

THE WEST LOTHIAN HOUSING PARTNERSHIP LIMITED

BOARD MEETING

**Wednesday 5 February 2020 at 2.00pm
62 North Bridge Street, Bathgate, EH48 4PP**

AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Minutes of Board Meeting held on 20 November 2019, action points and matters arising
4. Chair's Update (verbal)

Main Business Items

5. Rent and others charges 2020/21
6. Financial Projections 2020/21
7. Update on proposed transfer of housing stock from Barony
8. Inspiring Ambition, Unleashing Potential: Our Strategy 2020-25
9. Jarvey Street Update (verbal)
10. Five Year Development Programme
11. Core Investment Programme 2019/20 Update
12. Fire Safety update (presentation)

Other Business Items

13. Finance Report for the period to 31 December 2019
14. Housing Performance 2019/20 - Quarter 3
15. Board succession planning
16. AOCB - Stock Tour

Report

To: West Lothian Housing Partnership Board

By: Alex Lamb, Head of Housing

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

Subject: Rent and other charges 2020/21

Date of Meeting: 5 February 2020

1. Purpose

1.1 This report:

- Provides feedback from our consultation on the 2020/21 RSL rent and service charge increase;
- Seeks Board approval for the 2020/21 rent and service charge increases; and
- Seeks Board approval to change the date on which a rent increase is applied.

2. Authorising context

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

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

3. Risk appetite and assessment

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

- 3.2 The Scottish Housing Regulator undertook a thematic enquiry into how Registered Social Landlords (“RSLs”) consult with tenants about rent increases. In tandem, the Scottish Federation of Housing Associations (“SFHA”) issued guidance on rent setting and affordability. The main risk highlighted by these publications related to RSLs setting rent without due regard to meaningfully engaging tenants and affordability.
- 3.3 We mitigate this risk through rich engagement with our tenants on our rent proposals through a combination of focus Groups, local engagement and a statutory consultation process.

4. Background

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

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

4.2 The Board considered the first three principles as part of agreeing the baseline consultation levels during discussions at the meeting on 2 October. The consultation with tenants is the final element of our rent setting process prior to formally agreeing rent levels.

4.3 Rent increase date for WLHP

The rental charge for both WLHP and Barony occurs on a 4 weekly basis. Each year, the rental increase date changes in accordance with the year-end dates, dictated by the 4 weekly period end dates.

4.4 In 2019 WLHP & Barony commenced their new financial year on March 25th. In 2020 this would mean that the new financial year would begin even earlier on 23rd March and for 2021 – a rent increase as early as 15th March. This also impacts the notice period for advising of rent increase and therefore has implications for the Board and rent consultation dates.

4.5 Barony customers have voted in favour of stock transfer to either Dunedin Canmore or WLHP, depending on geographical location. There will therefore be a requirement to align these customers with the operational methods of the succeeding landlord.

4.6 Customers transferring to WLHP will see no change in the rent debit cycle (4 weekly). Customers transferring to Dunedin Canmore will move to a monthly rent cycle.

5. Discussion

5.1 Our consultation approach has been refined in recent years to provide a greater degree of insight into our tenants' views on our rent setting proposals. Our rent setting process for 2020/21 involved two stages; firstly, a series of focus groups and direct tenant engagement; then a full written consultation issued to all tenants with options, including a "none of the above" option. We had 44 responses to the full consultation stage, with 57% of tenants supporting one of the three increase options (3.4%, 3.9% or 4.4%).

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

Focus Groups

5.3 This year, we further refined our approach to the focus groups, with a lead officer, in our case the Head of Housing, presenting to tenants as part of giving more context to the proposals. The presentation and accompanying video set out the key elements contained within the proposed consultation brochure to be sent to all tenants, specifically:

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

5.4 Having the Head of Housing taking questions and receiving feedback was welcomed by tenants. We received a large amount of valuable feedback on individual tenant experiences.

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

5.6 In total there were 19 focus groups across the wider Group. Two of these were WLHP and were attended by 14 of our tenants.

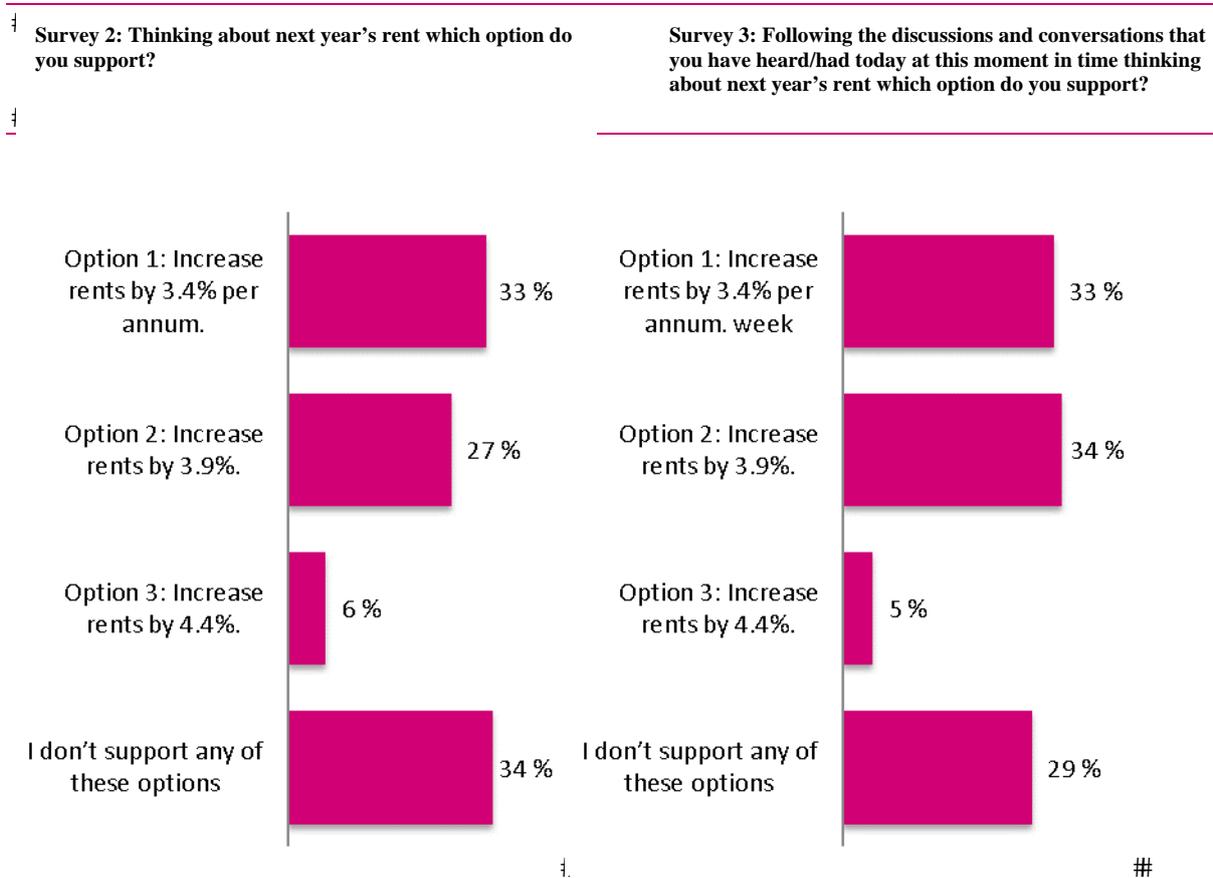
5.7 The focus groups allowed us to engage with tenants in more depth on our rent setting proposals, in particular:

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

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

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

Figure 1: Views on the rent increase options



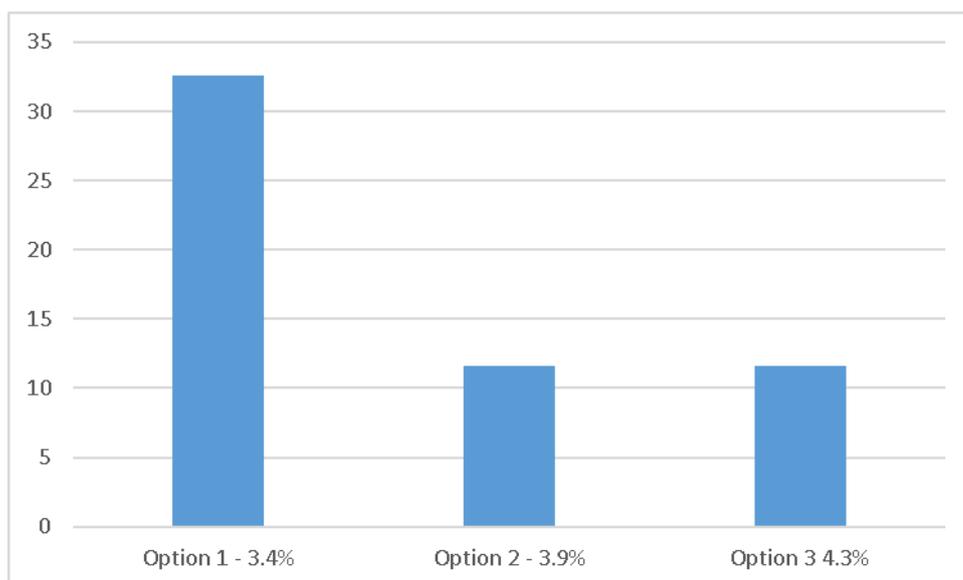
5.10 The report provided detail of key drivers of tenant satisfaction. The following were identified by BMG as key satisfaction drivers:

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

- 5.11 Whilst the feedback is across all the groups, BMG identified that WLHP appeared to tenants were the most satisfied and that they recognised the high level of tenant satisfaction that we have.
- 5.12 The key theme overall related to anti-social behaviour. Tenant frustrations in relation to this issue can have a significant effect on satisfaction, and the ongoing work through our Community Improvement Partnership to address this is a key part of the customer value element of our new strategy.

All-tenant consultation

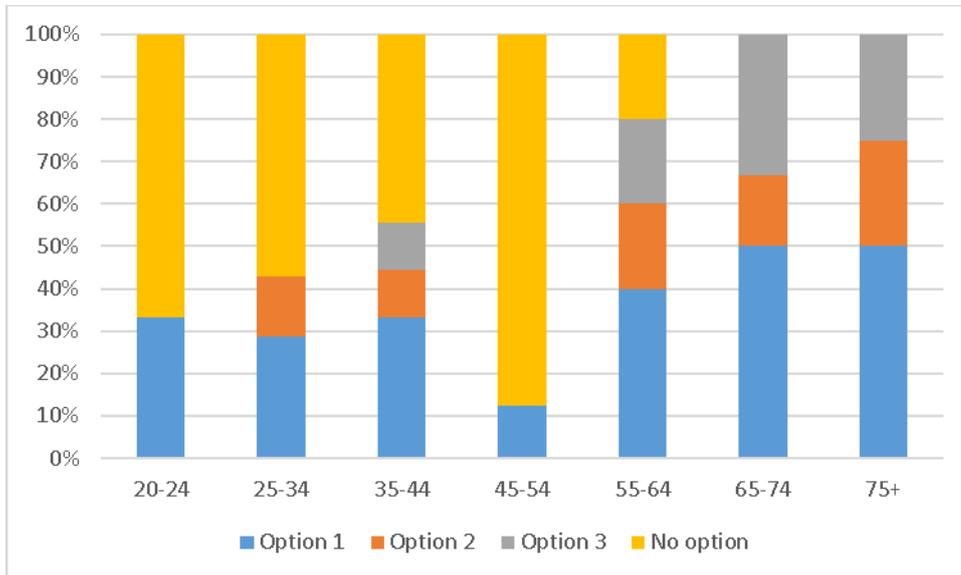
- 5.13 We consulted all tenants, as we have a statutory duty to do, using the consultation booklet agreed by the Board and revised to reflect the feedback from the focus groups. The consultation ran from November 2019 to 12 January 2020. Tenants were able to respond email, prepaid return slips, telephone or online.
- 5.14 In total 44 tenants provided feedback, either by completing the feedback form or by phone/email or online. In total 57% of tenants supported one of the increase options as follows:



- 5.15 The majority of support was for option 1, which is a change from last year where option 2 had the highest level of support. Analysis of the open feedback box and the elements of WLHP focus group feedback suggest that tenants feel the rent/value balance is appropriate.
- 5.16 Our tenant satisfaction is also the highest within the Group and therefore we would not expect to see as high demand for additional investment given such high levels of satisfaction.
- 5.17 We undertook further analysis of the responses to identify if there were any variations in responses based on different tenant characteristics. Those who provided ethnicity details were of such a small number that any further analysis would not be proportionate.

Age

- 5.18 In total, all but 2 of the respondents provided their age range in the response. The data identified that support levels are generally correlated to age, with the level of support ascending with the age groups. The results are set out below:



- 5.19 The results indicate a wide divergence of views based on age, with support for the increase being less for younger tenants but much higher for older tenants. The sample sizes are relatively small given the overall response level.
- 5.20 Then additional feedback provided across the age segments with lower support levels indicates that affordability was the main reason. The feedback however suggests the affordability concern is wrapped into overall household affordability, with responses identifying factors such as wage inflation and utility price inflation as major contributing factors to overall household affordability.

Change date of applying rent increase

- 5.21 Changing the date in which any rent increase is applied will ensure consistency for Barony customers following the Barony transfer.

RSL	Current rent increase date	Proposed Rent Increase date	Financial implications
Dunedin Canmore	1 April each year	No change	No change
WLHP	March 23 rd 2020 and Changeable due to 4 weekly debit	6 th April 2020 and 1 st Monday in April thereafter	£2.6k
Barony	March 23 rd 2020 and Changeable due to 4 weekly debit	6 th April 2020 and 1 st Monday in April thereafter.	£1k

5.22 The minimal adverse impact arising from this change is borne by the business rather than tenants. Tenants will each receive a slight benefit as under the proposal the rent increase will take effect 2 weeks later than is currently planned.

6. Key issues and conclusions

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

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

6.3 It is proposed that the Board agree to changing the date in which the rent increase is applied to Monday 6th April 2020 and the 1st Monday in April each year thereafter.

7. Value for money implications

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

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

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

8. Impact on financial projections

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

8.2 Moving the rent increase date to the first Monday in April would impact both the current year results (2019/20) for the period from 23rd March 2020 to 31st March 2020 and the 2020/21 financial results for the period from 1st April 2020 to 6th April 2020. The total impact (across both years) would be £2,607 for WLHP and £1,017 for Barony. This is immaterial and can be offset by efficiency savings in operating costs. The business plans for both entities assume an uplift date of 1st April so the long-term impact is also considered to be immaterial.

9. Legal, regulatory and charitable implications

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

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

10. Partnership implications

10.1 There are no partnership implications arising from this report.

11. Implementation and deployment

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

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

12. Equalities impact

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

13. Recommendations

13.1 The Board is asked to:

- 1) Consider the feedback received through the extensive consultation process with tenants on our 2020/21 rent increase;
- 2) Approve a 3.4% rent and service charge increase for 2020/21 and that we formally write to tenants to confirm this; and
- 3) Approve the proposal to change the date on which the rent increase is applied.

Report

To:- West Lothian Housing Partnership Board

By:- Morgan Kingston, Finance Manager

Approved by:- Steven Henderson, Group Director of Finance

Subject:- Financial Projections 2020/21

Date of Meeting:- 5 February 2020

1. Purpose

1.1 The purpose of this report is:

- To set out the updated projections for investment in assets and services over the five year period to 2025, in support of our strategic ambitions; and
- to ask for the Board's approval of these updated financial projections, of which the first year will form the budget for 2020/21.

2. Authorising context

2.1 Under the terms of the Intra-Group Agreement between WLHP and the Wheatley Group, as well as the Group Authorise, Manage, Monitor Matrix, whilst the Group Board is responsible for the overall approval of the plan and parameters, the WLHP Board has autonomy to agree its individual business plan within said parameters.

3. Risk appetite and assessment

3.1 Our agreed risk appetite in WLHP's Performance against Group is "Open". This level of risk tolerance is defined as "Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level".

4. Background

4.1 The financial projections presented reflect our new 2020-25 strategy, *Inspiring Ambition, Unleashing Potential*, and addresses how the 5 key themes of the strategy will be achieved. We continue to make significant investment in our services and assets. For example:

- In the current financial year we are forecast to invest over £280k in our existing housing stock.
- Our new build programme is significant with spend of £11.8m projected for 2019/20 and the completion of 91 social rent units at Dixon Terrace and Kirk

Lane. Across the period of the 'Investing in our Futures' strategy from 2015-20, WLHP will have delivered 146 new units for social rent.

- Management and overhead costs are lower over the period of the 2015-20 *Investing in our Futures* strategy reducing from £1,856 per unit to £1,783 per unit forecast for 2190/20. These efficiencies create capacity within WLHP to fund the debt required to meet our new build ambitions and invest in services for our customers.

4.2 During 2019/20 a number of the customers of our sister organisation Barony Housing Association were consulted on a proposed transfer of their tenancies to West Lothian Housing Partnership and following the successful ballot it has been agreed that the ownership and management of over 200 properties will transfer from Barony to WLHP. The transfer will take place in April 2020, increasing the size of the organisation by 42%.

5. Discussion

5.1 The new strategy for 2020-2025, *Inspiring Ambition, Unleashing Potential*, forms the basis of these financial projections. The financial highlights under each theme of our new strategy are set out below.

Delivering Exceptional Customer Experience

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

- Small patch sizes maintained with the growth in stock numbers projected in the plan and investment our environmental teams. Funding is included for an additional 2 housing officers to help manage the growing stock numbers.
- WLHP were the first in the Group to gain a 5 star accreditation through the partnership with "Keeping Scotland Beautiful" and plan to build further on this working with the newly shaped environmental service shared with our sister organisation, Dunedin Canmore.
- In repairs, funding is included to offer next day appointments, text alerts to customers and the option of specific time slots improving the flexibility of our offering and enhancing business efficiencies through improved access rates.

Making the most of our homes and assets

5.3 The projections include £53m of gross funding in years 1-5 for investment in new housing stock, delivering 291 new social rent units and a further 26 new mid-market rent properties. Grant income of £29m is also assumed in the projections which will contribute towards the funding costs of the properties noted above. This represents significant growth in the size of WLHP over the period, taking the stock numbers from 749 at 1 April 2020 up to 1,066.

- 5.4 In our existing homes, total investment of £2.8m across the first 5 years of the projections has been included. This will largely be delivered by our colleagues in Dunedin Canmore Property Services and will provide investment in kitchens, heating, bathrooms and internal common works. The programme has been augmented for additional investment in the properties transferring from Barony.
- 5.5 During the first five years of the plan £3.5m has been earmarked for repairs, assisting the upkeep and maintenance of our stock.

Changing lives and communities

- 5.6 The financial projections demonstrate our commitment to changing the lives of our tenants and the wider communities in which we operate. This will be achieved through:
- Funding of £180k to the Wheatley Foundation (“The Foundation”) over the first 5 years of the financial projections. The Foundation use this to deliver services to our customers including welfare benefits advice, employability advice and training schemes for unemployed tenants, as well as modern apprenticeships.
 - The group-wide Tenancy Support Service (“TSS”) is managed by our colleagues at Loretto Care. WLHP’s financial projections include annual funding of £5k and in return we receive flexible, tailored support for our vulnerable tenants.
 - Funding for the Helping Hand Fund has been extended for 2020/21. This fund is used to assist our tenants in financial difficulty. It can provide a “helping hand” towards utility bills, the purchase of food or can be used to help clear rent arrears. This is particularly relevant with the roll out of universal credit.

Developing our shared capacity

- 5.7 Through our contribution to Wheatley Solutions, our financial plan helps fund a continued focus on staff development and our leadership and graduate programmes. Our new strategy also refers to measures to support our tenants through the following:
- Funding for modern apprenticeships through the Wheatley Foundation. These apprenticeships are offered to young people in the communities in which we operate.
 - The Foundation also offer bursaries to tenants and customers of the Wheatley Group. This provides financial support to our customers who want to go into further education but would struggle to afford it on their own.

Enabling our ambitions

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

5.9 The detailed financial projections and assumptions are provided in the appendices to this report. Figure 1 shows the forecast deficit/surplus over the five year period to 2024/25 with £9.7m of net assets assumed to transfer from Barony Housing Association in 2020/21.

Figure 1: Statement of comprehensive income

£'000	2020/21	2021/22	2022/23	2023/24	2024/25
Net Rental Income	3,552	4,545	4,963	5,251	5,539
Other Income (MMR lease income)	22	136	139	142	145
Grant Income	11,263	3,886	4,021	2,164	0
Investment Property Valuation Movement	(704)	(149)	4	47	48
Total Income	14,132	8,419	9,127	7,604	5,732
Management Costs	1,080	1,128	1,159	1,198	1,239
Repair and Maintenance Costs	582	743	780	817	857
Depreciation	1,702	2,273	2,554	2,658	2,773
Operating Expenditure	3,364	4,145	4,493	4,673	4,869
Operating Surplus	10,767	4,274	4,634	2,931	863
Operating Margin (%)	76%	51%	51%	39%	15%
Finance Costs	(918)	(1,775)	(2,025)	(2,081)	(2,125)
Housing Property Valuation Movement	(2,187)	(3,583)	(2,802)	(53)	(2,811)
Statutory Surplus/(Deficit)	7,663	(1,084)	(193)	797	1,549

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

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

- The financial projections assume a reduction to our operating cost base, with efficiency savings ensuring we continue to deliver value for money for our customers; and
- The financial plans support our strategic commitment to strengthen our asset base through development, with funding in place for 317 new properties to be built over the five year period to 2024/25.

5.12 In order to achieve our ambitious strategy, we must demonstrate a strong and stable financial performance. Our Statement of Financial Position, set out below, shows a strong net asset position which shows an improving position over the first 5 years of the projections. The delivery of 291 new social housing properties and 26 md-market properties will help to strengthen WLHP's net asset base. Figure 2 shows the projected change in the balance sheet over the five year period to 2024/25.

Figure 2: Statement of Financial Position

£'000	2020/21	2021/22	2022/23	2023/24	2024/25
Housing Assets & Investment Properties	60,724	64,654	61,293	70,381	85,555
Other Fixed Assets	173	126	75	44	94
Total Fixed Assets	60,897	64,779	61,369	70,424	85,649
Current Assets	574	589	592	582	577
Current Liabilities	(6,928)	(5,079)	(1,330)	(8,053)	(16,828)
Net Current (Liabilities)/Assets	(6,354)	(4,490)	(738)	(7,471)	(16,251)
Long-Term Liabilities	(32,088)	(38,918)	(39,453)	(40,979)	(45,874)
Net Assets	22,455	21,371	21,178	21,975	23,524
Retained Earnings	22,455	21,371	21,178	21,975	23,524
Total Reserves	22,455	21,371	21,178	21,975	23,524

5.13 The value of housing assets increases by £39.6m across the first 5 years of the projections. This increase in housing assets requires additional debt funding from WFL1 and until the level of debt significantly reduces, net asset movement is minimal over the next five years.

