participate Wellhouse's decision making processes	82%	100%
Were you satisfied with the standard of your new home when first moved in	83%	90%
Satisfaction with the quality of your home overall	73%	93%
Satisfaction with the repairs or maintenance service over last 12 months	77%	90%
Satisfaction with the management of your neighbourhood you live in	70%	100%
Does your rent for your property represents good value for money	71%	95%



11 November 2020

Dear Chief Executive,

Further to my correspondence of 13 October 2020, I can now provide you with an update in respect of the city's bulk uplift service.

Firstly I'd like to address some concerns raised regarding posters placed around Glasgow advising on correct placement of bulk waste. The purpose of the poster was to deter waste being left on public pavements and lanes and to give advice on the locations of our Household Waste Recycling Centres. I'd like to apologise for any confusion caused by the inclusion of the reference to Housing Associations, this message was intended for those residents who already receive waste management services from their Housing Associations and who could obtain specific information from them, as arrangements can differ depending on the property.

A limited bulk waste collection service is set to resume with a focus on providing a new request-only service from the beginning of December.

Running a request-only service means the council will no longer be collecting bulky waste from designated pick-up points on 'bulk day'.

Ahead of these new arrangements which will come into force in early December, the council is already undertaking a clean slate operation, removing build-ups of big items from known locations across the city.

Our available resources will concentrate on the removal of bulk waste on street, at recognised bulk uplift collection points and from purpose built bulk uplift chambers.

In my earlier communication, I advised you that Glasgow City Council made the decision to implement a charging policy for the collection of bulk waste. Arrangements for implementation of this policy are progressing and as I previously advised this is anticipated to 'go-live' in early 2021. 'Core bulk' uplift services will no longer be provided and residents should not return to the practice of presenting bulk waste at collection points on a designated 'bulk day'.

The revised bulk uplift service will be by request and available to main door and flatted properties.

Further details on how residents can make a request will be available soon on the Council website and via social media. After a request is made, householders will be advised how to present their waste ahead of collection. Leaving items on the street or in a back lane will be considered fly-tipping and the people responsible will leave themselves open to enforcement action.

Whilst.../

Whilst available resources are limited, it is still the intention to arrange uplift within 28 days of requests, however, an appointment based system is in development that will specify when the uplift will take place.

Many associations have worked in partnership with us and have had mechanisms in place for many years, to remove your residents' bulk waste and bring this to one of our Household Waste Recycling Centres for disposal, free of charge. Since the start of the current pandemic additional Registered Social Landlords (RSLs) have taken up this offer and supported our communities in terms of the removal of bulk waste.

I am also aware that some associations are currently servicing bulk chambers and I would again take this opportunity to thank these organisations for continued support in providing this service to their residents.

At present where the council currently removes waste from associations' bulk chambers we will continue to do so.

Going forward I would like to meet with you early in the New Year to discuss the implications for your organisation as the council looks to recover its costs for the disposal of waste being generated from bulk chambers.

Information in respect of the reintroduction of the bulk uplift service will be made available on Glasgow City Council's website and social media channels. It would be helpful if you could include this information on your websites, social media channels and newsletters.

I am keen to extend our continued partnership working to promote the Reduce, Reuse, Recycle agenda to ultimately reduce the amount of waste that residents of Glasgow produce. Our Neighbourhood Teams in conjunction with Sustainable Glasgow would be happy to share examples of good practice as we work towards a carbon neutral city.

I am aware that you may have a number of questions in relation to the information I have provided to date and as such I intend to commence a series of online meetings over the coming weeks with citywide Housing Associations. The City Convener for Sustainability and Carbon Reduction, Councillor Anna Richardson will also be online at some of these events to answer any questions you may have.

In addition, our Neighbourhood Liaison Managers will make direct contact with your organisation to address any queries. You can also contact them directly:

Martin Lundie – Neighbourhoods Liaison Manager, North East
Martin.Lundie@glasgow.gov.uk

Francine O'Rourke – Neighbourhoods Liaison Manager, North West
Francine.orourke@glasgow.gov.uk