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

Figure 3: Cashflows generated

£'000	2020/21	2021/22	2022/23	2023/24	2024/25
Net Rental Income	3,505	4,611	5,041	5,342	5,627
Operating Expenditure	(1,608)	(1,808)	(1,871)	(1,944)	(2,022)
Net Cash from Operating Activities	1,898	2,803	3,170	3,398	3,604
Core & Other Capital Expenditure	(789)	(755)	(762)	(636)	(854)
New Build Expenditure	(18,020)	(9,007)	(1,112)	(10,960)	(14,167)
Grant Income	8,659	2,039	273	8,889	8,776
Net Cash used in Investing Activities	(10,150)	(7,722)	(1,602)	(2,707)	(6,245)
Finance Costs	(1,388)	(1,909)	(2,102)	(2,215)	(2,253)
Net Movement in Cash	(9,640)	(6,829)	(533)	(1,524)	(4,894)

- 5.15 As there is a time lag between expenditure and the generation of additional rental income, our finance costs increase before we realise the benefit of additional rents from new build properties. Upon completion of the new build programme debt repayments will commence, reducing the associated finance costs, thereby improving the cash position.
- 5.16 Cash flows need to be sufficient to service intra-group debt each year, i.e. meet the finance costs, and to repay funding within 30 years. EBITDA MRI (earnings before interest, tax, depreciation and amortisation with major repairs investment spend taken into account) over net interest payable is the ratio used by the group to assess this and ideally should be >1. The chart in figure 4 shows that the ratio is < 1 in the first year as WLHP's debt level increases to fund the new build programme and capital investment, but before the full benefit of the additional rental income on the completed units. As the additional rental income increases the ratio improves, being >1 from 2021/22 onwards.

Figure 4: EBITDA MRI interest cover ratio

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
EBITDA MRI	1,150	2,084	2,431	2,772	2,766
Net Interest Payable	1,388	1,909	2,102	2,215	2,253
EBITDA MRI less Finance Costs	(238)	175	329	557	513
Interest Cover	0.83x	1.10x	1.16x	1.24x	1.23x

- 5.17 We must ensure that WLHP and the other subsidiaries within the Group meet certain financial parameters. These include ensuring that a sufficient operating margin is generated and that there is sufficient cash flow strength and asset cover to support the level of debt. As demonstrated in the above, WLHP is able to meet these parameters from year 2 of the projections.

6. Key issues and conclusions

- 6.1 These financial projections, once approved, will be submitted to the Wheatley Group Board for approval on 19 February 2020. The figures in the first year of the projections, 2020/21, will then form the basis of the annual budget which will be presented to the WLHP Board for approval in March. Performance against the budget will then be monitored through the management accounts provided to the Board throughout the year.

7. Value for money implications

- 7.1 The financial projections incorporate cost efficiency measures, which are a key element of continuing to demonstrate value for money. These will be reflected in the annual budget and performance monitored against budget each month.

8. Legal, regulatory and charitable implications

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

9. Equalities impact

9.1 Not applicable.

10. Recommendations

10.1 The Board is requested to:

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

List of Appendices

Appendix 1 - WLHP 2020/21 Financial Projections

WLHP Financial Projections 2020/21

1. Headlines

West Lothian Housing Partnership is on track to complete 91 new social rent properties in 2019/20. Further investment of £280k in our existing homes is also expected to be achieved.

The 2020/21 updated financial projections include:

- Inclusion of 222 social rent properties transferred from Barony Housing Association;
- Provision to complete 317 new social and mid-market rent homes over the first five years, with a further 314 units to be delivered in the period up to March 2028; and
- A further £2.8m of investment in existing housing stock.

During the development period, the forecast bottom line statutory deficit, net assets, cashflow and ratios reflect the higher level of borrowing to support our new build programme.

WLHP's peak net debt is in 2027/28 and finance costs on the debt borrowed from Wheatley Funding Limited 1 steadily increases as we approach this year. This is in advance of the significant benefit from increased rental and lease income from the new units and lowers the statutory surpluses reported.

In the period after 2027/28 all new build units are completed creating an increase in rental income and realising operating cost per unit efficiencies. Overall this results in a strengthening the financial position of West Lothian Housing Partnership.

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

2. Key Assumptions

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

2.1. Stock numbers

The 2020/21 WLHP Business Plan assumes an opening rented stock number of 749 social rent units. This is based on the 436 units owned by WLHP as at 1st April 2019, the expected completion of 91 new build units at Dixon Terrace and Kirk Lane plus the units due to be transferred from Barony HA.

The projections assume 291 new homes for social rent will be delivered in the next five years, with a further 314 completed by the end of 2027/28. This is an increase of 251 units compared to last year’s plan and reflects the additional 250 new build units committed to as part of the Barony stock transfer. The split between social and mid-market rent has also been updated with the re-designation of the Jarvey street development as social rent units.

Of the new social rented homes, we anticipate 162 being handed over in 2020/21, namely 120 at Almondvale and 42 at Jarvey Street. Table 1 shows the planned profile of social housing stock over the period of the projections.

Table 1 – Social Housing Stock Numbers

	2020/21	2021/22	2022/23	2023/24	2024/25
Opening Stock	749	911	962	1014	1040
New Build	162	51	52	26	0
Closing Stock	911	962	1014	1040	1040

Stock Profile – Other Affordable Housing

In addition to social housing, the updated projections assume 26 units for mid-market rent will be delivered at Almondvale. These are planned to be completed and handed over in 2020/21. Table 2 below shows the movement in mid-market rent units over the period of the projections.

Table 2 – Mid-Market Rent Stock Numbers

	2020/21	2021/22	2022/23	2023/24	2024/25
Opening Stock	-	26	26	26	26
Acquired/ Developed	26	-	-	-	-
Closing Stock	26	26	26	26	26

These properties will be managed under a lease arrangement with Lowther Homes with the letting and management risk being taken by Lowther. On-going capital works costs will remain WLHP’s responsibility and these costs are contained within the business plan assumptions moving forward.

2.2. Rents and Service Charge Income

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

Table 3 – Rent and service charge increase assumptions

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

In addition to rental income WLHP also receive income from service charges. Based on current charges the income received is forecast to be £81k per annum. Costs equivalent to this income are assumed in respect of providing the service.

On completion of the MMR properties at Almondvale, lease income from Lowther will be received. The projected value of the lease is £120k per annum, with this expected to commence from March 2021.

2.3. Inflation Assumptions

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

Table 4 – Inflation Assumptions

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

2.4. Operating Performance

The percentage of rent lost to voids and bad debts assumed has been based on historical performance together with our expectations going forward. Table 5 below shows the assumptions in the plan for the next five years.

Table 5 – Void, Bad Debt, and Arrears Assumptions

	2020/21	2021/22	2022/23	2023/24	2024/25
Routine voids (%) (WLHP)	0.5	0.5	0.5	0.5	0.5
Bad debts (%) (WLHP)	2.0	2.0	2.0	2.0	2.0
Arrears (£'000)	93	109	112	102	96

The plan assumes voids losses for existing WLHP tenants of 0.5% of rental income. Current year to date performance reports minimal rent loss in void properties and therefore this is a prudent assumption compared to historical rates. For tenants transferring from Barony HA the assumption is for 3% voids. Again this is higher than the current year to date performance for Barony of 1.9% and takes account of the specific service provision in supported properties.

The bad debts assumption of 2% (1% for Barony tenants) is also higher than current performance and allows for an increase in recognition of the potential impact of Welfare Reform and the introduction of Universal Credit. This has been set cautiously because of the increasing impact of welfare reform on our tenants. Our Business Plan assumptions on movements in arrears as a result of universal credit have been updated to reflect our experience and expectations going forward including:-

- Increase in number of tenants moving to universal credit (a total of just over 200 tenants – all tenants of working age)
- 80% of tenants who move on to universal credit will have an increase in arrears, with this increase equivalent to 5 weeks rent; and
- Of this increased arrears balance it is assumed only 40% will be recovered with this recovery taking up to two years.

2.5. Management Costs

WLHP’s employee cost assumptions reflect the existing five frontline housing staff, plus an additional 2 staff transferred from Barony and a Head of Housing (shared with Dunedin Canmore). Provision has also been made for pension past service deficit contributions.

Improved working practices will ensure the growing asset base can be managed within our current staff complement, as reflected in the static cost. Employee costs in year 3 decrease by £18k reflecting the end of the SHAPS pension past service deficit payments.

Running costs, which include day to day expenditure, are assumed to increase by 12% over five years. This increase relates to the additional costs assumed to manage the new social units delivered through the development programme.

The plan assumes a £59k recharge from Group, which includes employee and running costs for central services such as Human Resources, IT, Finance, Regeneration and the Transactional Hub, to remain static in real terms over the next five years.

Table 6 sets out the overall management costs assumed in the plan.

Table 6 – Management Cost Assumptions

£'000	2020/21	2021/22	2022/23	2023/24	2024/25
Employee Costs	546	546	528	528	528
Running Costs	426	441	460	467	475
Recharges from Group	59	59	59	59	59
Total	1,031	1,046	1,047	1,054	1,062

2.6. Asset Management and Growth

a) Revenue Repairs & Maintenance

WLHP’s repairs service is delivered by Dunedin Canmore’s property services team, and since the transfer from City Building on 1 April 2017 customer feedback has been excellent. Planned maintenance costs reflect a cyclical maintenance programme (gutter cleaning, painting and property MOTs), which help maintain the standard of our property assets and reduce future capital investment costs. Table 7 below summarises the revenue repairs and maintenance assumptions in the plan.

Table 7 – Planned and Routine Maintenance Costs

£'000	2020/21	2021/22	2022/23	2023/24	2024/25
Routine Maintenance	431	570	584	596	611
Planned Maintenance	151	151	151	151	151
Total	582	722	735	747	762
Average No. of Units	830	937	988	1,027	1,040
Average Repair £ cost per unit	701	771	744	728	732

b) Capital Investment

WLHP’s existing stock fully meets the Scottish Housing Quality Standard (“SHQS”). The investment assumed within the plan is therefore intended to maintain this standard while also responding to our customers’ investment priorities as set out in our Locality Plan.

The programme has been informed by our detailed knowledge of the stock together with the latest stock condition survey carried out by Savills. These surveys assess the condition of the stock and identify the investment required over a 30 year period based on agreed life cycle renewals and rates for work. The programme also reflects the commitments made to transferring Barony tenants to deliver additional investment in their properties.

Table 8 – Capital Investment Programme (excluding inflation)

£'000	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Core Programme	588	532	518	383	515	2535
Void Repairs	37	37	37	37	37	186
Medical Adaptations	20	20	20	20	20	98
Total	645	589	575	439	572	2820

We are committed to listening to our Board and local communities to identify priorities for investment. Key priorities include replacement programmes for kitchens, showers and boilers within our properties and environmental works to improve the perception of local areas. Changing demographics mean there is greater demand for appropriate housing for older people. Investment in medical adaptations will allow more of our tenants to remain in their homes for longer, helping to deliver our business objectives.

c) New Build Programme

The new build programme is set out at Section 2.1 and reports 291 social and 26 mid-market rent properties to be delivered over the first five years, a total of 317, with a further 314 completed by 2027/28. Table 9 summarises the investment in new build homes over the first five years.

Table 9 – New build Funding Profile (including inflation)

£'000	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Development Costs	18,020	9,007	1,112	10,960	14,167	53,266
Grant Income (cash received)	8,659	2,039	273	8,889	8,776	28,636
Net Cost	9,361	6,967	839	2,071	5,392	24,630

Building new affordable homes is the first line of our vision statement. The above financial plans therefore support this commitment.

2.7. Initiatives and Other Provisions

The financial projections continue to include a commitment to improve the wider communities in which we operate. Over the first 5 years of the plan, the following funding has been included:

- Helping Hand Funding of £2.4k in year 1 of the plan. This funding helps those in financial difficulty, particularly those who are in and out of jobs or whose benefits may change as a result of universal credit.
- Annual costs of £5k for the Tenancy Sustainment service that Loretto Care delivers on our behalf.
- Donations to the Wheatley Foundation totalling over £180k over the five years of the plan. This is used by the Wheatley Foundation to fund their projects which directly impact the lives of tenants. These projects include their bursary programme, training for vulnerable tenants looking to get back into employment, fuel and welfare benefit advice as well as fitness classes and the Home Comforts and Eat Well services.

2.8. Operating Cost per Unit

As a result of the assumed efficiencies in management costs, our operating costs per unit, excluding depreciation and finance costs, decrease over the five year period and are set out in Table 10 below.

Table 10 – Projected Operating Cost per Unit (real terms)

	2020/21	2021/22	2022/23	2023/24	2024/25
Operating Costs (£'000)	1,659	1,818	1,837	1,859	1,884
Average No. of SR Units in year	830	937	988	1,027	1,040
Operating Cost per Unit (£)	1,999	1,941	1,859	1,811	1,812

The trend shows that the plan assumes WLHP will become more efficient in its use of resources as it manages more units added through planned asset growth. Efficiency savings will also arise as due to continuing investment in service transformation, including the introduction of self-service and automated services.

2.9. Interest Rate Assumptions

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

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

Table 11 – Interest Rate Assumptions

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

3. Financial Projections

a) Income and Expenditure Account

Table 12 – Income and Expenditure Projections

£'000	2020/21	2021/22	2022/23	2023/24	2024/25
Net Rental Income	3,552	4,545	4,963	5,251	5,539
Other Income (MMR lease income)	22	136	139	142	145
Grant Income	11,263	3,886	4,021	2,164	0
Investment Property Valuation Movement	(704)	(149)	4	47	48
Total Income	14,132	8,419	9,127	7,604	5,732
Management Costs	1,080	1,128	1,159	1,198	1,239
Repair and Maintenance Costs	582	743	780	817	857
Depreciation	1,702	2,273	2,554	2,658	2,773
Operating Expenditure	3,364	4,145	4,493	4,673	4,869
Operating Surplus	10,767	4,274	4,634	2,931	863
Operating Margin (%)	76%	51%	51%	39%	15%
Finance Costs	(918)	(1,775)	(2,025)	(2,081)	(2,125)
Housing Property Valuation Movement	(2,187)	(3,583)	(2,802)	(53)	(2,811)
Statutory Surplus/(Deficit)	7,663	(1,084)	(193)	797	1,549

Rental Income and Other Income

Investment in the new build programme and assumed rental increases will generate 56% growth in rental and other income over the next five years.

Grant Income

In line with SORP 2014, grant income is recognised as part of turnover in the projected Income and Expenditure account. The table shows recognition of grant income upon completion of the related properties.

The result of this is operating margin increasing or decreasing significantly in line with the level of grant income. Depreciation will increase in line with an increased asset base.

Investment Property Valuation Movement

Mid-market properties are held on the balance sheet as Investment Properties. These properties are valued annually, with any increase or decrease in valuation recognised within Operating Surplus.

Expenditure

Even with the planned asset growth, improved working practices over the next five years are expected to result in efficiency savings that will achieve a 9.4% reduction in operating cost per unit in real terms.

Finance Costs

Interest payable on our borrowings increases over the five years as our debt increases to fund the new build programme.

Housing Property Valuation Movement

Social rent properties are held on the balance sheet at valuation. These properties are valued annually, with any increase or decrease in valuation recognised within the Income & Expenditure account, below the operating surplus line.

Statutory Surplus/(Deficit)

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

b) Statement of Financial Position

Table 13 – Statement of Financial Position Projections

£'000	2020/21	2021/22	2022/23	2023/24	2024/25
Housing Assets & Investment Properties	60,724	64,654	61,293	70,381	85,555
Other Fixed Assets	173	126	75	44	94
Total Fixed Assets	60,897	64,779	61,369	70,424	85,649
Current Assets	574	589	592	582	577
Current Liabilities	(6,928)	(5,079)	(1,330)	(8,053)	(16,828)
Net Current (Liabilities)/Assets	(6,354)	(4,490)	(738)	(7,471)	(16,251)
Long-Term Liabilities	(32,088)	(38,918)	(39,453)	(40,979)	(45,874)
Net Assets	22,455	21,371	21,178	21,975	23,524
Retained Earnings	22,455	21,371	21,178	21,975	23,524
Total Reserves	22,455	21,371	21,178	21,975	23,524

Housing Assets

The plan assumes Housing Property assets to increase by £39.6m over five years from April 2020. This is due to the construction of 317 additional properties within this period, and an assumed increase in the value of our existing stock as a result of investment.

Other Assets

This includes the cost of leasehold improvements made to the Bathgate office. The decrease in asset value is due to annual depreciation costs. The plan does not assume any further significant additions.

Current Assets and Liabilities

Current assets include cash, rent arrears, net of bad debt provision; and other debtors. The table shows current assets remaining broadly consistent over the next five years, as any excess cash generated will be used to fund the investment programme.

The movement within current liabilities is driven by the receipt, and then release, of Housing Association Grant upon completion of new build units, as grant is deferred until the relevant scheme is complete.

Long-Term Liabilities

Long-term liabilities relates primarily to the loan due from WLHP to Wheatley Funding Limited 1 (WFL1). The balance due to WFL1 increases from £22,284k in April 2020 to £45,705k at March 2025 to fund investment in existing stock and new build. Peak net debt is in year 8 (2027/28) when outstanding debt net of cash reaches £61,059

Retained Earnings

Retained earnings are projected to initially reduce due to the statutory deficits resulting from assumed downward valuation movements in properties. In years 4 and 5, retained earnings start to increase as rental income streams from new build properties strengthen coupled with the benefit of cost efficiencies spread across a larger number of rental properties.

c) Cashflow

Table 14 – Cashflow Projections

£'000	2020/21	2021/22	2022/23	2023/24	2024/25
Net Rental Income	3,505	4,611	5,041	5,342	5,627
Operating Expenditure	(1,608)	(1,808)	(1,871)	(1,944)	(2,022)
Net Cash from Operating Activities	1,898	2,803	3,170	3,398	3,604
Core & Other Capital Expenditure	(789)	(755)	(762)	(636)	(854)
New Build Expenditure	(18,020)	(9,007)	(1,112)	(10,960)	(14,167)
Grant Income	8,659	2,039	273	8,889	8,776
Net Cash used in Investing Activities	(10,150)	(7,722)	(1,602)	(2,707)	(6,245)
Finance Costs	(1,388)	(1,909)	(2,102)	(2,215)	(2,253)
Net Movement in Cash	(9,640)	(6,829)	(533)	(1,524)	(4,894)

Net Cash from Operating Activities

The plan assumes net cash from operating activities increases from £1,898k in 2020/21 to £3,604k in 2024/25, an increase of 90% over the five year period. This increase is due to the completion and handover of 317 units within this period (with an additional 314 units completing in future years) creating additional rental and lease income. The plan also allocates management and maintenance costs for each new unit, with operating expenditure increasing as a result.

Net Cash used in Investing Activities

This reflects the on-going core programme and other investment works, and the new build programme.

Finance Costs

Finance costs relate to the interest due on our loan with Wheatley Funding Limited 1. As expenditure is incurred to pay for our new build programme, WLHP will use existing cash resources, followed by drawing down money from Group. The projections assume the new build programme is completed in 2027/28. Peak net debt is reached that year and no further debt is expected to be drawn. Annual finance costs are therefore strongly linked to any increase or decrease in debt.

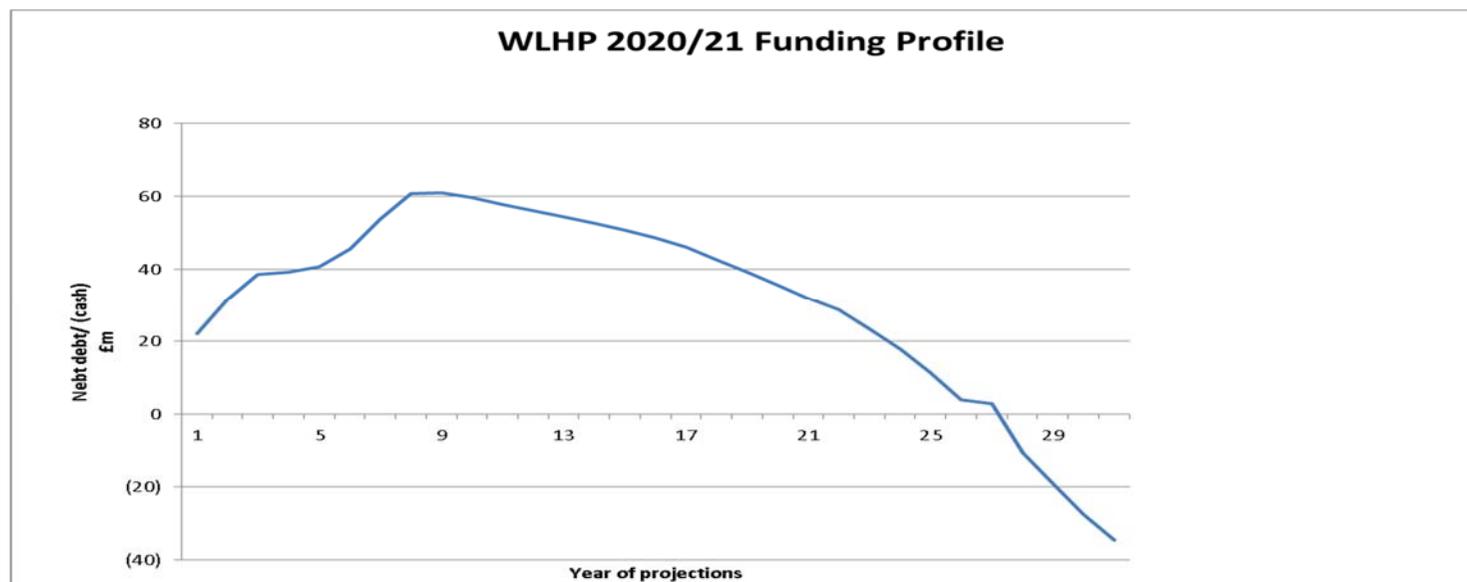
Net Movement in Cash

Across the five year of the plan we anticipate a £23.4m net decrease in cash. This is due to the significant investment in the new build programme.

4. Key Financial Parameters

WLHP can borrow from WFL1 providing it can support the debt levels with its asset base and cash flows. WLHP, together with all the other RSLs in the RSL Borrowing Group, needs to ensure that all external funding conditions at WFL1 level are met at all times, including compliance with financial covenants. Whilst there are no specific financial covenants at each RSL level it is the delivery of the approved business plan financials by each RSL (as set out in section 2 above for WLHP) that is key to meeting funding conditions at WFL1.

The resulting debt profile for WLHP is as follows:



Debt indicator	Value
Peak net debt	£61.1m
Peak net debt year	8 (2027/28)
Debt repayment year	26 (2045/46)
Cash at Year 30	£34.5m

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

i. Operating Margin Generation

In the long term underlying operating surplus (excluding grant income and property valuation movements) needs to be sufficient to service debt, i.e. meet interest and capital payments on debt balances and achieve overall financial surplus every year. The business plan assumes that WLHP will generate the following operating margins:

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Income (excluding grant income and property valuation movement)	3,574	4,681	5,102	5,393	5,684
Adjusted Operating Surplus	83	209	537	610	720
Adjusted Operating Margin	2.33%	4.47%	10.51%	11.31%	12.66%

As new build properties are completed, income increases and the operating costs per unit gradually decrease from efficiencies resulting in the operating margin increasing.

ii. Cashflow Strength

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

West Lothian HP Financial Projections | 2020/21

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
EBITDA MRI	1,150	2,084	2,431	2,772	2,766
Net Interest Payable	1,388	1,909	2,102	2,215	2,253
EBITDA MRI less Finance Costs	(238)	175	329	557	513
Interest Cover	0.83x	1.10x	1.16x	1.24x	1.23x

The ratio is below 1 in the first year but is above 1 by year 2 and continues to increase throughout the remaining years of the plan. Increases in rental income and continuing management of the cost base during this period are of extreme importance.

The long term financial projections currently assume that debt can be repaid in Year 26 of the plan with £34.5m of cash generated in Year 30. This is based on the completion of 631 new build units in the next eight years, with WLHP having a revised asset base of 1,354 units.

iii Asset Cover

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

5. Risk Analysis

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

Nr	Risk description	EBITDA MRI Interest Cover					Cash flow			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £m	Debt repaid	Cash (Year 30)	
	Base Case	0.83	1.10	1.16	1.24	1.23	61.1	26	34.5	
1	Cost inflation decreases to 2.5% from year 3	0.83	1.10	1.16	1.26	1.26	60.4	26	38.8	As expected this has a positive impact on the Business Plan, more so in later years as the compound effect of lower than assumed inflation results in improved performance and cash flows. Whilst there is no change to the year of debt repayment, cash at year 30 increases by £4.3m

West Lothian HP Financial Projections | 2020/21

Nr	Risk description	EBITDA MRI Interest Cover					Cash flow			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £m	Debt repaid	Cash (Year 30)	
	Base Case	0.83	1.10	1.16	1.24	1.23	61.1	26	34.5	
2	Rent increase reduced from 3.5% to 3% for duration of plan	0.83	1.09	1.15	1.24	1.23	61.5	28	19.2	In early years EBITDA MRI cover deteriorates slightly, though still exceeds 1 from year 2. The compound effect of these lower rent increases delays the debt repayment period by 2 years and decreases cash at year 30 by £15.3m. In mitigation costs, efficiency savings and review of services required to reduce costs.
3	Bad debt increases by 1%	0.80	1.07	1.13	1.23	1.22	61.6	27	29.1	The increase to bad debt causes debt repayment to be delayed by one year, with peak debt increasing £0.5m, and year 30 cash decreasing £5.4m. The monthly reporting process would identify any trend towards a deterioration of the bad debt position, allowing for time to understand the reasons and work towards resolution.

West Lothian HP Financial Projections | 2020/21

Nr	Risk description	EBITDA MRI Interest Cover					Cash flow			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £m	Debt repaid	Cash (Year 30)	
Base Case		0.83	1.10	1.16	1.24	1.23	61.1	26	34.5	
4	Management costs are £50k higher each year	0.79	1.07	1.13	1.22	1.22	61.6	27	30.0	Interest cover is only marginally affected, and remains on trend, being >1 by year 2. Peak debt increases by £0.5m and closing cash is reduced by £4.5m. Operational cost efficiencies would be sought elsewhere in order to mitigate any impact from increased management costs.
5	Repairs & maintenance costs are 5% higher	0.79	1.07	1.13	1.22	1.22	61.5	27	30.6	As with management cost increases, there is a slight reduction to EBITDA MRI, the main impact is on peak debt (increasing £0.4m) and closing cash (decreasing £3.9m), with debt repayment being delayed by one year. In mitigation cost efficiencies would be sought elsewhere in the event of increasing repairs costs.

West Lothian HP Financial Projections | 2020/21

Nr	Risk description	EBITDA MRI Interest Cover					Cash flow			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £m	Debt repaid	Cash (Year 30)	
Base Case		0.83	1.10	1.16	1.24	1.23	61.1	26	34.5	
6	Additional investment spend of £1m required over years 2-3 for new quality standard or regulations	0.83	0.83	0.91	1.22	1.22	62.4	27	30.8	The additional investment has a significant impact on interest cover in years 2 and 3 due to the effect of additional capex reducing cash surplus, and increased interest costs as a result of additional debt funding; however, EBITDA MRI does recover to >1 by year 4. Peak debt increases £1.3m and repayment is delayed by one year to year 27. Closing cash reduces by £3.7m. In mitigation any non-essential works would be delayed in order to accommodate investment priorities, and cost efficiencies would be sought within the operational cost base and new build programme.

West Lothian HP Financial Projections# 2020/21

Nr	Risk description	EBITDA MRI Interest Cover					Cash flow			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £m	Debt repaid	Cash (Year 30)	
Base Case		0.83	1.10	1.16	1.24	1.23	61.1	26	34.5	
7	New build programme accelerated (125 units brought forward by two years)	0.83	1.05	1.12	1.24	1.32	60.2	26	36.9	Worsening of interest cover in short term due to earlier debt requirement however earlier delivery of units results in a benefit to plan over the longer term, peak debt is £0.9m lower, and closing cash is £2.4m higher. Consideration would need to be given to impact of changes in programme on overall borrower group
8	New build programme delayed, future schemes deferred by one year	0.83	1.10	1.16	1.31	1.25	60.4	26	32.7	Reduction in debt in short term results in improvement in interest cover. Over the longer term closing cash is reduced by £1.8m due to delay in receipt of rental income. Impact could be mitigated by procurement and efficiency savings and performance management.

Report

To: - West Lothian Housing Partnership Board

**By: - Stephen Devine, Director of Lowther and Business Growth
Alex Lamb, Head of Housing**

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

Subject: - Update on proposed transfer of housing stock from Barony

Date of Meeting: - 5 February 2020

1. Purpose

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

2. Authorising context

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

3. Risk appetite and assessment

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

High level risk	Mitigation and controls
Barony tenants do not agree the transfer	<ul style="list-style-type: none"> ▪ Develop a compelling offer for Barony tenants ▪ Engage Barony tenants in developing the offer to ensure they understand it and can shape it
The transfer has an adverse impact on WLHP financial position or operation	<ul style="list-style-type: none"> ▪ Detailed business and operating planning to ensure the transfer adds value for WLHP

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

4. Background

- 4.1 The WLHP Board agreed to the possible transfer from Barony of its housing stock in West Lothian and Bo'ness at its meeting in May 2019 and noted progress, including the basis for tenant consultation, at its August 2019 Board. The Board also agreed the terms of the partnership offer to tenants at its October 2019 meeting. If the transfer goes ahead, 215 properties owned, let and managed currently by Barony would be gifted to WLHP at nil cost. The value of these assets and financial information relating to them are shown below.

Asset value (current stat accounts)	£9.7m
Net Income	£1,100,000
Operating Costs (excluding depreciation)	£700,000
Operating Profit	£400,000

- 4.2 Assuming the transfer is completed, WLHP would have 749 properties and income of over £3.5 million excluding income from grant. Details of WLHP post-transfer are included in its business plan for 2020/21 which is presented as a separate report at this meeting.
- 4.3 Once the transfer from Barony to WLHP is complete, WLHP's position as a strategic partner in the council area will be strengthened significantly through marked growth in its current asset base, increased financial capacity for new build development and a wider range of housing through the more specialist accommodation provided by Barony.
- 4.4 Going forward a particular priority will be to welcome and engage tenants transferring from Barony. Ensuring that the expanded capability and capacity in WLHP are understood will among stakeholders will be key, as will making sure these are used fully to achieve customer and stakeholder priorities.
- 4.5 Developing the possible transfer of Barony's stock to WLHP is part of wider restructuring which also includes combining Barony and Loretto Care's care operations in a one company (Loretto Care) and transferring Barony's housing stock out with West Lothian to Dunedin Canmore. The inter-dependencies between these aspects have been reflected in the approach taken to, and timing of, the transfer.

5. Discussion

- 5.1 Following the new care company being established the proposed transfer of Barony's housing stock involves 1) the transfer of Barony properties in West Lothian and Bo'ness to WLHP (this paper) and 2) a Transfer of engagements from Barony to Dunedin Canmore which will include its stock elsewhere as well as all remaining Barony assets and liabilities.
- 5.2 To support the proposed transfers a detailed proposal on the implications for tenants was developed and consulted on. This included:

Aspect	What was proposed
Investment	Accelerate and additional investment of up to £1 million to address identified need in properties
Rents	Rents increases capped at 2% for next 3 years
Services	No change, customers will continue to enjoy the same high quality housing and care services they have currently
Landlord capacity/coverage	Increased ability to meet customer needs locally through becoming part of larger organisations with more presence e.g. WLHP's office in West Lothian, existing Dunedin Canmore properties in Fife and office in Edinburgh
New build	Creating capacity for an additional 250 units
Landlord	Change from Barony to WLHP

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

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

	Yes	No	Turnout
Tenants transferring to WLHP	87.9% (102)	12.1% (14)	51.6% (116)

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

	Advisor	Purpose
Tax	EY	To ensure that the proposed transfer to WLHP had no adverse implications
Pension	Spence and Partners	To ensure that Barony's existing pension arrangement did not present a risk to WLHP and to understand consequence for Group more generally
Legal	Harper MacLeod LLP	To ensure there were no unforeseen issues with Barony and that any liabilities associated with the transfer were well understood

Tax

- 5.6 EY have reviewed the proposed transfer and advised that there should be no adverse corporation tax consequence from the properties being gifted to WLHP by Barony. They have identified, as with WLHP activities currently, that rental income for social housing is exempt for VAT purposes and that VAT on costs that relate directly to these supplies should be irrecoverable. EY has identified that LBTT (land and building transaction tax) would apply to property purchases by WLHP but that there is charities relief available provided the properties from Barony continue to be used by WLHP for charitable purpose i.e. as it does now with its existing properties. Overall, there is nothing in EY's analysis at Appendix 1 to indicate, provided necessary steps are taken in completing applicable returns, that the transfer from Barony would result in tax liabilities for WLHP.

Pensions

- 5.7 There are no pension related implications or liabilities for WLHP as a result of the transfer.
- 5.8 [redacted]
- 5.9 The attached report from our pensions advisors, Spence and Partners at Appendix 2 provides further details on pension arrangements for information and assurance that necessary progress is being made.

Legal diligence

- 5.10 Harper MacLeod's legal due diligence report is provided at Appendix 3. This report confirms, as might be expected given our group structure, that there are minimal legal obligations specifically relating to Barony and that there are no impediments to the transfer.
- 5.11 Harper Macleod's conclusion on its due diligence states:

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

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

Aspect	Key point
Overview	SHR formal consent is not needed, but Barony has to consult and ballot tenants (see 5.3 and 5.4 above) Harpers have not reviewed loan agreement although we can confirm that funder consent is required and in place subject to concluding CPs (conditions precedent); and that the WLHP Board agreed the consent letter at its meeting on 2 October 2019.
Corporate data and structure	There is nothing in Barony Rules that presents material risk from the transfer to WLHP
Funding	Provided, as WLHP's is, through group funding arrangements with WFL1
Corporate and commercial arrangements	Barony has no standalone contracts (other than care related which are dealt with separately) out with Wheatley and there is nothing that would be subject to termination/alteration as a result of the transfer
Assets (Excl heritable property)	Barony has no notable material assets (other than the properties)
Heritable properties	See below
Employment	Not covered by Harpers – see 5.8 above for staff related aspects
Pensions	Not covered by Harpers – see Separate Spence report and Section 5.8
Intellectual property rights	No rights held, owned etc by Barony
Computer systems	Provided, and will continue to be provided, by Wheatley Solutions
Litigation	No material on-going litigation etc
Insurance	No circumstance likely to give rise to a claim, and nothing that will make arrangements invalid
Consents	Has all necessary consents, licences etc
Environmental	Not aware of any complaints or breeches
Health and Safety	Not aware of any investigation
Tax	No matters that are in dispute and Barony is up to date with filings – see 5.6 for more specialist analysis
Compliance	Confirmation that no circumstance etc are known that could cause compliance issues
SHR/OSCR	No notifiable events or investigations
Any other matter	Nothing that has not been disclosed that is important to Barony's operation

- 5.13 As part of its diligence, Harper Macleod reviewed Barony heritable property – the stock that is proposed to be transferred. As with its diligence more generally, Harper Macleod did not identify any particular points of concern with the properties or Barony's title over them that would impact the proposed transfer. This is in keeping with our experience with Barony as part of the Group where Barony properties are secured successfully as part of group wide funding activities. Harpers did identify particular actions in relation to properties to complete as part of the transfer including:

- that Barony has one property at Ennis Court Bathgate that is recorded on the Sasine register. In concluding the transfer this property will need to be registered in the Land Register of Scotland with suitable plans and information. No issues – other than the time required for first registration - are anticipated with this and the necessary work will be carried out as part of completing the proposed transfer; and
- that Almond Housing Association's consent is need to the assignation from Barony to WLHP of the tenant's interest in the lease of 45 Templar Rise, Livingstone. Almond will be approached on this and necessary provision relating to it are included in the transfer agreement (see below).

5.14 In order to complete the stock transfer, an agreement will be needed between Barony and WLHP. This agreement is in a standard form that is typically used for stock transfers and is provided in draft at Appendix 4 for consideration. As can be seen various information including necessary conveyancing details of the properties to transfer needs to be added in finalising the agreement and the Dispositions for Registers of Scotland need to be completed. Provided the Board agrees with the general form of the agreement, it is asked to delegate authority – subject to there being no material changes to the position provided here – in line with the recommendation at section 13.

6. Key issues and conclusions

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

7. Value for money implications

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

8. Impact on financial projections

8.1 The impact of the proposed transfer from Barony has been assessed previously on the WLHP business plan. No issues have been identified as work has progressed to adversely impact the positive effect of the transfers presented previously.

8.2 WLHP's business plans for 2020/21 has been updated to reflect the proposed changes being in place for the start of that financial year.

9. Legal, regulatory and charitable implications

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

10. Partnership implications

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

11. Implementation and deployment

- 11.1 The transfer of properties to WLHP will require various systems and operational changes including migrating to WLHP's operating and performance management environment. This will be supported to a significant extent by the joint leadership in place currently across Barony and WLHP. In addition, a group wide implementation team bringing together expertise from WLHP, finance, ICT, assurance. communications etc has been established to ensure a smooth migration. We expect necessary changes to be in place in line with the proposed transfer.

12. Equalities impact

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

13. Recommendations

- 13.1 The WLHP Board is asked to:
- 1) note progress in developing the transfer of Barony's housing stock including the positive result of the tenant ballot and findings from due diligence;
 - 2) agree, subject to there being no material changes, the draft transfer agreement at Appendix 4; and
 - 3) delegate authority to any Board member, the Group Chief Executive, Group Director of Finance, Director of Treasury or Group Company Secretary to execute such documents as are required to give effect to the transactions and complete required filings with companies house.

List of Appendices

Appendix 1 – EY's tax due diligence report	[redacted]
Appendix 2 – Spence's pension report	[redacted]
Appendix 3 – Harper MacLeod's legal due diligence report	[redacted]
Appendix 4 – Draft stock transfer agreement	

Transfer Agreement

between

BARONY HOUSING ASSOCIATION LIMITED, a registered society under the Co-operative and Community Benefit Societies Act 2014 (registered number 1684RS) and a Scottish charity (charity number SC016030), having its registered office at Wheatley House, 25 Cochrane Street, Glasgow G1 1HL (herein referred to as the "Transferor")

and

WEST LOTHIAN HOUSING PARTNERSHIP LIMITED, a company incorporated in Scotland (company number SC188968) and a Scottish charity (charity number SC031668), having its registered office at Wheatley House, 25 Cochrane Street, Glasgow G1 1HL (herein referred to as the "Transferee")

WHEREAS the Transferor wishes to transfer part of its housing stock and related undertakings to the Transferee NOW THEREFORE THE PARTIES AGREE AND UNDERTAKE as follows:-

1 Definitions

1.1 In this Agreement including the Schedule the following words and expressions have the following meanings unless they are inconsistent with the context:-

"in the Agreed Form" means in a form agreed between the Transferor and the Transferee prior to Completion;

"Agreement" means this agreement including the Schedule as the same may be amended from time to time;

"Assignment" means the assignment of the Transferor's interest as tenant in the Lease in the Agreed Form;

"Agreed Rate" means Two and a half per centum (2.5%) per annum above either The Royal Bank of Scotland plc Base Rate from time to time applying or (if the said bank shall cease to exist) the base rate of such other UK clearing bank as the Transferor (acting reasonably) will nominate;

"Business Day" means Monday to Friday between 8.45 and 17.00 in any week except (a) public holidays when banks in Glasgow are closed for business and (b) any local holiday when both the Transferor and the Transferee are closed for business;

"Common Areas" means any parts of the Property to which the Transferor has title and which do not pertain exclusively to any of the Houses including, without limitation, any amenity areas, areas of soft or hard landscaping, roads, footpaths, walls, lighting, drains and all service media and others which form part of the Property and serve or are used in connection with the Houses;

"Completion" means completion of the transfer of the Property in accordance with Clauses 4 and 5;

"Completion Date" means the date on which Completion actually takes place, whether that is the Settlement Date or some other date;

"Consultation Document" means the formal consultation document issued by the Transferor to its tenants pursuant to the terms of section 115 and section 115A of the Housing (Scotland) Act 2010 (as amended by the Second Notice) and on the basis of which the tenants have voted in favour of the transfer of the relevant part of the Transferor's housing stock to the Transferee;

"Data Protection Legislation" means any law applicable relating to the processing, privacy and use of personal data, including: (i) the Data Protection Act 2018 and the Privacy and Electronic Communications (EC Directive) Regulations 2003, SI 2003/2426 (both as amended), and any laws or regulations implementing Directive 95/46/EC (Data Protection Directive) or Directive 2002/58/EC; (ii) the General Data Protection Regulation (EU) 2016/679, and/or any corresponding or equivalent national laws or regulations; and/or (iii) any judicial or administrative implementation of any of the above, any guidance, guidelines, codes of practice, codes of conduct or approved certification mechanisms issued by the Information Commissioner's Office, or other regulatory or supervisory authority responsible for administering Data Protection Legislation;

"Dispositions" means the disposition or dispositions of the Property in the Agreed Form;

"Existing Tenants" means the tenants of the Houses listed in Part 1 of the Schedule who are tenants of the Transferor as at the Completion Date;

"Houses" means the houses described by reference to postal address in Part 1 of the Schedule together with the garden grounds and the parts, privileges and pertinents and whole rights common, mutual and exclusive pertaining exclusively thereto;

"Lease" means the lease of the Leased Property between Almond Housing Association Limited (as landlord) and the Transferor (as tenant) dated 29 March and 1 May 2001;

"Leased Property" means the property known as and forming 45 Templar Rise, Livingstone which is let by the Lease;

"Moveables" means the furniture, fittings and other equipment in the ownership of the Transferor situated in the Houses (if any), all as at the Completion Date;

"Parties" means the Transferor and the Transferee;

"Property" means the subjects disposed in the Dispositions comprising the Houses and the Common Areas (if any) together with the heritable fixtures and fittings therein and thereon (and where the context so permits the Property shall include any part or parts thereof) and the Transferor's whole right, title and interest thereto;

"Proprietary Guarantees" means (a) any guarantees, warranties and / or indemnities relating to the Property or any works or services of whatever nature undertaken at or in respect of the Property prior to Completion and (b) any defects liability periods arising from contracts, instructions or work orders for reactive maintenance or repair work

undertaken to any of the Property prior to Completion, to the extent that such periods remain current and are enforceable by the Transferor;

"Registered Social Landlord" is as defined in the Housing (Scotland) Act 2010;

"Schedule" means the Schedule annexed and executed by the Parties as relative hereto;

"Scottish Secure Tenancy Agreement" means the Scottish secure tenancy agreements or Short Scottish secure tenancy agreements of the Existing Tenants;

"Second Notice" means the formal notification issued by the Transferor to its tenants in terms of section 115 and section 115A of the Housing (Scotland) Act 2010, following upon the issue of the Consultation Document;

"Settlement Date" means [Insert agreed date] or such other date as the Parties may agree in writing;

"Tenancies" means the tenancy agreements which are in force as at the Completion Date relating to the Houses between the Transferor and the Existing Tenants;

"Title Deeds" means the whole title deeds of the Property all as are in the possession of the Transferor at the Completion Date;

"TUPE Regulations" means the Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended); and

"Undertaking" means the undertaking (as defined in the TUPE Regulations) of the Transferor concerning the management, maintenance and letting of the Property.

- 1.2 All references to a statutory provision shall be construed as including references to any statutory modification, consolidation or re-enactment for the time being in force in relation to that provision, all statutory instruments or orders made pursuant to it and any statutory provision of which it is a consolidation, re-enactment or modification.
- 1.3 Except where the context otherwise requires, words denoting the singular include the plural and vice versa; words denoting any gender include all genders; and words denoting persons include firms and corporations and vice versa.
- 1.4 Unless otherwise stated any reference to a clause or a part of the Schedule is a reference to a clause or a part of the Schedule of the Agreement.

2 Conditions Precedent

- 2.1 The Agreement will be essentially conditional upon the occurrence of the following:
 - 2.1.1 The Transferee being satisfied that the Transferor has complied with the terms of section 115, section 115A and section 115B of the Housing (Scotland) Act 2010 and any guidance issued by the Scottish Housing Regulator in connection therewith and evidence of such compliance having been delivered or made available to the Transferee in form and substance satisfactory to it; and
 - 2.1.2 The Transferee having evidenced to the satisfaction of the Transferor the Transferee's compliance with Condition 4.24.3.

In the event of any of the matters referred to in Clauses 2.1.1 to 2.1.2 inclusive not having occurred on or before the Settlement Date, the Agreement shall be of no further force and effect thereafter.