Laura Moran – Neighbourhoods Liaison Manager, South
Laura.Moran@glasgow.gov.uk

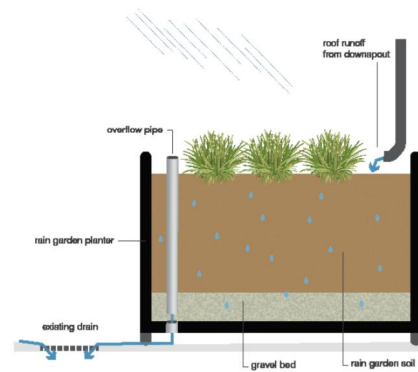
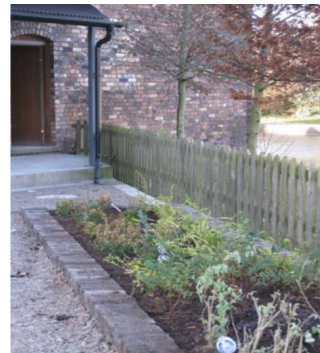
In the meantime, I look forward to our continued partnership working in delivering for Glasgow.

Yours sincerely,

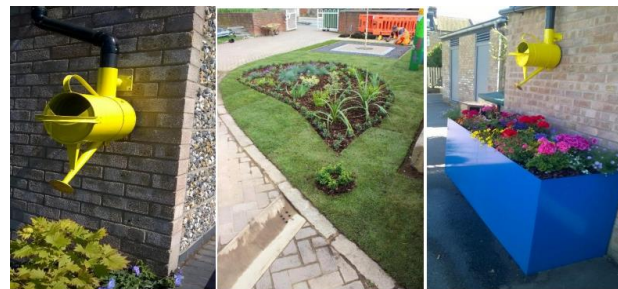


David Russell
Divisional Director

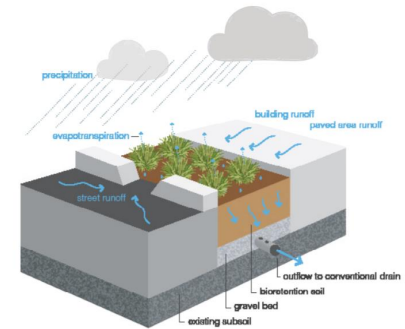
Raingardens



Rain garden planter



Bioretention Areas



Street rain garden



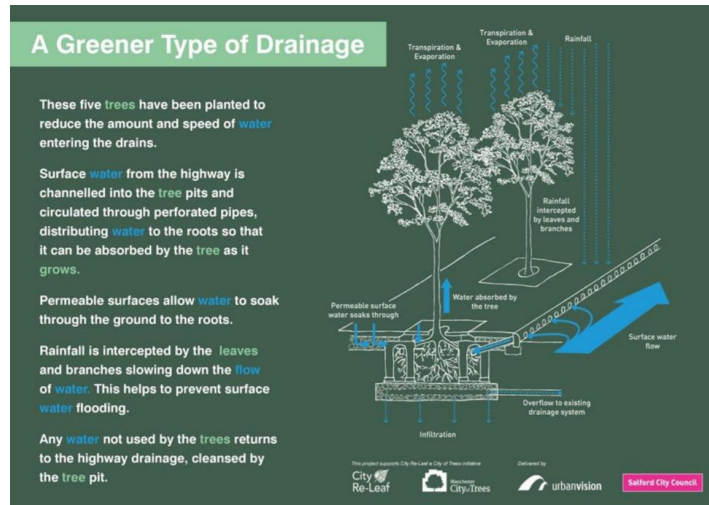
Swales/ Channels



Filter Strips



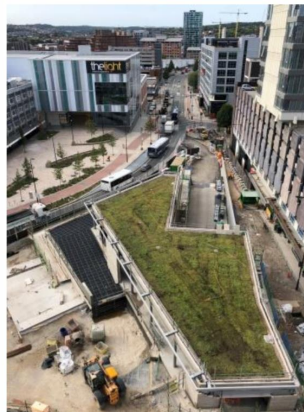
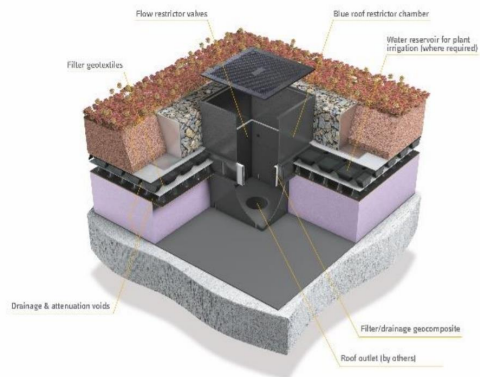
Tree Pits



Detention Basins



Green Roofs



Pervious surfaces