3 Agreement to Transfer

- 3.1 In consideration of the undertakings given to and by the Parties herein and pursuant hereto, the Parties agree to the transfer by the Transferor to the Transferee of the Property and any Moveables on the terms of this Agreement.
- 3.2 The Property is transferred subject to and with the benefit of the Tenancies.

4 TOGC

- 4.1 The Transferor and the Transferee agree that it is intended that this transaction constitutes the transfer of part of the business of the Transferor as a going concern for the purposes of Section 49 of the Value Added Tax Act 1994 ("VATA") and Article 5 of the Value Added Tax (Special Provisions) Order 1995 (the "VAT Order") and, to that end, the Transferor and the Transferee shall use their respective reasonable endeavours, and take all steps consistent with current law and the practice of H M Revenue and Customs ("HMRC"), both before and after the Completion Date, to ensure that this transaction constitutes and is treated as the transfer of a going concern.
- 4.2 The Transferee warrants and represents that:
 - 4.2.1 from the Completion Date it shall continue to use the Property and the Undertaking transferred to it by the Transferor by virtue of the Agreement in carrying on the same kind of business as that carried on by the Transferor before the Completion Date;
 - 4.2.2 it will not take any steps to discontinue the use of the Property and the Undertaking for the same kind of business as that carried on by the Transferor before the Completion Date at such a time or in such a way as will cause HMRC to determine that this transaction does not constitute a transfer of a going concern for the purposes of Section 49 of VATA (a "TOGC");
 - 4.2.3 it is and as at the Completion Date it will continue to be registered for VAT purposes in the United Kingdom;
 - 4.2.4 it is not purchasing the Property and/or the Undertaking as nominee or on trust for any other person; and
 - 4.2.5 it will not make any immediately consecutive transfers of Property and the Undertaking or any part or parts of the Property and/or the Undertaking.
- 4.3 The Transferee will not apply for reallocation of the Transferor's VAT registration number.
- 4.4 If notwithstanding the provisions of Clause 4.3 HMRC determines that this transaction does not constitute a TOGC because of any breach by the Transferee of its obligations arising from this Clause 4, the Transferee will indemnify the Transferor against:-

- 4.4.1 any and all VAT which HMRC determines is payable in terms of the Agreement, and will pay all such VAT to the Transferor within ten Business Days from its receipt of a valid VAT invoice issued by the Transferor and addressed to the Transferee.
- 4.4.2 any and all VAT, penalties, interest and costs which arise and are payable by the Transferor as a result of VAT not having been charged and accounted for at the Completion Date.
- 4.4.3 any and all VAT which becomes irrecoverable by the Transferor as a result of this transaction being determined by HMRC as not constituting a TOGC.
- 4.5 The Transferor warrants and represents that:-
 - 4.5.1 it is and as at the Completion Date it will continue to be registered for VAT purposes in the United Kingdom; and
 - 4.5.2 prior to the Completion Date it has been operating and using the Property and the Undertaking as a going concern.
- 4.6 The Transferor will be entitled to retain all rent, service charge and other income from the Property in the period between the Settlement Date and the Completion Date.

5 Completion

- 5.1 At Completion, the Transferor (at its own expense) will deliver to the Transferee:-
 - 5.1.1 entry to the Property, subject to and with the benefit of the rights of Existing Tenants;
 - 5.1.2 management, control and ownership of the Property and the Moveables;
 - 5.1.3 the Transferor's title to the Property, comprising:-
 - 5.1.3.1 the Dispositions validly executed by the Transferor;
 - 5.1.3.2 the Title Deeds; and
 - 5.1.3.3 all necessary links in title evidencing the Transferor's exclusive ownership of the Property;
 - 5.1.4 a legal report (including a search in the register of inhibitions against the Transferor and Transferee) brought down to a date as near as practicable to Completion and disclosing no entries adverse to the Transferor's interest in the Property;
 - 5.1.5 such documents and evidence as the Keeper may require to enable the Keeper to update or create (as the case may be) the Title Sheet of the Property to disclose the Transferee as the registered proprietor of the whole of the Property. Such documents will include (unless the Property comprises part only of a building):-
 - 5.1.5.1 a plan or bounding description sufficient to enable the Property to be identified on the cadastral map; and

- 5.1.5.2 evidence (such as a plans report) that (i) the description of the Property in the Title Deeds is habile to include the whole of the occupied extent and (ii) there is no conflict between the extent of the Property and any registered cadastral units.
- 5.1.6 a search in the register of community interests in land held by the Keeper of the Registers of Scotland brought down as near as practicable to Completion showing nothing prejudicial to the ability of the Transferor validly to transfer title to the Property to the Transferee;
- 5.1.7 a search in the register of charges held by the FCA Mutuals Register against the Transferor from the date of its incorporation or the date of inception of the register (whichever is the later) brought down as near as practicable to Completion disclosing no entry prejudicial to the Transferee's interest;
- 5.1.8 any notices received by the Transferor affecting the Property;
- 5.1.9 any title indemnity policies held by the Transferor in relation to the Property; and
- 5.1.10 to the extent permitted by the provisions of the Data Protection Legislation and subject to the terms of Clause 18, all management and other records and documentation including inter alia all tenancy agreements, management records and accounts relating to the Property and the Tenancies (including all gas servicing certificates and schedules of renewal dates) all so far as within the Transferor's possession and the Transferor shall following the Completion Date make any further relevant legal and financial records relating to the Property or the Undertaking which it is retaining available for inspection and copying by the Transferee on reasonable request.
- 5.2 If the application for registration of the Disposition is rejected by the Keeper, then the Transferor will co-operate with the Transferee and, at the Transferee's expense, do such acts and things, execute such deeds and documents and deliver such documents and evidence as may be required to enable the Keeper to update or create (as the case may be) the Title Sheet of the Property to disclose the Purchaser as the registered proprietor of the whole of the Property.

6 Assignations

- 6.1 The Transferor shall take all reasonable steps (not involving any financial outlay to the Transferor) to obtain the consent of Almond Housing Association Limited to the Assignation prior to the Completion Date or such other later date as may be agreed between the Transferee and the Transferor. As soon as reasonably practicable following such consent being obtained, the Transferor and the Transferee shall each validly execute the Assignation and the Transferor shall immediately deliver the same to the Transferee.
- 6.2 The Transferor shall upon reasonable request of the Transferee take all reasonable steps (not involving any financial outlay to the Transferor) to assign to the Transferee the benefit of the Proprietary Guarantees (if any) prior to the Completion Date or such other later date as may be agreed between the Transferee and the Transferor.

- 6.3 The Transferor will to the extent it is able so to do hold the Lease and the Proprietary Guarantees and all rights and claims arising under them in trust for the Transferee until any such assignation and as soon as reasonably practicable following any such assignation will deliver to the Transferee all such original documents relating thereto as the Transferor may possess.
- 6.4 From the effective date of the Assignation, the provisions in this Agreement which apply to the Existing Tenants of the Houses shall equally apply to any lawful subtenants of the Leased Property.

7 Acknowledgements

It is hereby acknowledged and declared by the Parties that this Agreement has been entered into by them solely in reliance upon the representations, warranties and undertakings by the Parties in the terms set out in this Agreement, and any prior communications, discussions and representations made by or conducted between the Parties are superseded by this Agreement and are hereby excluded.

8 Transferee's Undertakings and Obligations

- 8.1 The Transferee hereby undertakes and binds itself from and after the Completion Date as follows:

Keeping of promises made to Tenants

- 8.1.1 To carry out and fulfil all of the promises and commitments made by the Transferor on behalf of the Transferee to the Transferor's tenants of the Property as set out in the Consultation Document BUT DECLARING THAT in undertaking and carry out any works of maintenance, repair, upgrading, improvement and demolition pursuant to the Consultation Document (the "Works") where a Relevant Event exists the Transferee may omit works, or defer, delay or vary the Works to take account of the consequences of such matters but only on the basis that:
- 8.1.1.1 as soon as reasonably practicable the Transferee informs the Transferor of the reasons for the omission, deferral, delay or variation and continues to keep the Transferor so informed on a regular and timeous basis throughout any ongoing period of delay or deferral;
 - 8.1.1.2 the Transferee agrees a revised programme in respect of the Works or relevant part thereof and timescale with the Transferor (acting reasonably) (and with the Transferee being obliged to use all reasonable endeavours to minimise any delay or variance); but provided that if and for as long as the Parties do not agree a revised Programme and timescale as aforesaid, then provided that both Parties are acting reasonably and in good faith in their efforts to reach such agreement as expeditiously as possible, the Transferor will not during this period take action against the Transferee for breach of contract on the ground that the Transferee is in breach of its obligation in terms of Clause 8.1.1;
 - 8.1.1.3 subject to the same exceptions set out above the Transferee completes the revised programme within any revised timescale thereafter.

- 8.1.2 For the purposes of Clause 8.1.1, "Relevant Event" shall mean:
- 8.1.2.1 the occurrence of an event of force majeure;
 - 8.1.2.2 severe adverse weather conditions, fire, flood, subsidence or property destruction;
 - 8.1.2.3 a change in the law imposing materially different or more onerous requirements in respect of the performance of the Works;
 - 8.1.2.4 the action or failure to act of any relevant statutory or other authority whose approval or consent or act is required in relation to the performance of the Works, the Transferee having used all reasonable endeavours to procure timeously such approval, consent or act;
 - 8.1.2.5 civil commotion, local combination of workmen, strike, lockout or lack of capacity in the market affecting any of the trades employed or to be employed upon the Works, or any of the trades engaged in the preparation, manufacture or transportation of any of the goods or materials required for the Works or any persons engaged in the preparation of the design elements of the Works;
 - 8.1.2.6 any insolvency event or similar experienced by any contractor of the Transferee engaged in the Works;
 - 8.1.2.7 any matter affecting the Works or the procurement of the Works which is beyond the Transferee's reasonable control; or
 - 8.1.2.8 the acts or omissions of the owner or owners of any land or dwellings adjoining or adjacent to the Property or any part thereof.

9 Rent Arrears / Apportionments / Prepayments

- 9.1 Subject to the terms of this Clause 9, all arrears of rent or service charge due to the Transferor at the Completion Date from any Existing Tenants of the Houses (the "Arrears") together with, insofar as such are capable of assignation, all rights to recover the same, shall with effect from the Completion Date be assigned by the Transferor to the Transferee.
- 9.2 The foregoing assignation will be corroborated by the Transferor granting an Assignation in favour of the Transferee within twenty one days after the Completion Date, which Assignation will be in terms of the draft Assignation forming Part 2 of the Schedule.
- 9.3 The Parties agree that Clause 9.1 is not intended to have the effect of transferring from the Transferor to the Transferee any housing benefit payments to which any tenants are entitled and which relate to the period prior to the Completion Date. Accordingly if, after Completion, any housing benefit is received by either the Transferor or the Transferee which relates to the period prior to the Completion Date then the Transferor will be entitled to receive and retain this money, and if the money has been received by the Transferee the Transferee will pay the same to the Transferor within seven days of receipt.

- 9.4 If the Transferee suffers any reduction in housing benefit payments in respect of the Existing Tenants due to an overpayment made to the Transferor in respect of a period prior to the Completion Date, the Transferor shall pay such reduction to the Transferee on demand.
- 9.5 The Transferor will if the Transferee so requests (but subject to the Transferee meeting any costs (other than the Transferor's own staff costs)) reasonably and properly incurred by the Transferor thereby:-
- 9.5.1 afford the Transferee all reasonable and practicable assistance (including taking part in any legal actions and proceedings whether or not involving the expenditure of money) so as to enable the Transferee in its own name to recover any arrears of rent as if the Transferor itself were recovering the same,
- 9.5.2 lend its name to any proceedings brought or proposed to be brought by the Transferee for the recovery of the Arrears.
- 9.6 It is hereby declared that all prepayments by or on behalf of Existing Tenants including any housing benefit prior to the Completion Date in respect of their liabilities for rent and service charges due after the Completion Date which are in the Transferor's hands at the Completion Date shall be for the account and benefit of the Transferee and shall be paid to the Transferee by the Transferor within 14 days of the Completion Date or the same being received by the Transferor whichever is the later.
- 9.7 In the event that after the Completion Date the Transferor receives from any of the tenants of the Property any sums in respect of their liability to the Transferee for rent and service charges either due after the Completion Date and/or in respect of the Arrears the Transferor will forward the same to the Transferee within fourteen days of receipt.
- 9.8 The Transferor will on execution of the Assignment provide insofar as it is legally entitled so to do to the Transferee all such information which may reasonably be required to enable the Transferee to pursue its rights against tenants pursuant to the provisions of this Clause and the Assignment contained in this Clause.
- 9.9 The Transferor warrants to the Transferee that the Transferor has not granted rights in respect of the Arrears to any other party.

10 Service Costs and Apportionments

- 10.1 The Transferor will pay for all works done and services provided prior to the Completion Date in respect of services provided for the Property and the tenants thereof in accordance with the terms of the Transferor's tenancy agreements, and the Transferee will pay for all such services provided upon or after the Completion Date.
- 10.2 The Transferor will not later than twenty eight days after the Completion Date account for and pay to the Transferee all service charge funds being service charge payments collected from the tenants of the Property which have been collected by the Transferor but not disbursed by the Transferor before the Completion Date.
- 10.3 The Parties will agree a final accounting in respect of all payments due under this Clause within six months of the Completion Date.

11 Tenancies

- 11.1 The Transferee will honour the terms of each Existing Tenant's Scottish Secure Tenancy Agreement at the rent specified in Part 1 of the Schedule. If any Existing Tenant has not previously signed and returned to the Transferor that person's Scottish secure tenancy agreement, the Transferee will be obliged to treat that person as if he or she were entitled to benefit from the rent guarantee set out in the Scottish secure tenancy agreement offered to them by the Transferor and on a basis which affords to that person no fewer or lesser tenancy rights than the tenancy terms which that person enjoyed contractually prior to the Completion Date or rights which that person enjoys by reason of statute.

12 Staff

- 12.1 As at Completion, the Transferor confirms that there are no persons to whom the provisions of the TUPE Regulations will apply in relation to:

12.1.1 the transfer of the Property and

12.1.2 the creation or cessation of any contractual relationship consequent to such sale

with the effect of such person's employment (or liability for it and its termination) being deemed to transfer to the Transferee at Completion.

- 12.2 If it is asserted or found by a court or tribunal that the TUPE Regulations apply in relation to any person ("Employee"), the Transferee may terminate the employment of the Employee within 10 Business Days, where it has not already terminated, and if the Transferee complies with its obligations under this Clause 12 (where applicable), the Transferor undertakes to keep the Transferee indemnified, on demand, against all costs, claims, liabilities and expenses (including reasonable legal expenses) of any nature arising out of the employment of the Employee prior to Completion or the termination of it (whether it is terminated by the Transferee or any other person and whether before, on or after Completion).

13 Liability

Each of the Transferor and the Transferee acknowledges that, in entering into this Agreement, it does not do so in reliance on any representation, warranty or other provision except as expressly provided in this Agreement and any conditions, warranties, representations, understandings or other terms, whether express or implied, statutory or otherwise, are excluded from this Agreement to the fullest extent permitted by law.

14 Assignment/Non-Binding On Lender

- 14.1 Except:

(i) with the prior written consent of the Transferor; or

(ii) in the case of an assignment in security by the Transferee to its Lender,

the Transferee will not (save as otherwise provided below) assign its rights and/or obligations (whether in whole or in part) under the Agreement to any third party.

Without prejudice to the foregoing, the Agreement will, if the context so permits, be binding upon the successors to the Parties.

- 14.2 Without prejudice to Clause 14.1 the terms and conditions of this Agreement and the Transferee's rights hereunder are (unless specifically stated to the contrary) personal to the Transferee and the Transferee's successors in title and permitted assignees and shall not bind any Lender, heritable creditor, mortgagee or chargee of the Transferee (each a "Creditor") nor (if and where permitted by the laws of Scotland) any receiver or administrator appointed by any Creditor.

15 Data Protection

- 16.1 Each Party shall comply with its obligations under the provisions of the Data Protection Act 2018, the General Data Protection Regulation ((EU) 2016/679) and the Privacy and Electronic Communications (EC Directive) Regulations 2003, as such legislation may be amended, updated or replaced with equivalent legislation from time to time (the "Data Protection Legislation").

- 16.2 The Transferee undertakes that, on receipt of the personal data from the Completion Date:

16.2.1 it shall duly observe all its obligations as a controller under the Data Protection Legislation which arise in connection with processing personal data; and

16.2.2 it shall make available a privacy notice to each data subject as soon as possible after the Completion Date.

- 16.3 For the purposes of Clause 15.2, the terms "controller", "data subject" and "personal data" shall have the meanings ascribed to them in the Data Protection Legislation.

16 Interest

Without prejudice to anything contained elsewhere in the Agreement each Party will be bound to pay on demand to the other (if the other so requires) interest on any sum of money which is due and payable under the Agreement but which remains unpaid at the Agreed Rate from the date on which the same became due until payment is made as well after as before any decree or judgement, and that without prejudice to any other right, remedy or power herein contained or otherwise available to the other Party.

17 Entire Agreement

This Agreement together with the Schedule and any documents referred to in the Agreement, constitute the entire agreement between the Parties and may only be varied or modified in writing by agreement between the Parties. The Transferee hereby acknowledges that there are and have been no warranties or representations on the strength of which the Transferee is entering into this Agreement made by or on behalf of the Transferor other than as are contained or as referred to in this Agreement.

18 Value Added Tax

Save as otherwise stated herein, the amount of any payment or the value of any supply is expressed in the Agreement exclusive of any Value Added Tax properly chargeable

thereon, and where any payment or taxable supply falls to be made pursuant to the Agreement such Value Added Tax will be paid in addition by the recipient of the supply for which the payment (if any) is consideration upon production of a valid Value Added Tax invoice in respect thereof.

19 Confidentiality/Freedom of Information

19.1 Neither Party (including their respective agents, employees or representatives) will without the prior written consent of the other disclose or permit to be disclosed any parts of the Agreement except and to the extent that disclosure may be necessary to:-

19.1.1 Comply with the law or the requirements of auditors;

19.1.2 Meet the requirements of the Scottish Ministers or any other applicable regulator or successor;

19.1.3 Provide information to its lender and the lender's professional advisers;

19.1.4 Provide information to HM Revenue and Customs and its professional advisers;

19.1.5 Provide information to a Party's professional advisers;

19.1.6 Comply with a legal requirement placed upon the Party making the disclosure, including any requirements for disclosure under the Freedom of Information (Scotland) Act 2002 or the Environmental Information (Scotland) Regulations 2004 pursuant to Clause 19.3.

19.2 The Parties further acknowledge that the Transferor and the Transferee are subject to the requirements of the Freedom of Information (Scotland) Act 2002 (the **FOISA**) and the Environmental Information (Scotland) Regulations 2004 (the **EISRs**) (collectively the **FOI Laws**). Each Party shall assist and cooperate with the other Party (the **Designated Party**) to enable the Designated Party to comply with its information disclosure obligations under the FOI Laws.

19.3 The Designated Party shall be responsible for determining in its absolute discretion and notwithstanding any other provision in this Agreement or any other agreement whether any information is exempt from disclosure in accordance with the provisions of the FOI Laws.

19.4 If the other Party as a non Designated Party decides to pass on any request for information made under the FOI Laws to the Designated Party, the non Designated Party shall ensure that it shall:

19.4.1 transfer the request to the Designated Party as soon as reasonably practicable and in any event within two Business Days of receiving the request for information; and

19.4.2 provide all necessary assistance as reasonably requested by the Designated Party to enable the Designated Party to respond to the request for information within the time for compliance set out in section 10 of the FOISA or regulation 5 of the EISRs.

20 Waiver

No delay or omission by either Party to exercise any right, power or remedy will operate as a waiver thereof, and any single or partial exercise thereof will not preclude any other or further exercise thereof or the exercise of any right, power or other remedy. The rights and remedies provided in the Agreement are cumulative and are not exclusive of any right or remedy provided by law.

21 Notices

Any notice to be given hereunder will be in writing and will be sufficiently served if delivered by hand and receipted for by the recipient or sent by recorded delivery post addressed in the case of the Transferor to the Chief Executive at Wheatley House, 25 Cochrane Street, Glasgow G1 1HL or in the case of the Transferee to the Chief Executive at Wheatley House, 25 Cochrane Street, Glasgow G1 1HL or to such other addresses as either Party may from time to time notify to the other in accordance with the provisions of this Clause 22. Any notice delivered by hand will be held to have been effectually served at the time and date of issue of the receipt. Any notice served by recorded delivery post will be held to have been effectually served forty eight hours after the date stamp shown on the recorded delivery receipt.

22 No Partnership

For the avoidance of doubt the Agreement does not and will not be deemed to constitute a partnership or a joint venture between the Transferor and the Transferee and neither Party is an agent, express or implied, of the other and will not hold itself out or submit itself to be held as such.

23 Further Assurances

At any time after the Completion Date either the Transferor or the Transferee shall at the request of the other execute or procure the execution of such documents and do or procure the doing of such acts or things as either Party may reasonably require for the purpose of implementing the provisions of this Agreement.

24 Severance

All of the provisions of the Agreement are severable and distinct from one another and if at any time one or more of such provisions becomes invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

25 Governing Law

The Agreement will be governed by and construed in accordance with the Laws of Scotland and insofar as not already subject thereto, the Parties hereby submit to the exclusive jurisdiction of the Scottish Courts: IN WITNESS WHEREOF these presents typewritten on this and the [] preceding pages together with the Schedule consisting of two parts annexed hereto are executed by the Parties in the following manner:

For and on behalf of BARONY HOUSING ASSOCIATION LIMITED at
[] on [] 2020
by []

This is Part 1 of the Schedule in two Parts referred to in the foregoing Transfer Agreement between Barony Housing Association Limited and West Lothian Housing Partnership Limited

Part 1

Houses/Existing Tenants/Rents

[Insert list of Houses, Existing Tenants and current rents]

This is Part 2 of the Schedule in two Parts referred to in the foregoing Transfer Agreement between Barony Housing Association Limited and West Lothian Housing Partnership Limited

Part 2

Assignment of Rent Arrears

[Insert agreed style]

Report

To:- West Lothian Housing Partnership Board

By:- Alex Lamb, Head of Housing

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

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

Date:- 5 February 2020

1. Purpose

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

2. Authorising context

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

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

3. Risk appetite and assessment

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

4. Background

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

5. Discussion

The approved Group strategy

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

5.2 In the period since the West Lothian Housing Partnership Board feedback and October 2019 approval of the Group strategy, work has been undertaken to refine the proposed summary West Lothian Housing Partnership Strategy 2020-25.

The key updates are summarised below.

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

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

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

5.5 The revised set of strategic themes is:

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

(ii) *Updated strategic outcomes*

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

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

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

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

(iv) Updating our plans for the repairs service

5.8 In the last year our plans for our new repairs service have taken greater shape, the content in the strategy has been updated to reflect our latest detailed plans and the sequencing of work to deliver service improvements.

(v) Greater focus in care on supporting existing customers

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

The proposed summary West Lothian Housing Partnership strategy

5.10 The proposed summary West Lothian Housing Partnership Strategy 2020-25 is provided at appendix 1. In addition to capturing changes made in the Group strategy as discussed above, the updated summary reflects the WLHP Board Strategy Development discussion from April 2019:

- WLHP look and feel like in 2025;
- Values, Vision and Mission;
- Priorities critical to our success;
- Practically, what we need to do in relation to:
 - Our Customers;
 - Our People;
 - Our Assets;
 - Technology;
 - Value for money; and
 - Stakeholders.

Key discussion points and feedback from WLHP board included:

- Managing the transfer of stock from Barony to WLHP;
- Retain the strength of our relationship with our customers;
- Giving more power to customers;
- Focusing on environmental sustainability and be environmental exemplars
- Ensuring customers continue to feel they are receiving excellent value for money;
- Encourage customers to become more digitally connected;
- Developing a plan for strategic engagement in different areas of interest;
- Building excellent relationships with West Lothian Council;
- Focusing on homelessness; and
- Identifying what is of key importance to customers and delivering in those areas.

From strategy to implementation

(a) Delivery Plans

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

5.12 These delivery plans are:

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

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

(b) New Performance Management Framework

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

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

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

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

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

6. Value for money implications

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

7. Impact on financial projections

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

8. Legal, regulatory and charitable implications

- 8.1 There are no legal, regulatory or charitable implications arising from this report.

9. Partnership implications

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

10. Implementation and deployment

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

11. Equalities impact

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

12. Recommendation

- 12.1 The Board is asked to approve the summary West Lothian Housing Partnership Strategy 2020-2025: *Inspiring Ambition, Unleashing Potential*.

List of Appendices

- Appendix 1 – Summary West Lothian Housing Partnership strategy 2020-25: Inspiring Ambition: Unleashing Potential

Inspiring Ambition, Unleashing Potential

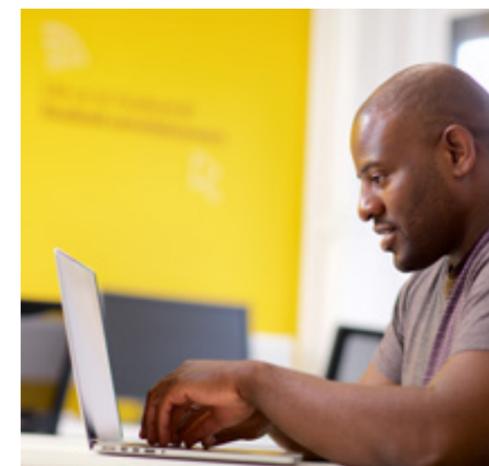
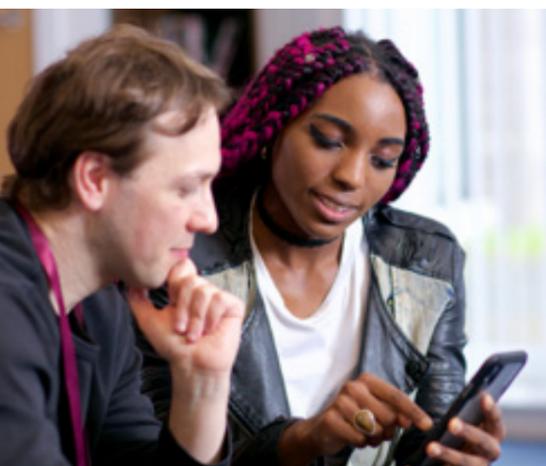
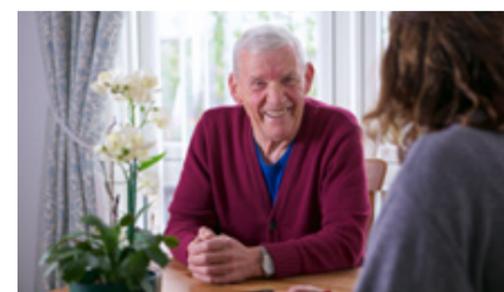
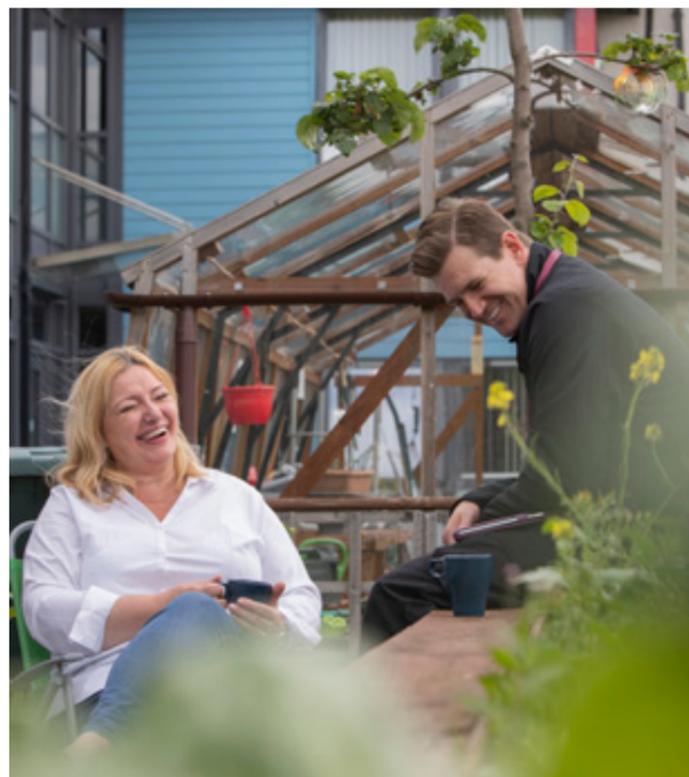


2020-2025



West Lothian Housing Partnership Our five-year strategy





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5. Enabling our ambitions

Our key performance indicators





OUR VISION FOR 2020 TO 2025

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

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

An ambitious new-build programme has seen us work closely with our key partners, West Lothian Council and the Scottish Government, to bring forward hundreds of much-needed new affordable homes. Over the lifetime of this strategy we will build **up to 660 more homes** while continuing to invest in the fabric of our existing homes.

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

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

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

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

By 2025, we know that the expectations of our customers and our staff will be very different. We will evolve how we work, listening and responding so that WLHP remains in the best possible shape to deliver on its ambitions.

A particular challenge unique to WLHP, is to develop an understanding of our new stock and customer profile as WLHP become landlord to transferring Barony tenants.

Care provision and shared living accommodation is new to WLHP and we will draw upon the expertise within our current staff compliment and colleagues in Care to assist with this. The Barony assets are of a different house type/ age profile and will have additional and accelerated investment carried out as part of the transfer proposal.

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

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

OUR VISION – WLHP IN 2025

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



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

Our purpose:
Making Homes and Lives Better

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

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

Strategic themes:

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

<p>Progressing from excellent to outstanding</p> <p>Enabling customers to lead</p> <p>Developing a customer led repairs service</p>	<p>Increasing the supply of new homes</p> <p>Investing in existing homes and environments</p> <p>Setting the benchmark for sustainability and reducing carbon footprint</p> <p>Building community voice, engagement and resilience</p>	<p>Developing peaceful and connected neighbourhoods</p> <p>Supporting economic resilience in our communities</p>	<p>W.E. Think – creating our “Think Yes Together” culture</p> <p>W.E. Create – driving innovation</p> <p>W.E. Work – strengthening the skills and agility of our staff</p>	<p>Raising the funding to support our ambitions</p> <p>Maintaining a strong credit rating and managing financial risks</p> <p>Evolving digital platforms to support our activities</p> <p>Influencing locally and nationally to benefit our communities</p>
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These themes and outcomes align the strategic priorities across our Group. The particular priorities of WLHP’s strategy for 2020-25 are detailed in the following sections of this document under each strategic theme.

The delivery of our outcomes will be assessed through a series of key performance indicators and impact measures. These will demonstrate our progress towards the outcomes throughout the life of the strategy.

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

- **Strengthening the Economy** – this will include tracking the significant impact this strategy will make to the Scottish GDP. It is projected by WLHP that the operating and capital spend over the 2020-25 period is estimated to support up to 50 jobs, training places and apprenticeships annually and have a total impact of up to £15m on GDP.
- **Reducing Poverty and Improving Wellbeing** – this will include measuring how we are reducing the cost of running a home and tracking the positive impact of our support services are making to both customers’ financial circumstances and overall wellbeing and resilience.
- **Improving our Environment and Mitigating Climate Change** – this will include reducing our corporate carbon footprint by 50% (from 2012 baseline), reducing the CO2 emissions in our Wheatley homes by at least 1,000 tonnes and raising the environmental standard of our New Build homes making them more energy efficient and cheaper to run.
- **Strengthening our communities** – this will include increasing customers’ social capital, expanding our engagement methods and measuring the positive impact this is making to our customers and our communities. We will also track how our increased community cohesion is helping to make our neighbourhoods more ‘peaceful’.



Our values:

- **Excellence** – we raise the bar ...in everything we do
- **Community** – people direct what we do ...and together we build strong communities
- **Ambition** – we push the boundaries in new ways ...so everyone can fulfil their potential
- **Trust** – we inspire customers and staff ...to shape the future.



1. DELIVERING EXCEPTIONAL CUSTOMER EXPERIENCE

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

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

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

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

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

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

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

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

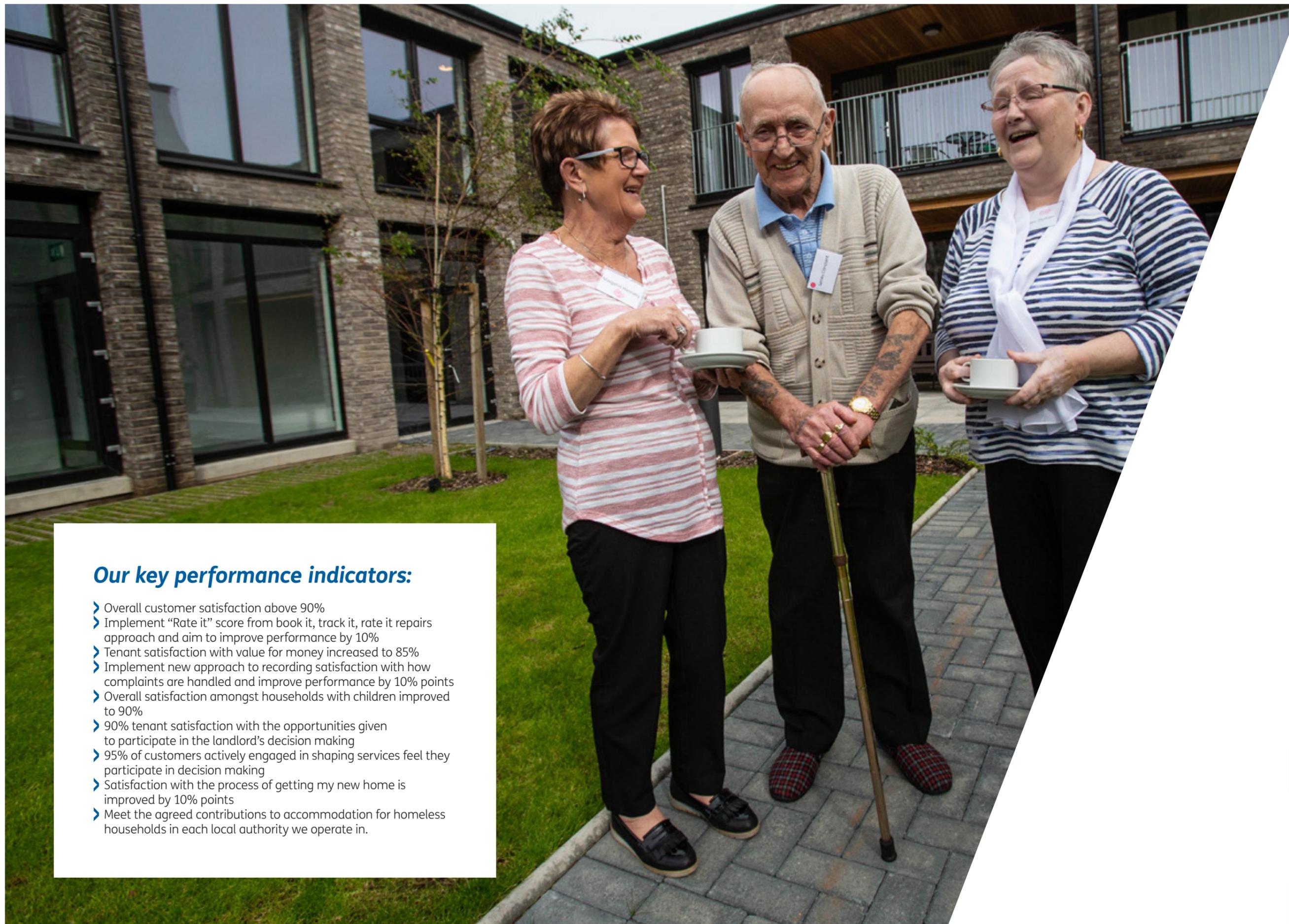
Our digital-based services, such as GoMobile and MyHousing, will continue to help us strengthen our **customer insight**, ensuring we can meet the different needs of customers. We will **work with partners across the city and nationally to anticipate the profile and demography of our future customers**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

We will re-design the way we engage with customers. Enabling them to have more choices and control to make changes that are important to them. **Co-designing the transformation of our services** with our customers will ensure **no one is left behind**. In our high-rise homes, we will utilise the community space to provide online access and support for customers to help build and improve their digital skills. Services will be tailored to meet the specific needs of customer groups, whether they are delivered digitally or face to face. We will encourage a diverse range of customers to talk about their experiences and the **issues that matter to them** and will encourage our **customers to challenge our performance and outcomes**.

Our co-design process will focus on the key customer journeys of repairs, allocations, complaints and anti-social behaviour.

We will demonstrate WLHP's progress towards the outcomes under **Delivering exceptional customer experience** through the following key performance indicators and impact measures.





Our key performance indicators:

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

2. MAKING THE MOST OF OUR HOMES AND ASSETS

Our primary purpose of changing lives through providing quality homes remains unchanged. Building on the unparalleled success of the last five years we have set ourselves another challenging target. We will deliver a minimum of **310 new homes** between 2020 and 2025; with the potential for a further 350 subject to agreement from the Group's lenders to support an increased level of private finance and the availability of government grant funding.

Improving our existing customers' homes remains a key strategic priority. We will use our financial strengths to invest a further £2.8m over the next five years in improving, modernising and maintaining homes, in addition to £3.5m on repairs. This will allow us to reduce the levels of emergency, reactive and maintenance repairs which create inconvenience to our customers as well as being poor value for money.

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

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

We will harness **technology** to make home life more convenient for our customers and to support people to live independently for as long as possible.

Through to 2025, the transformation of our services will provide scope for us to look at how we connect our office spaces. **Agile working patterns** are more suited to touch-down points rather than assigned desk spaces. This will enable us to generate new opportunities for supporting entrepreneurship in our communities by working in partnership to deliver **flexible spaces that can be shared with customers, social enterprises and new local businesses**. We will work in partnership with West Lothian Council and other partner agencies to have access to meeting places in each of the communities we serve.

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

A warm, safe and energy efficient home in the right location is a life changing experience for a household that can transform health and well-being, educational attainment and life opportunities. Over the next five years our ambition is to make a giant leap forward on our journey towards our long term aims of becoming carbon neutral and eliminating fuel poverty. Through our investment programme we will continue to replace less efficient boilers and heating systems to be more cost effective for our customers as well as remaining with the service offering of our fuel advisors to ensure our customers are always getting the best deal.

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

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

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

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

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



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

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



**WEST
LOTHIAN**
Housing Partnership

**Better homes,
better lives**

Our key performance indicators:

- › Develop up to 660 new homes across all tenures
- › Invest £53.3m of new public and private finance in new build housing
- › 95% of customers satisfied with their new-build home
- › Invest £2.8m in improving, modernising and maintaining homes
- › Achieve a 60:40 ratio of planned to reactive repairs
- › Reduce the volume of emergency repairs by 10%
- › Maintain existing tenant satisfaction with the quality of their home at over 90%.



3.

CHANGING LIVES AND COMMUNITIES



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

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

We will work with colleagues in West Lothian Council and neighbouring RSLs to create targeted learning opportunities to prevent homelessness and to support new approaches to housing those households, who are homeless, through **Rapid Rehousing and Housing First**, supporting the Scottish Government and West Lothian Council in delivering their 5-year plan. As the fastest growing key strategic Partner, WLHP are in a strong position to help **strengthen the pathways for homeless people** to ensure that they can access the different types of support they may need easily, and at the time they need it.

New for WLHP will be the **Livingwell model** – we will support our older tenants to be as active and independent as possible. We will work as enablers to allow people to use their skills to support others.

Our existing Group services including our close links with Care and Wheatley 360 will be maximised to deliver support to older people. Our first Livingwell model will be our development in Almondvale, Livingston and for the first time WLHP will be able to help older customers live independently in their home for longer and enjoy being part of a great community.

Over the last five years we worked with our customers and communities to ensure our neighbourhoods are peaceful and places customers are proud to live. Using both online and offline platforms and approaches, we will support local engagement and encourage customers to work together to design local solutions in response to local priorities building resilience, skills and confidence so people can make things happen for themselves. Our **Community Improvement Partnership** approach will take communities from being safe, to ones which are improving, peaceful and with continued high levels of satisfaction. This will be based on building a confidence cycle with communities which will support communities to become more resilient through increased confidence to report crimes and other issues. In turn, this will help WLHP and our partners to make customers feel safe in their neighbourhood, and communities stronger and more peaceful. A key focus will be building on our close links with Police and NETS colleagues with planned 'patch visits'. This will be supplemented by our high quality environmental services and our strong focus on best quality fire safety provisions which will help to reduce the incidence of fires.

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

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

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

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

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

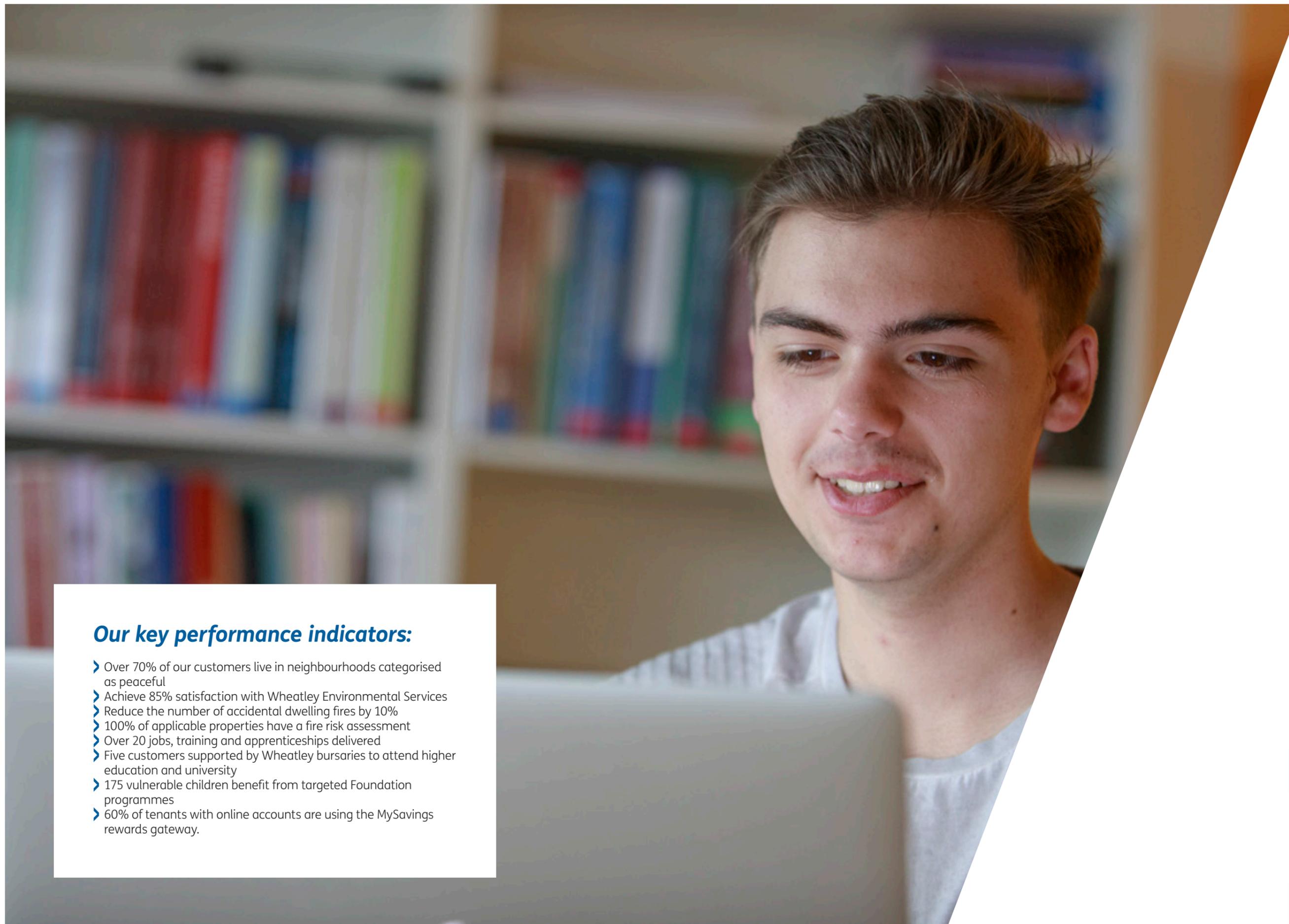
Our new **engagement models** will include an innovative **community led development approach**, involving our customers and wider communities in decision making at all the key stages of our work, whether it be new-build, in existing housing or around service development. As we move through key project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

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

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

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





Our key performance indicators:

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





4. DEVELOPING OUR SHARED CAPABILITY

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

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

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

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

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

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

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

- explore opportunities for **co-designing modern employment terms and conditions and working practices** that appeal to our evolving workforce and ensure maximum flexibility to meet changing needs
- **re-design our work roles**, rationalising and professionalising the number to no more than 25 to reflect the creativity and agility of our staff to deliver our vision
- introduce a new **career marketplace platform**, putting staff in control of managing their own career and encouraging leaders to share talent for the benefit of the business
- value staff who are highly skilled in **building and managing relationships** and have the capacity to lead creative outcomes.

In addition, we will work to improve gender equality.

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



Our key performance indicators:

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

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

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



5. ENABLING OUR AMBITIONS

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

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

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

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

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

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

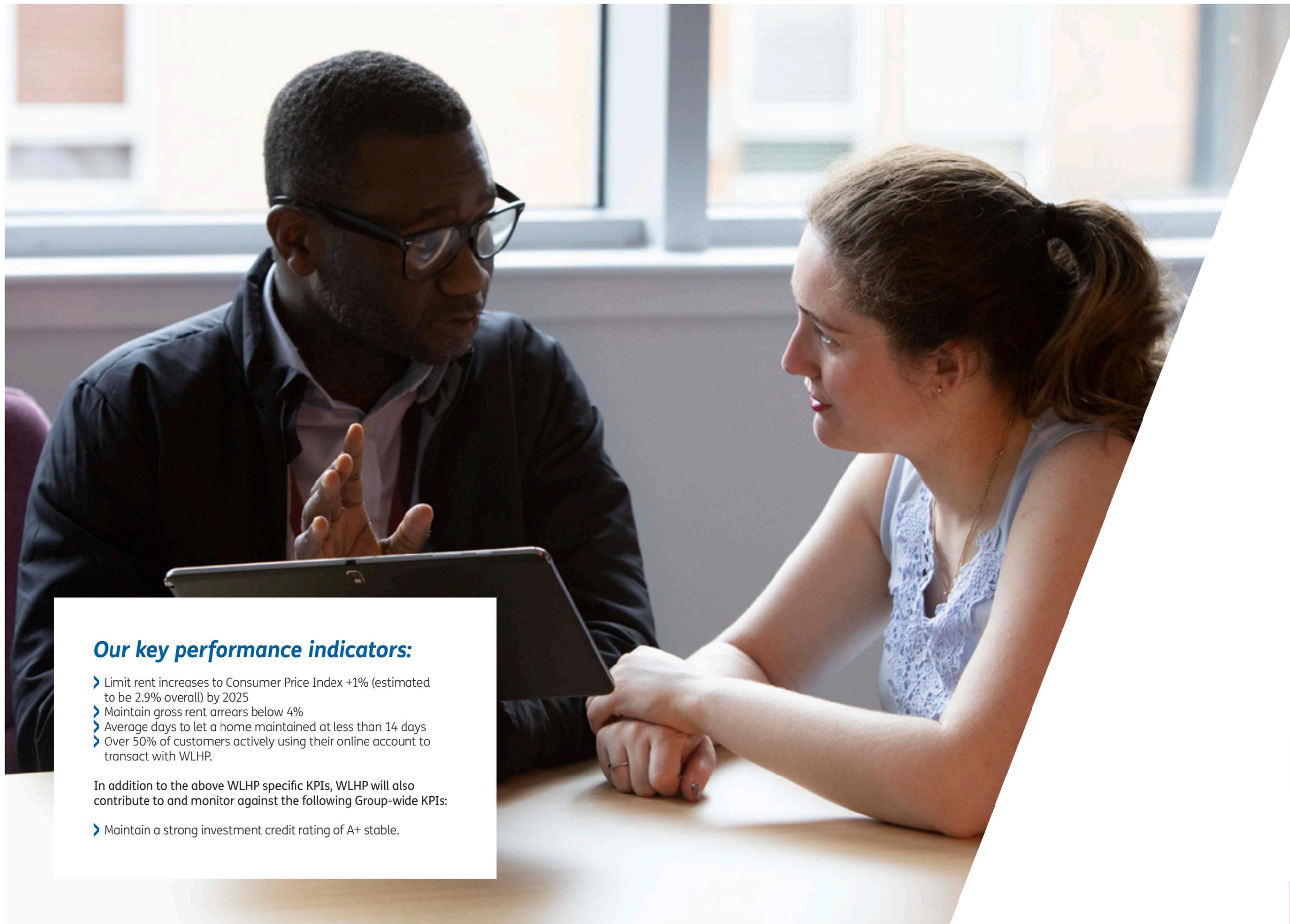
Over the next five years will also adopt an **international dimension** to our search for best practice. Identifying and exploring different ways of working and solutions developed across a broader range of contexts will stimulate and inform our thinking. This will **enhance our international profile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

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

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

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





Our key performance indicators:

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

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

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





www.wlhp.org

Our values are what unites everyone at Wheatley



www.wheatley-group.com

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

Report

To: West Lothian Housing Partnership Board

By: Elspeth Lang, Development Manager

Approved by: Tom Barclay, Group Director of Property and Development

Subject: Five Year Development Programme

Date of Meeting: 5 February 2020

1. Purpose

- 1.1 To seek Board approval of the proposed WLHP five year development programme.
- 1.2 A presentation on the five year programme will be made at the meeting.

2. Authorising context

- 2.1 The overall strategic direction and associated priorities of the Group are reserved to the Wheatley Housing Group Board. In relation to the development programme, this includes the geographical areas in which we operate.
- 2.2 The responsibility for governance oversight of the Group development programme and the approval of new projects now rests with the Group Development Committee, in line with the Committee's terms of reference approved by the Wheatley Housing Group Board. This is in the context of the West Lothian Housing Partnership Board's approval of the five year development programme.
- 2.3 A copy of the Group wide five year development programme will be presented to the Wheatley Housing Group Board in February 2020.

3. Risk appetite and assessment

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

- 3.2 Our future strategic direction envisages a development programme of 317, new homes. Our development programme represents a significant element of our expenditure, in the form of borrowing to fund construction.
- 3.3 The income from the construction of new homes represents a correspondingly significant element to increasing rental income to continue to service borrowing. Additionally, the development programme plays a key role in reducing unit management costs for developing RSLs, as overheads are spread over a greater number of units.
- 3.4 A key risk is that we do not identify a pipeline of development opportunities to realise our assumed development programme. This could lead to us not constructing enough units to repay our borrowing levels or achieve assumed reductions in management cost levels. A further headline risk is Grant availability beyond March 2021. This is a major focus across all developing RSLs and local authorities. It is likely to be later this calendar year (summer 2020) before there is housing budget certainty for 2021/22.

4. Background

- 4.1 Since joining the Group WLHP has completed 125 new affordable homes with a further 209 currently on site. Our current Group business plan assumes WLHP complete over 317 units of affordable housing new supply units over the five financial years from 2020/21.
- 4.2 Table 1 below sets out the proposed WLHP programme by year to 2024/25.

Table 1 – WLHP programme

RSL	20/21	21/22	22/23	23/24	24/25	Total
WLHP	188	51	52	26	0	317

5. Discussion

Development Footprint

- 5.1 An important consideration for our future pipeline is understanding the areas where opportunities may emerge. For WLHP this will be driven by the respective local authority housing strategies and the Strategic Housing Investment Programmes that flow from them.
- 5.2 The Wheatley Group Board in April 2019 agreed that:
- **WLHP** should retain its development footprint in **West Lothian only**;
 - Cube and Loretto should extend their development footprint to include: Falkirk, Renfrewshire, East Dunbartonshire and South Lanarkshire council areas;
 - DCH to continue to be the principal developer in Edinburgh and Lothians; and
 - GHA will be our principal developer for the City of Glasgow, and over time will consider development in Greater Glasgow.

- 5.3 Under the proposals, WLHP would continue to develop in West Lothian alongside Dunedin Canmore.
- 5.4 We have recently been brought an opportunity in Harthill that is located just outwith the West Lothian Council boundary in North Lanarkshire. We are liaising with the local authority to determine whether it will support the project. Should this dialogue be successful the development is proposed for WLHP due to its close proximity of existing WLHP stock. This would be subject to WLHP Board and Wheatley Group Board approval.
- 5.5 The planning of our development programme involves discussions with West Lothian Council, in their role as strategic housing and planning authority and the Scottish Government as Grant funders. This is in addition to our work with a network of private sector developer contacts. A presentation on the five year development programme and the key strategic housing drivers, will be made at the Board meeting.

Development appraisal criteria

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

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

- 5.7 Where any of the criteria are not met the project may be referred by the Group Development Committee, where it considers there to be an exceptional reason for proceeding, to the WLHP Board for consideration. If new opportunities arise in year that do not feature in the WLHP approved five year

development programme then those proposed projects will in the first instance be presented to the WLHP Board for consideration.

5 Year Development Programme

- 5.8 Attached at appendix 1 is WLHP's draft five year development programme. All RSL Boards will consider their own programmes during this cycle of meetings.
- 5.9 The first year of the five year development programme includes completions at existing projects at Almondvale and Jarvey Street. Thereafter, the programme includes two further phases of development at Winchburgh and opportunities in East Calder, Linlithgow and Harthill. The new opportunities are planned to be delivered with a range of private developer partners including Persimmon Homes, Cala, Barratt Homes, Lovell Partnerships and Springfield.
- 5.10 The planned regeneration project at Deans South also remains in the future investment programme for WLHP but has been programmed for completion in 2025/26.

6. Key issues and conclusions

- 6.1 Our five year development programme sets out an ambitious and challenging programme that would continue to see WLHP continue as a key delivery partner for Scottish Government in the provision of new supply affordable housing.
- 6.2 There remains uncertainty on the likely scale of funding for affordable housing beyond 2021. We will continue to stay closely engaged with senior Scottish Government officials in monitoring this position and will report back to the Board as future grant funding arrangements become clear.

7. Value for money implications

- 7.1 Value for money will continue as a key focus in the programme. This can be achieved via both our use of Group and external contractor frameworks and our consultant frameworks, combined with seeking to extend developer partnerships giving rise to more development opportunities.
- 7.2 This combination will allow us to achieve tangible benefits for tenants as increased efficiency can enable us to deliver better value for money.

8. Impact on financial projections

- 8.1 Our business plan assumes c£53m of development over the next five years. Spend for 2020/21 is expected to be circa £18m. The successful delivery of the development programme helps us to realise the wider assumptions within our financial projections. The summary of the development costs and grant over the next five years is presented in the table over the page:

New Build Programme	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Development Costs	18,020	9,007	1,112	10,960	14,167	53,266
Grant Income (cash received)	8,659	2,039	273	8,889	8,776	28,636
Net Cost	9,361	6,967	839	2,071	5,392	24,630
Completed Units	188	51	52	26	0	317

9. Legal, regulatory and charitable implications

- 9.1 On a regular basis details of the Group development programme are shared with the Scottish Housing Regulator.
- 9.2 The Wheatley Solutions Property Legal Team continues to provide support to the programme through provision of advice supporting procurement, contracts and site acquisition.

10. Partnership implications

- 10.1 We seek funding agreements with the Scottish Government and the support of West Lothian Council through inclusion of our projects with their Strategic Housing Investment Plan. Progress on the current year's grant programme is monitored through quarterly meetings with the Scottish Government and West Lothian Council.
- 10.2 Our new build activity is a significant contributor to the delivery of new affordable housing in the area in recent years. West Lothian Council have made a commitment to deliver 3,000 affordable homes between 2012-2022. Our development programme will deliver at least 354 units towards this target.
- 10.3 WLC's partnership group, 'Homes for West Lothian' was established in 2019 and we continue to represent WLHP at the quarterly meeting. The remit of the Partnership Group is for the Council to collaborate with developing RSLs in the planning and delivery of more affordable housing in West Lothian.

11. Equalities impact

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

12. Recommendations

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

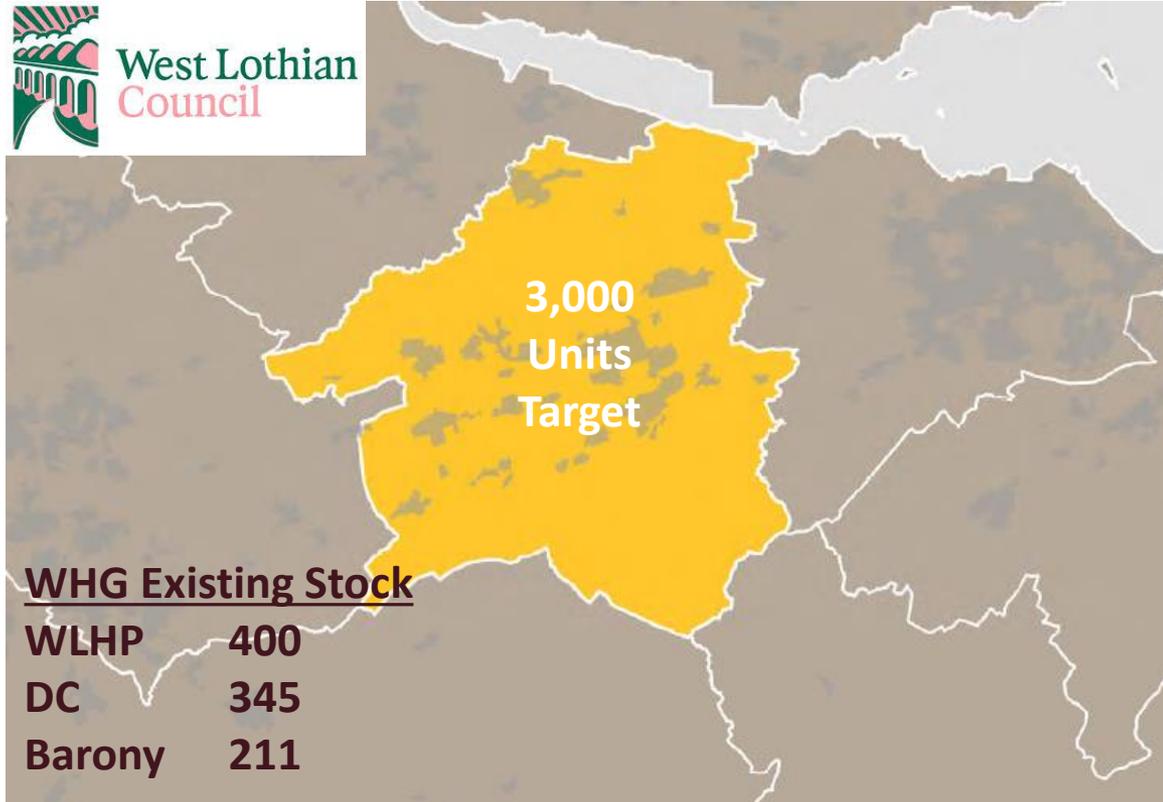
List of Appendices

Appendix 1 – WLHP five year development programme



Five Year Development Programme

WLHP Board 5 February 2020
Elspeth Lang
Development Manager



LHS Strategy (2017-2022)

- Housing Supply and Placemaking
- Independent living and specialist provision
- Fuel Poverty and climate
- Private Rented Sector

SHIP Priorities(2019-2024)

- Develop committed projects
- Continue development of new build Council Housing
- Core Development Areas
- Regeneration in Deans South

HNDA 2015

- Strategic location for commuting leading to expansion.
- Population rapidly increasing across entire area, natural increase and migration, including from Eastern Europe.

One of the fastest growing areas in Scotland

Ageing population over 75 +130% 2014-2037

+17% Households by 2037

LA	Contractor	Project	2020.21	2021.22	2022.23	2023.24	2024.25
WLC	Cruden Homes	Almondvale	146				
WLC	City Building (Contracts)	Jarvey Street	42				
NLC	Springfield	Harthill		31			
WLC	Cala	Blackness Rd		0	14		
WLC	Barratt Homes	Winchburgh Ph 3		20			
WLC	Persimmon	Raw Holdings			38		
WLC	Lovell	Winchburgh Ph 2				26	
WLC	TBC	Deans South					0
		Total	188	51	52	26	0

Dixon Terrace



**64 Units
Complete**

**Final 21 units to
complete by
March 2020**

**19 units for over
55-year tenants**

**Developer
Springfield
Partnerships**

Kirk Lane, Livingston



**Kirk Lane, 8
January 2020**

**Estimated
completion 30
January 2020**

**Contract
completion April
2020**

**Contractor
Persimmon
Partnerships**

Jarvey Street, Bathgate



**42 common
access flats**

**Proposed
change in tenure
to social rent**

**Preparations for
new contract in
progress**

**Contractor
City Building
(Contracts)**

Almondvale, Livingston



146 common
access flats

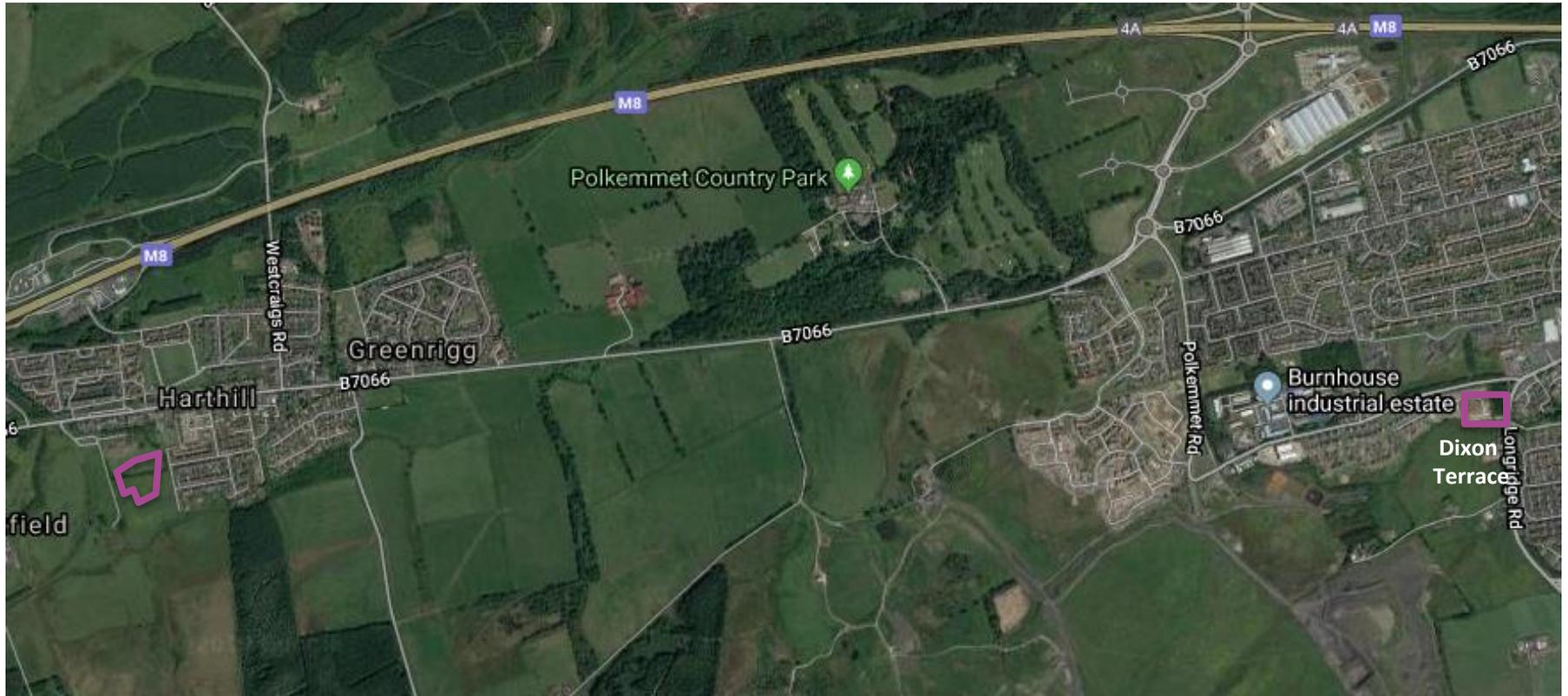
Livingwell and
supported
accommodation
for BHA

Completion in
2021

Developer
Cruden Homes
East



Harthill



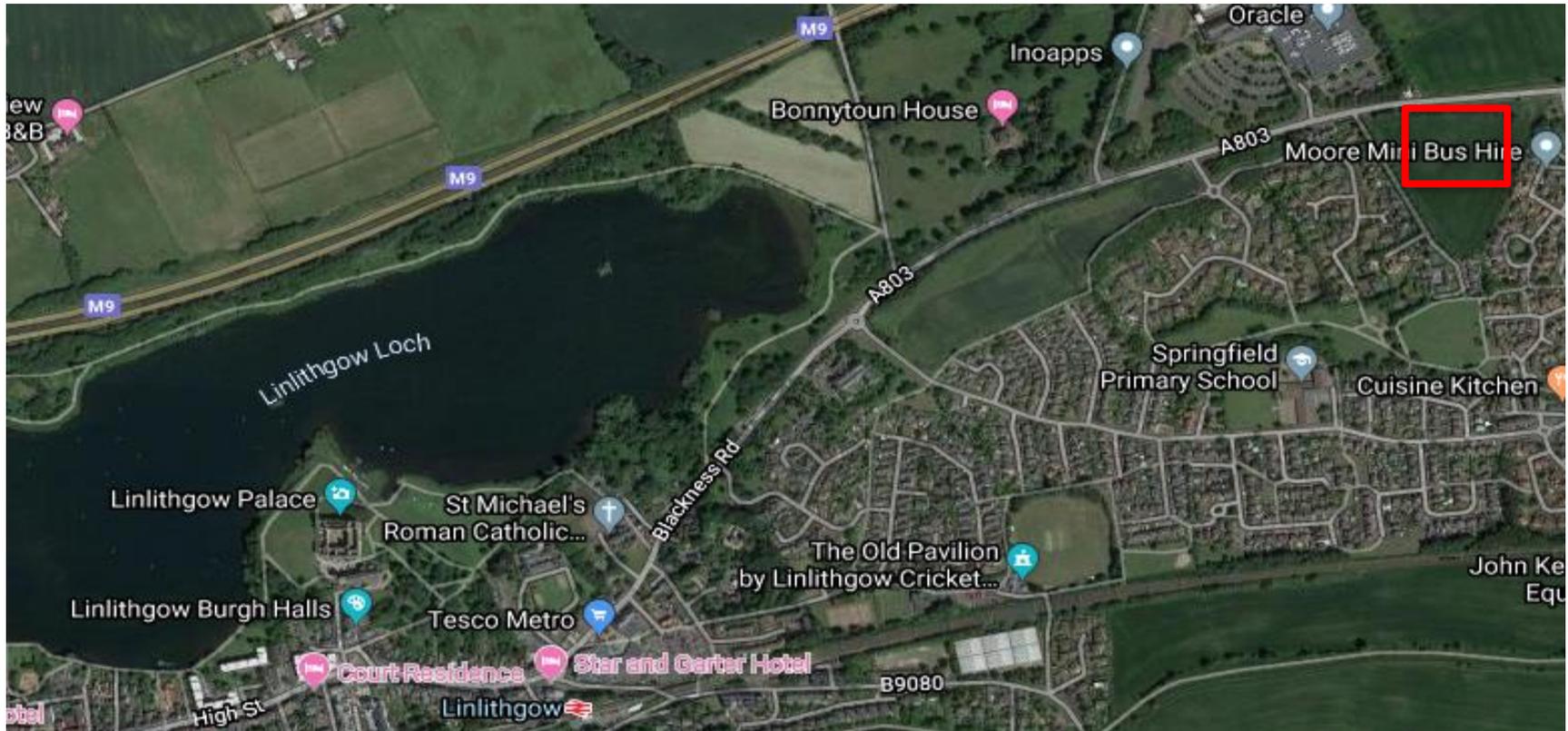
**31 houses and
cottage flats**

**Close to West
Lothian
boundary**

**Completion in
2021/22**

**Developer
Springfield
Partnerships**

Blackness Road, Linlithgow



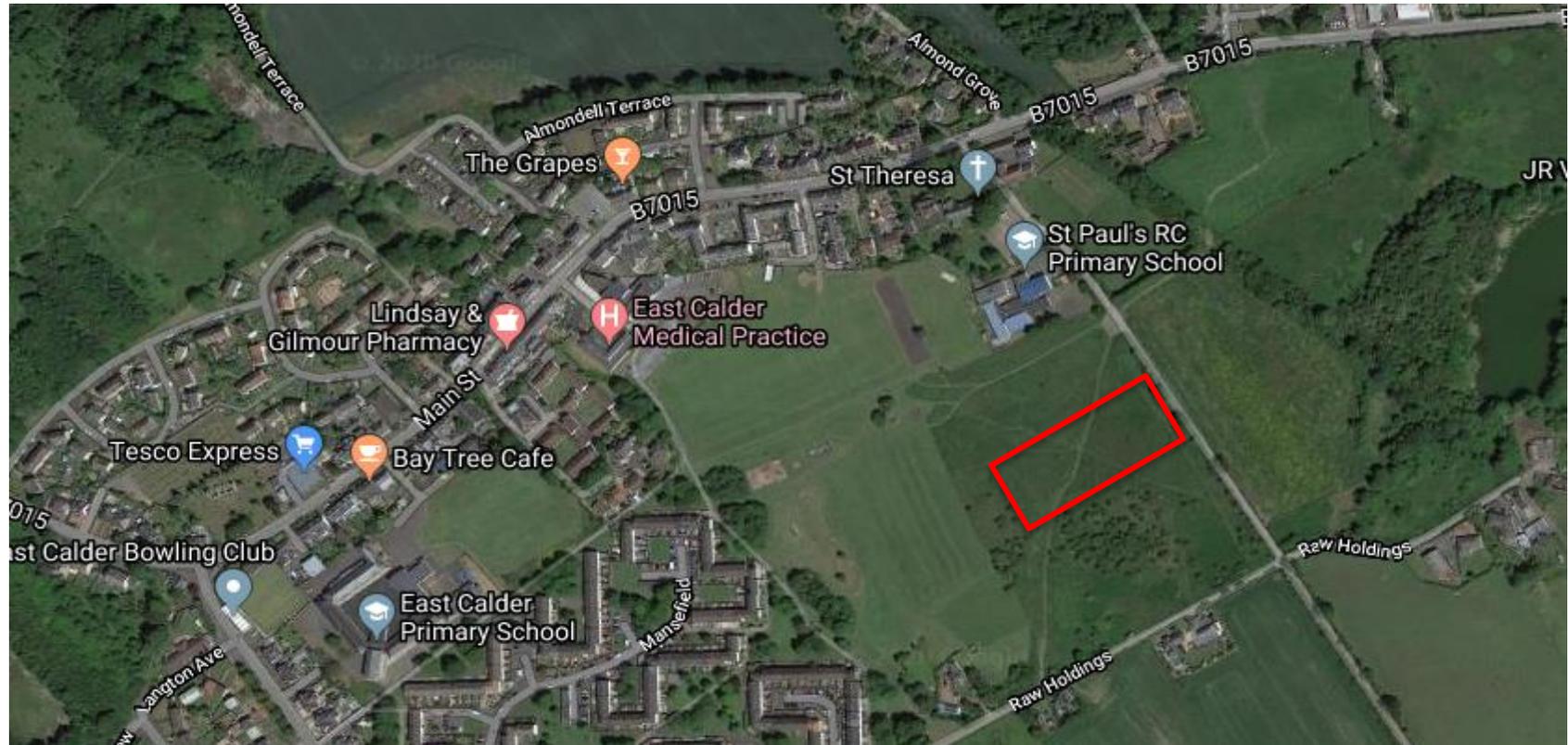
14 houses and
cottage flats

Social Rent

Completion in
2022/23

Developer
Cala Homes

Raw Holdings, East Calder



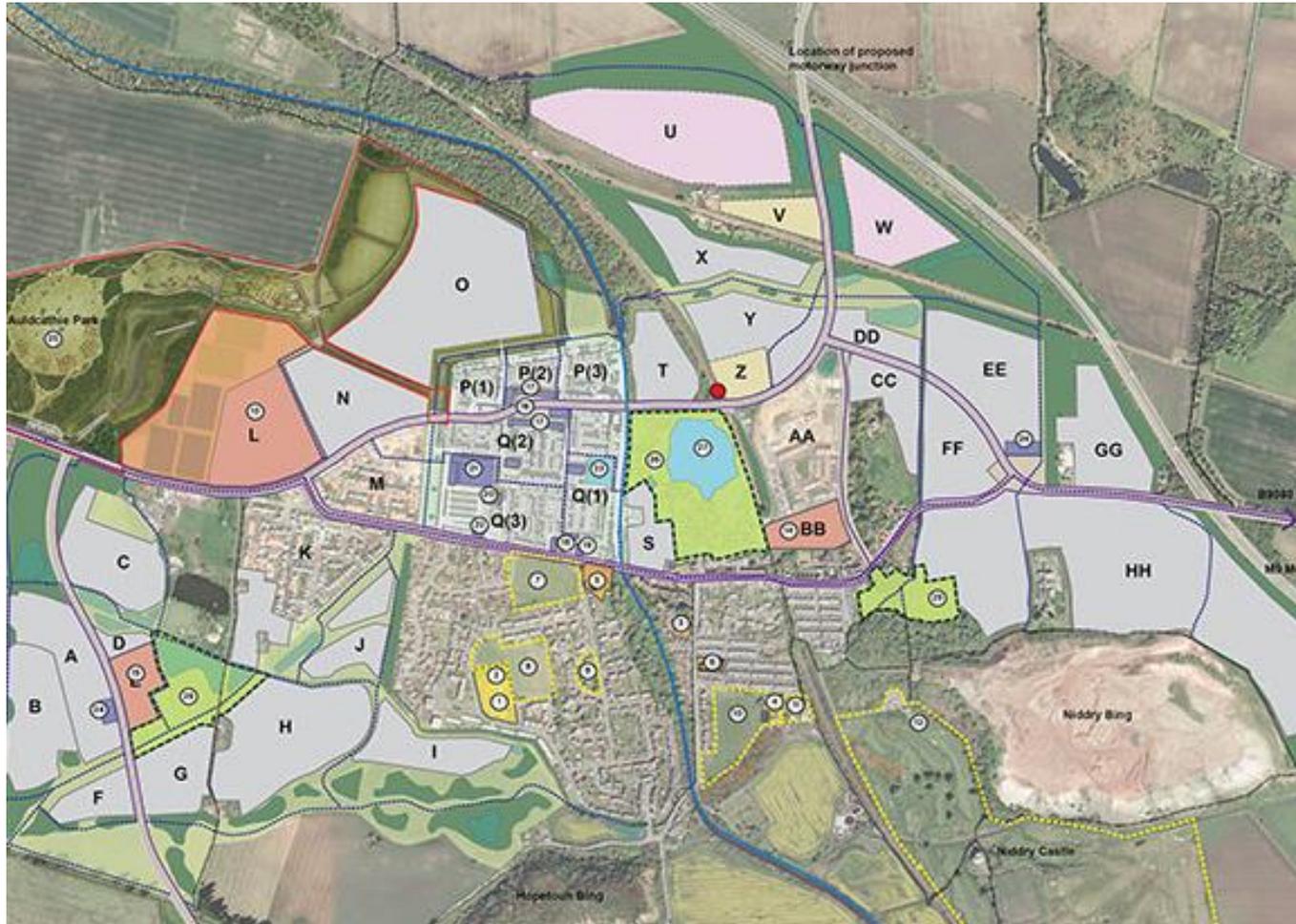
**38 houses and
cottage flats**

Social Rent

**Completion in
2022/23**

**Developer
Persimmon
Homes**

Winchburgh – Overall Masterplan



Winchburgh Plot O (Phase 2)



Housing Mix tbc

Social Rent

Completion in
2023/24

Developer
Lovell
Partnership

Winchburgh Plot Y (Phase 3)



20 houses and
cottage flats

Social Rent

Completion in
2021/22

Developer
Barratt Homes

**WEST
LOTHIAN**
Housing Partnership

To: West Lothian Housing Partnership Board

By: Alex Lamb, Head of Housing

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

Subject: Core Investment Programme 2019/20 Update

Date of Meeting: 5 February 2020

1. Purpose

1.1 To provide the Board with an update on the progress of West Lothian Housing Partnership's Core Investment programme for 2019/20.

2. Authorising context

2.1 This report is for information only and will provide an update on the Core Investment programme for WLHP undertaken during 2019/20 financial year.

2.2 Under the terms of the Intra-Group Agreement between WLHP and the Wheatley Group, as well as the Group Authorising Manage Monitor Matrix, WLHP Board is responsible for the on-going monitoring of performance against agreed targets. In the case of WLHP Board, this includes the on-going performance of its services.

3. Risk appetite and assessment

3.1 Our agreed risk appetite towards investment is *open*. This level of risk tolerance is defined as "Willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc)".

4. Background

4.1 The key service that we provide for our customers is the provision of a warm, dry, secure home. Maintaining and maximising their homes' condition is important to our customers and vital to the sustainability of our business and for future investment.

- 4.2 A key driver for customer satisfaction is ensuring that our customers are proud of their home and their community. We know that the quality of the living environment matters to both existing and prospective customers and influences feelings of safety and security and overall satisfaction with WLHP. By delivering safe, clean and attractive living environments we will help to ensure that our properties are in high demand as well as promoting tenancy sustainment. This will contribute to the protection of our investment in tenants' homes, protect our rental stream and reduce the cost to the business associated with void rent loss and repairs.
- 4.3 WLHP's budget allocation for 2019/20 is £218k of which £195k is for our core investment programme. The remaining £23k is set aside for capitalised repairs (11k) and any Medical Adaptations (12k) required throughout the year.

5. Discussion

- 5.1 The focus of the core investment programme in 2019/20 has been on improving the energy efficiency of our homes, keeping our customers safe whilst also delivering customer priority investment. There has been significant progress made by Dunedin Canmore Property Services (DCPS) in the delivery of the programme as follows:

- **Gas boiler renewals**

20 problematic boilers were identified for replacement in our 2019/20 programme in Boghall, Bathgate and Blackburn. DCPS have replaced a total of 19 to date with new highly efficient 'A' rated boilers. These new boilers will not only provide improved performance, but will also keep our customers' homes warmer and help them to save money on their fuel bills.

- **Home safety**

We are committed to providing safe and secure homes with a significant proportion of our programme geared towards home fire safety measures. The 2019/20 programme makes provision for the commencement of a 2 year programme of smoke & heat detector upgrades across our entire stock, in line with the legislative requirement to bring fire detection to LD2 standard.

To date DCPS has successfully upgraded 252 properties, (52% of the stock) with the remaining properties planned for 2020/21 financial year which will facilitate full compliance with this new standard by the deadline of February 2021.

- **Customer priority investment**

'Pop up' customer engagement sessions were held in our communities and highlighted issues with poorly designed bathrooms in Broxburn. 11 new/refurbished bathrooms were completed at West Park, Dunn Street, Perth Street, Elm Street and Elm Terrace. Our customers benefited from new sanitary ware, shower boards and showers.

5.2 The following table provides a Year to Date summary of the value of investment works:

Community	Project	2019/20 Planned programme	Total complete	YTD Total Spend £
Boghall	Boiler Replacements	8	7	£20k
Bathgate	Boiler Replacements	6	6	£18k
Blackburn	Boiler Replacements	6	6	£18k
Area Wide	LD2 Smoke	190	252	£58k
Broxburn	Bathrooms	10	10	£31k
Area Wide	Boiler replacements (18/19 accurals)) via city building			£12k
Elm Court	Fire Doors	5	5	£7k
Area Wide	Rot Works			£4k
Area Wide	High Value Repairs			£13k
Total				£181k

5.3 WLHP have now been allocated a dedicated Investment Officer from the DCPS team, who will work in partnership with WLHP staff to ensure the smooth delivery of this and future years' investment programmes.

6. Key issues and conclusions

6.1 DCPS have made significant and welcome progress in delivering our 2019/20 core investment programme with the majority of this year's planned works already complete. Our forecast spend to the end of the financial year is estimated to be £195,000 against the Core Programme allocation of £195,000.

6.2 The provision of a dedicated investment officer to assist in the management of our investment programme is also welcome and will allow WLHP to continue to deliver an efficient investment programme. This will further assist in identifying any risks to delivering the programme at an early stage and enabling any corrective action which may be necessary.

6.3 Our commitment to installing high efficient Gas Heating Boilers will support WLHP in meeting the Scottish Governments Energy Efficient Standard for Social Housing whilst also helping to reduce fuel bills for our customers.

7. Finance implications

7.1 The financial implications of the investment programme are set out in the Budget.

8. Impact on surplus

8.1 None.

9. Legal implications

9.1 No legal implications have been identified with respect to this investment update.

10. Other resource implications

10.1 None.

11. Partnership implications

11.1 The investment programme is being delivered by DCPS in-house trade teams. Customer feedback and satisfaction to date has been excellent.

12. Risk assessment

12.1 None.

13. Equalities impact

13.1 None.

14. Recommendation

14.1 The WLHP Board is asked to note this report and our continuing commitment to deliver our 5 year investment programme by 2020.

Report

To: West Lothian Housing Partnership Board

By: Morgan Kingston, Finance Manager

Approved by: Steven Henderson, Group Director of Finance

Subject: Finance Report for the Period to 31 December 2019

Date of Meeting: 5 February 2020

1. Purpose

1.1 The purpose of this report is to provide the West Lothian Housing Partnership (“WLHP”) Board with an overview of the finance report for the period to 31 December 2019.

2. Authorising context

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

2.2 This report provides the Board with an update of performance to date to allow it to discharge its role in monitoring performance and agreeing any actions required.

3. Risk appetite and assessment

3.1 Our agreed risk appetite in WLHP’s Performance against Group is “Open”. This level of risk tolerance is defined as “Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level”.

4. Background

4.1 This report outlines performance against budget approved by the WLHP Board on 26 April 2019.

4.2 The full year budget for WLHP reports a statutory surplus of £6,565k, which is driven by the recognition, upon completion, of £7,246k of grant income for new build properties in the Operating Statement. Surpluses and deficits reported are extremely sensitive to the timing of grant recognition.

4.3 The appendices provide more detail on the financial results.

5. Discussion

Finance Report – Period 9 management accounts

5.1 WLHP has reported a statutory surplus of £3,158k to the end of period 9. This is £2,597k favourable to budget.

- Net rental income is £112k favourable to budget. This is largely driven by the early completion of 53 units at Dixon Terrace which were not budgeted to complete until March 2020. In addition, void performance remains strong. The budget provides for void losses in the year of 1.5% but due to a quick turnaround of void properties there has been no rent lost due to voids in the year to date.
- Grant income recognised in the year is reporting a favourable variance of £2,408k. This is due to the early completion of the 53 units at Dixon Terrace which has allowed us to recognise £3.7m in HAG income. This is offsetting the delay to the HAG income for 42 units at Jarvey Street.
- Other income is reporting an adverse variance of £130k. This is also due to the delayed completion of the development at Jarvey Street which was budgeted to complete at the start of the financial year but has experienced a delay. As a result, no lease income from Lowther Homes has been received in the year.
- Operating costs of £1,491k have been incurred to date, reporting a £67k favourable variance. All lines are reporting lower spend or on track with budget.
- Interest payable of £639k relates to finance costs on borrowings of £18.75m. The charge is £140k favourable to budget following a lower than expected debt balance at 31 March 2019 caused by early grant and intercompany receipts.

5.2 Net capital expenditure of £5,257k has been incurred in the year to date, £788k lower than budget. The variance is largely driven by the Almondvale and Dixon Terrace developments.

- Almondvale is now on site and progressing satisfactorily, spend is £1,843k lower than budget at this point in the year following a change to the order of works by the contractor. The gap is expected to narrow in the coming months.
- Dixon Terrace is progressing well, evidenced by completion of 53 units in the last 6 months. It is expected all units will be completed ahead of schedule and it is expected the total spend will be on track with budget.

Quarter 3 Forecast

- 5.3 The quarter 3 forecast shows a forecast operating surplus of £6,456k which is £886k lower than budget. The forecast statutory surplus of £5,819k is £746k adverse to budget. The main driver of this variance is the lower level of HAG income we can recognise and the lower level of lease MMR income receivable from Lowther Homes on the Jarvey Street development following its delayed completion.

6. Funding update

- 6.1 At its meeting on 8 October 2019 the Board received an update on the development of the single care vehicle. As part of this, the Board considered and approved the consent and amendment letters to our funding agreements. These were required to (i) allow the activities of Barony Housing Association to be consolidated elsewhere within group so that (ii) Barony could thereafter be dissolved. Some of the amendments were required in order to reflect the factual position following the re-organisation, including a change to arrangements for Loretto Care's working capital facility.
- 6.2 At present, Loretto Care and Loretto Housing Association have a £1m on-lend agreement, allowing Loretto Housing Association to lend Loretto Care up to £1m from funds obtained via WFL1 (note that this facility has never been used). While the arrangement is currently directly between Loretto Housing Association and Loretto Care, the RSLs share the potential exposure to Loretto Care via the cross-collateral agreement in the WFL1 Limited facilities.
- 6.3 Following the creation of the new single care vehicle, the £1m on-lend agreement will no longer be a direct relationship between Loretto Housing Association and the single care vehicle. Instead, a new intra-group on-lend agreement would permit the new care vehicle to access a maximum amount of £1m from any of the RSLs. A copy of the agreement is attached at appendix 2. The exposure to WFL1 Limited remains unchanged; a maximum of £1m on-lending is permitted. Following the previous approval, it is our recommendation that the Board accept the current proposal presented.
- 6.4 As Barony Housing Association is also a guarantor for Syndicate and HSBC facilities, a letter of resignation will also be sent to each funder to request acceptance of the resignation from the facility agreement.

7. Key issues and conclusions

- 7.1 The report informs the Board of the financial performance against year to date budget. The statutory surplus of £3,158k is £2,597k favourable to budget.

8. Value for money implications

- 8.1 Ensuring financial performance remains in line with approved budget is a key element of continuing to demonstrate value for money. The results in the year to date show we are on-track so far.

9. Impact on financial projections

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

10. Legal, regulatory and charitable implications

10.1 Not applicable.

11. Partnership implications

11.1 Not applicable.

12. Implementation and deployment

12.1 Not applicable.

13. Equalities impact

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

14. Recommendations

14.1 The Board is requested to:

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

List of Appendices

Appendix 1: Finance Report – 31 December 2019

Appendix 2: Loretto Care intra-group facility agreement [redacted]



Period to 31 December 2019 Finance Report

1) Period 9 - Operating Statement

	Year to 31 December 2019			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Rental Income	1,576	1,488	88	2,016
Void Losses	0	(24)	24	(31)
Net Rental Income	1,576	1,464	112	1,985
Other Income	1	131	(130)	191
HAG Recognised in the Year	3,710	1,302	2,408	7,246
TOTAL INCOME	5,287	2,897	2,390	9,422
EXPENDITURE				
Employee Costs - Direct	246	249	3	333
Employee Costs - Group Services	26	26	0	35
Direct Running Costs	145	148	3	196
Running Costs - Group Services	15	15	0	20
Revenue Repairs and Maintenance	193	238	45	332
Bad Debts	11	26	15	35
Depreciation	855	855	-	1,140
TOTAL EXPENDITURE	1,491	1,558	67	2,091
NET OPERATING SURPLUS / (DEFICIT)	3,796	1,339	2,457	7,331
<i>Net Operating Margin</i>	72%	46%	26%	78%
Interest receivable	1	0	0	-
Interest payable	(639)	(779)	140	(777)
STATUTORY SURPLUS / (DEFICIT)	3,158	561	2,597	6,554

Key highlights year to date:

- Statutory surplus of £3,158k is £2,597k favourable to budget. The variance is largely due to the early completion of 53 units at Dixon Terrace which has allowed us to recognise £3.7m in HAG income. The units were budgeted to complete in March 2020.
- Total income of £5,287k is £2,390k higher than budgeted. Letting performance remains strong with gross rental income £88k favourable to budget due to the early completion of units at Dixon Terrace. Void losses are £24k favourable to budget. Other income is £130k adverse to budget due to the later than budgeted completion of MMR units at Jarvey Street and the lower associated lease income charged to Lowther Homes. The year to date budget for HAG income of £1,302k also relates to Jarvey Street.
- The strong letting performance and additional HAG income at Dixon Terrace has led to a favourable variance against budget.
- Revenue repairs and maintenance expenditure is £45k favourable to budget with responsive repairs spend tracking lower than budget.
- The bad debts are £15k favourable to budget. The budget was set prudently following the roll out of universal credit.
- Group services charges for staff and running costs of £41k represent West Lothian's share of Wheatley Solutions' staff and service costs.
- Gross interest payable of £639k represents interest due on the £18.75m of loans due to Wheatley Funding Ltd 1.
- Core investment expenditure of £252k relates to the bathroom, boiler and smoke alarm replacement programmes. Small levels of medical adaptation, capitalised void costs and capitalised repairs spend has also been incurred.
- New Build expenditure of £8,324k is reported at the end of period 9 with the variance of £1,505k largely driven by progress at the Almondvale and Dixon Terrace developments. Almondvale is now on site and progressing satisfactorily, spend is £1,843k behind budget following a change in the order of works by the contractor, this gap is expected to close in the coming months. Dixon Terrace is progressing well, evidenced by the early completion of 53 units in the last 6 months. It is expected all units here will be completed ahead of schedule and total spend will be on track with budget overall.

	Year to 31 December 2019			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INVESTMENT				
Total Capital Investment Income	3,388	4,020	(632)	5,883
Total Expenditure on Core Programme	252	236	(16)	280
New Build & Other Investment	8,324	9,829	1,505	12,405
Other Capital Expenditure	70	0	(70)	22
TOTAL CAPITAL EXPENDITURE	8,645	10,065	1,419	12,707
NET CAPITAL EXPENDITURE	5,257	6,045	788	6,824

2) Management Information - Employee & Running Costs

Employee Costs	Year to 31 December 2019			Full Year Budget £ks
	Actual £ks	Budget £ks	Variance £ks	
Salary/NIC/Pension	360	353	(8)	471
Staff Costs Capitalised	(120)	(103)	17	(138)
Overtime	6	0	(6)	0
TOTAL	246	249	3	333

Comments

Employee Costs

- Employee costs of £246k are £3k favourable to budget. Salary and on-costs are £8k higher than budget. Capitalised staff costs are £17k favourable to budget.
- Reported costs are after the recharge of 50% of the environmental team to Barony.

Direct Running Costs	Year to 31 December 2019			Full Year Budget £ks
	Actual £ks	Budget £ks	Variance £ks	
Consultancy/Legal/Insurance	9	9	(0)	12
Environmental Recharges	3	14	11	23
Initiatives	20	21	2	28
Office & Property	106	99	(7)	128
Staff Related Costs	6	4	(2)	6
TOTAL	145	148	3	196

Running Costs

- Direct running costs of £145k are £3k favourable to budget.
- Central environmental recharges include the use of the Bathgate depot, owned by Dunedin Canmore and vehicle and equipment use, where the costs for these are incurred centrally. The variance in this line relates to waste disposal costs which are £11k lower than budget.

Initiatives	Year to 31 December 2019			Full Year Budget £ks
	Actual £ks	Budget £ks	Variance £ks	
Helping Hand	2	2	(0)	2
Tenancy Support Service	3	2	(1)	5
Think Yes	1	2	1	3
Wheatley Foundation	13	12	(1)	12
Wider Action	1	3	2	6
TOTAL	20	21	2	28

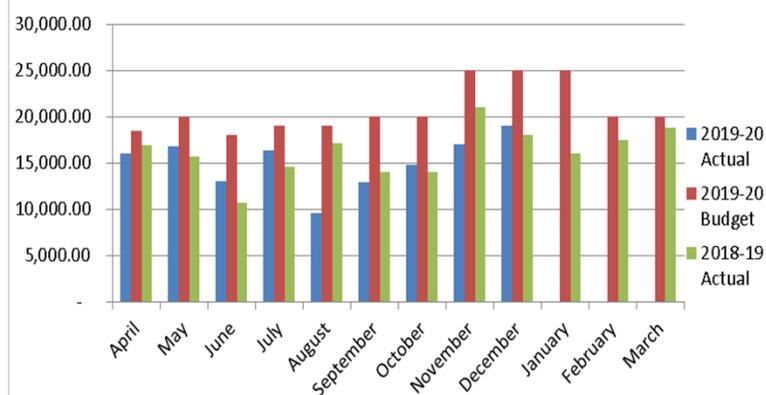
Initiatives

- The bottom table provides a breakdown of year to date Initiative expenditure. The annual donation to the Wheatley Foundation was paid at the start of the year.

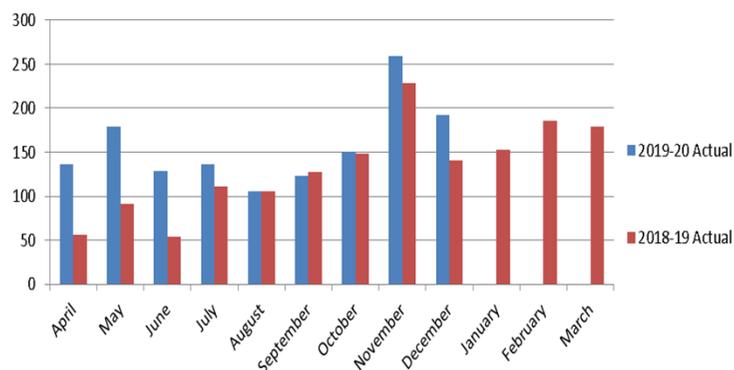
3) Management Information - Repairs and Investment

Repairs & Maintenance	Year to 31 December 2019			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
Responsive Repairs	136	185	49	250
Cyclical Maintenance	55	50	(5)	66
Communal Heating	3	4	1	5
TOTAL	193	238	45	321

Responsive Repair spend per Month (£)



No. of Responsive Repair Jobs



Comments

Repairs

- Year to date repairs and maintenance expenditure of £193k is £45k favourable to budget.
- Cyclical maintenance costs are £5k higher than budget due to accelerated electrical checks and roof inspections which have taken place in the year to date. The budget assumed this work would be spread throughout the financial year.
- The graphs present the 2019/20 spend and volume of responsive repair jobs against budget and prior year trends. In the year to date, spend incurred is slightly lower in comparison with 2018/19 but the volume of jobs has increased. Communal heating costs of £3k are reported up to period 9. A full year budget of £5k has been allocated.

Investment

- Core investment spend of £199k is £9k higher than budget, as a result of the LD2 smoke alarm replacement programme being ahead of budget but it is expected the overall programme will be in line with budget by year end.
- Void costs are £17k adverse, largely due to a small number of high value voids. Overall, total investment programme spend is £16k adverse to budget.

Investment	Year to 31 December 2019			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
Void	25	8	(17)	11
Core Investment	199	190	(9)	218
Capitalised Staff	28	38	9	51
TOTAL	252	236	(16)	280

4) Management Information - New Build

	Year to 31 December 2019			Full Year Budget £'000
	Actual £'000	Budget £'000	Variance £'000	
SR - Almondvale	3,028	4,872	1,843	5,535
SR - Dixon Terrace	3,899	4,369	470	4,880
SR - Winchburgh	4	-	(4)	172
SR - Kirk Lane	775	-	(775)	-
MMR - Almondvale	-	-	0	1,200
MMR - Jarvey Street	519	497	(23)	497
Deans South	6	-	(6)	-
Capitalised Employee Costs	92	92	(0)	122
TOTAL INVESTMENT	8,324	9,829	1,505	12,405
GRANT INCOME	3,388	4,020	632	5,883
NET CAPITAL EXPENDITURE	4,935	5,809	873	6,522

New Build Expenditure

- £8,324k of investment expenditure has been incurred in the year to date with the largest spend in relation to the Dixon Terrace development.
- Dixon Terrace is progressing well. Handovers were budgeted in March 2020 but 53 out of 85 units have been completed in the year to date. It is expected that all units will be completed ahead of schedule and that expenditure will be on track with budget overall.
- As previously reported, Jarvey Street has been delayed. Handovers were budgeted in May 2019.
- Almondvale is on site and making satisfactory progress. Seven certificates have now been received. The year to date variance of £1,843k is largely due to the reordering of works by the contractor. We expect this gap to narrow as the site progresses.
- Kirk Lane was not included in WLHP's business plan or budget; it was initially assumed to be a Dunedin Canmore development. In the year to date spend of £775k has been incurred.

Grant Income

- Grant income received of £3,388k is £632k lower than budget. The largest variance relates to Almondvale where we have received £1,864k less than budget, linked to the reordering of works discussed above. This is offset by £1,232k of grant income received in relation to the Dixon Terrace and Kirk Lane developments which was not included in the budget.

5) Balance Sheet

Period 9

	31 December 2019 £'000	31 March 2019 £'000
Fixed Assets		
Social Housing Properties	39,385	31,664
Other Fixed Assets	308	238
	<u>39,692</u>	<u>31,902</u>
Current Assets		
Trade & Other Debtors	148	288
Cash & Cash Equivalents	382	1,958
	<u>530</u>	<u>2,246</u>
Creditors: within 1 year		
Trade Creditors	(7)	(2,225)
Accruals & Deferred Income	(8,912)	(9,515)
Prepayments of Rent and Service Charge	(49)	(44)
Other Creditors	(73)	(89)
Amounts due to Group Undertakings	(1,682)	(683)
	<u>(10,723)</u>	<u>(12,556)</u>
Net Current Liability	(10,193)	(10,310)
Long Term Creditors		
Amounts due to Group Undertakings	(18,724)	(13,974)
Other provisions	(60)	(60)
Pension Liability	(102)	(102)
	<u>(18,886)</u>	<u>(14,136)</u>
Net Assets	10,614	7,456
Capital and Reserves		
Share Capital	-	-
Revenue Reserve	10,614	7,456
	<u>10,614</u>	<u>7,456</u>
Partnership's funds	10,614	7,456

Comments:

- The balance sheet as at 31 March 2019 has been updated to reflect the audited statutory accounts for 2018/19. No change in the pension liability is assumed during the year for management accounts purposes as the valuation is carried out annually. The actuarial valuation for the 2018/19 year end reported a £102k pension liability.
- The value of our **fixed assets** has increased to £39,692k reflecting capital spend of £8,645k in the year to date less depreciation of £855k.
- **Trade & other debtors** of £148k include an intercompany balance of £87k and net rent arrears (after the provision for bad and doubtful debts) of £3k.
- **Cash at Bank** – At 31 December WLHP had £382k in the bank, and has access to draw down further funding from WFL1 as and when required.
- **Short-Term Creditors** – Amounts due within one year of £10,723k include £1,682k due to other Wheatley entities and £8,912k in accruals and deferred income, primarily HAG received for the construction of new build properties. The remaining balance includes rent received in advance from our tenants, trade and other creditors.
- **Long-Term Creditors** - This includes £18.75m of loans due to WFL1 less fees paid. This borrowing has primarily been used to fund the new build investment programme.
- **Pension Liability** – The next update to the £102k liability will be made for the preparation of the 2019/20 statutory accounts.

6) Quarter 3 Forecast to 31 March 2020

	2019/20 Budget £ks	Q3 Forecast £ks	Variance £ks
INCOME			
Rental Income	2,016	2,104	88
Void Losses	(31)	(7)	24
Net Rental Income	1,985	2,097	112
Other Income	191	1	(190)
HAG Recognised in the Year	7,246	6,438	(808)
TOTAL INCOME	9,422	8,536	(886)
EXPENDITURE			
Employee Costs - Direct	333	333	-
Employee Costs - Group Services	35	35	-
Direct Running Costs	196	196	-
Running Costs - Group Services	20	20	-
Revenue Repairs and Maintenance	321	321	-
Bad Debts	35	35	-
Depreciation	1,140	1,140	-
TOTAL EXPENDITURE	2,080	2,080	-
NET OPERATING SURPLUS / (DEFICIT)	7,342	6,456	(886)
<i>Net Operating Margin</i>	78%	76%	2%
Interest receivable	-	-	-
Interest payable	(777)	(637)	140
STATUTORY SURPLUS / (DEFICIT)	6,565	5,819	(746)
INVESTMENT			
Total Capital Investment Income	5,883	6,729	(846)
Total Expenditure on Core Programme	280	280	-
New Build & Other Investment	12,405	11,766	(639)
Other Capital Expenditure	22	92	70
TOTAL CAPITAL EXPENDITURE	12,707	12,137	(570)
NET CAPITAL EXPENDITURE	6,824	5,408	(1,416)

Comments

- This table shows the 2019/20 budget presented to the Board compared to the Q3 forecast for 2019/20.
- The forecast operating surplus of £6,456k is £886k lower than budget. Statutory surplus forecast of £5,819k is £746k adverse to budget.
- The main driver of this variance is the lower level of HAG income recognised on the completion of new build properties and the lower level of lease MMR income receivable from Lowther Homes on the Jarvey Street development following its delayed completion. These units are now expected to complete in 2020/21.
- The variance in HAG income recognised in relation to the Jarvey Street development which is now not expected to be recognised until 2020/21, is partly offset by the expected recognition of £494k of income in relation to the Kirk Lane development which was originally included in Dunedin Canmore's business plan.
- The YTD variance reported on the net rental income is expected to be realised at the year end.
- Total operating costs are prudently forecast to be on track with budget.
- New build expenditure and grant have been updated to reflect the updated pipeline including the inclusion of the Kirk Lane development following the approval of the budget.

Report

To:- West Lothian Housing Partnership Board

By:- Alex Lamb, Head of Housing

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

Subject:- Housing Performance 2019/20 - Quarter 3

Date of Meeting:- 5 February 2020

1. Purpose

1.1 This report outlines progress on the Delivery Plan Measures and Projects for Quarter 3.

2. Authorising context

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

3. Risk appetite and assessment

3.1 The risk appetite approved by Board relating to regulation is “averse”. This is defined as a minimal tolerance for any decisions that could lead to external scrutiny.

4. Background

4.1 This report outlines performance against the current Wheatley Group Delivery Plan as at Quarter 3 2019/20, with actions and updates where appropriate. Most of the key indicators which will be reported to the Scottish Housing Regulator as part of the Annual Return on the Charter are included within this report.

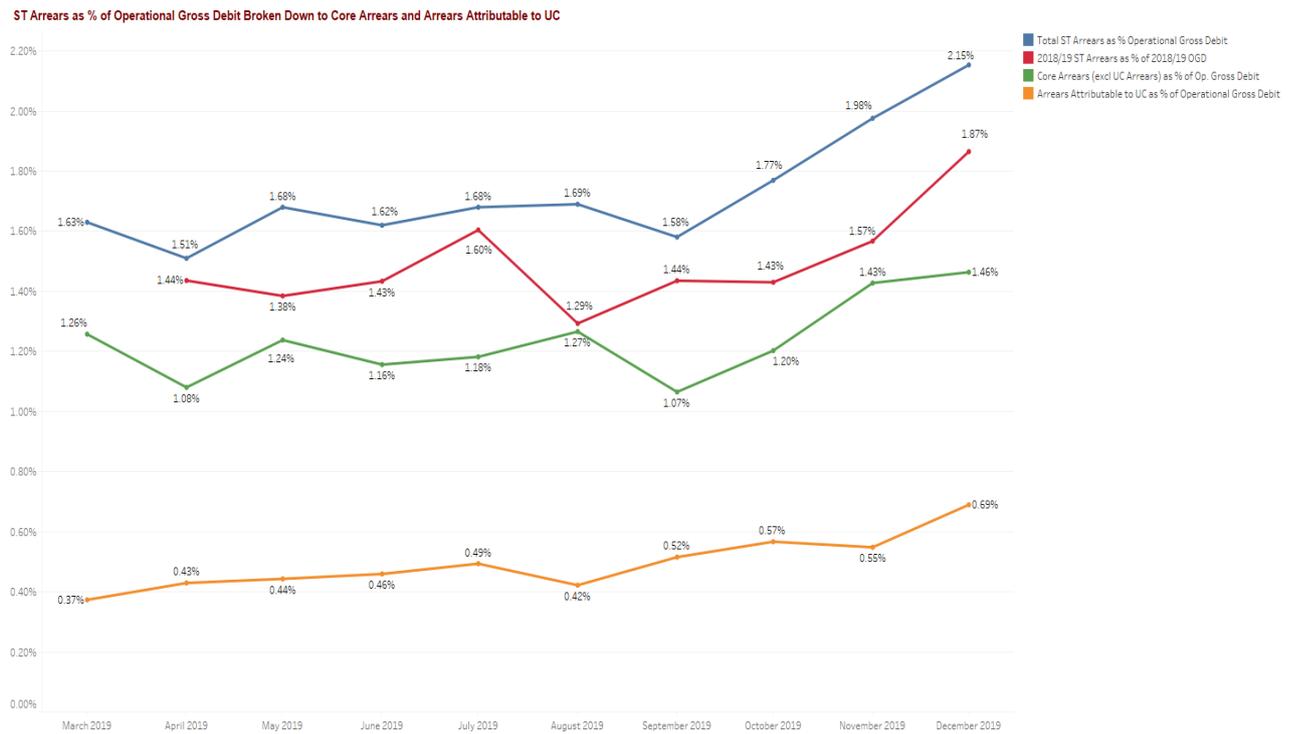
5. Quarter 3 performance

- 5.1 WLHP continue to deliver strong performance in Quarter 3 2019/20 and are meeting target in 19 of the 21 indicators listed in **Appendix 1** of this paper. We will continue to strive towards meeting and exceeding the Wheatley Group's strategic target to have 80% of targets within top quartile by 2020.
- 5.2 Tenancy offers refused measures refusals financial year to date There were 29 offers made in Q3 with 6 refusals.
- 5.3 The Average time taken to complete emergency repairs for Quarter 3 continues with excellent performance at 1.87hrs, our target in this indicator is 3 hours.
- 5.4 Average time taken to complete non-emergency repairs has reduced to 4.82 days in Q3 from 5.14 days in Q2 Our target in this indicator is 5.5 days.
- 5.5 Reactive repairs completed right first time is exceeding target in Quarter 3 at 96.34% our target for 2019 in this indicator is 95%.
- 5.6 Gross rent arrears as a % of rent due in Quarter 3 Gross rent arrears have increased from 2.01% in Q2 to 2.75% in Q3 Our target in this indicator is 2.3%.
- 5.7 Unusual for WLHP, are 5 arrears cases currently in the court process equating to 0.46% of our Q3 result. These cases have been escalated to court due to non-engagement from the customer and continual failed re-payment arrangements.

Universal Credit

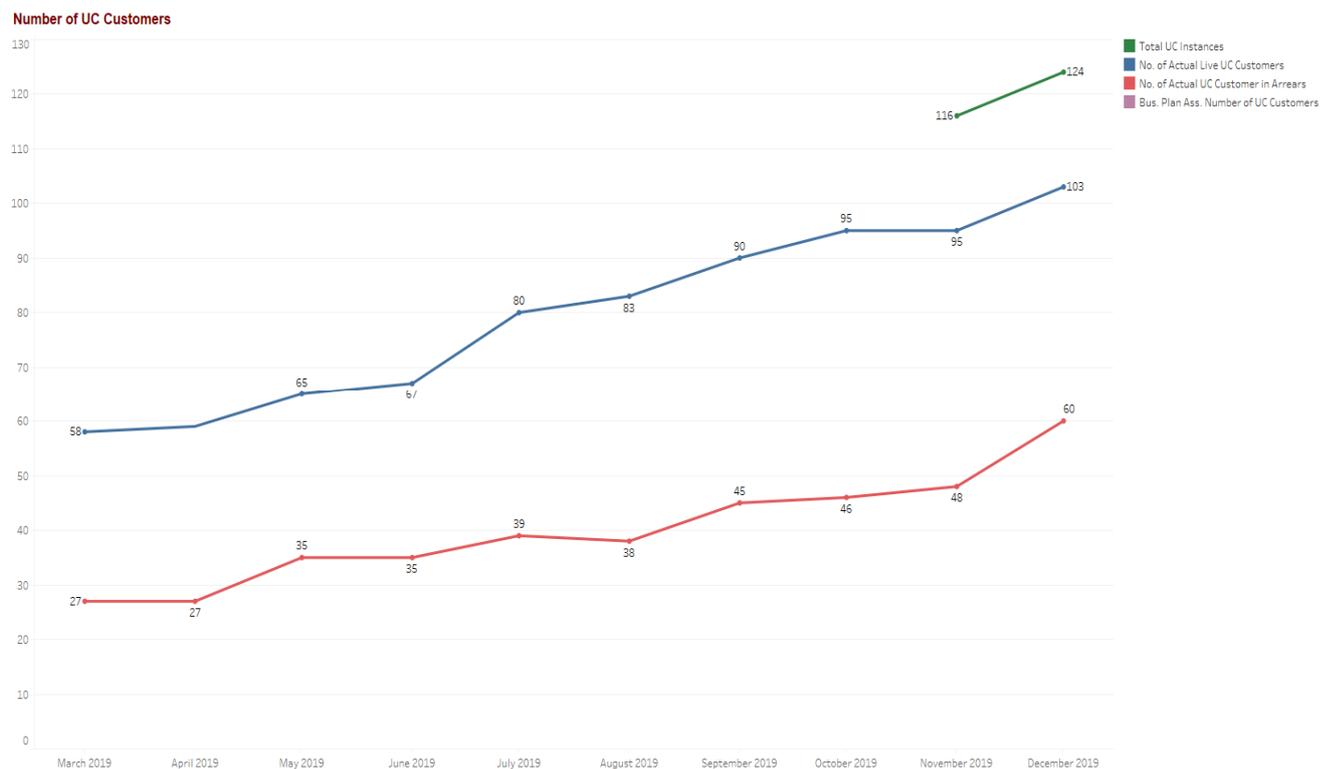
- 5.8 For the purposes of Universal Credit monitoring we focus on sitting tenant (ST) arrears. ST arrears for WLHP have increased by 0.52% from the beginning of the financial year to December 2019, from 1.63% to 2.15% of Operational Gross. We can split this down to:
- **arrears attributable to UC** which have increased by 0.32%. The cash value of this increase is in line with expectations at £7,483; and
 - **core arrears** have increased by 0.20%, from 1.26% to 1.46% from the start of this financial year. WLHP are focussed on reducing core arrears at or below the level of the previous year to mitigate the impact of UC.

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



5.9 The rate of customers moving onto UC has been faster than the Business Plan had assumed for 2019/20. The assumption was that 50 customers would be on UC by December 2019, in reality, we now have a cumulative total of 103 UC tagged customers.

CHART 2: WLHP NUMBER OF UNIVERSAL CREDIT CUSTOMERS



- 5.10 Links with DWP allow us to identify customers moving onto Universal Credit to offer support as required. The key actions for staff to support customers on UC are to establish early contact, secure a direct debit or other formal payment arrangements, make appropriate referrals to Wheatley 360 wrap around services and ensure customers understand the importance of keeping their Universal Credit information up to date.
- 5.11 The use of Expected Payment Plans (EPPs) for UC customers has increased by 94% since Quarter 2. 95% of EPPs are maintained and this has remained steady since Quarter 2.
- 5.12 We are currently seeing an average increase of 8 new UC customers each month this year, with housing officers now supporting around 52 UC customers per patch. 58% of UC customers are in arrears. The percentage of customers in arrears has remained steady throughout the year despite an increase in the number of customers on UC of over 10%.
- 5.13 Average days to let for properties The Housing team have allocated a noteworthy 74 properties year-to-date and the average days to let is at 1.13days for Quarter 3 against a 6.5-day target.
- 5.14 % lettable houses that became vacant (general needs) is at 4.91% for Quarter 3 against a 7.33% target. A small number of existing customers have benefited from our new build properties, creating a secondary let.

5.15 Anti-Social cases resolved within locally agreed targets is consistently at 100%.

5.16 New tenancies sustained for more than a year results for WLHP in Quarter 3 is at 98%, our target in this indicator is 93%.

6. Strategic projects – progress at Quarter 3

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

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

7. Key issues and conclusions

7.1 Our performance position in Quarter 3 reflects strong progress and focus will be placed on areas where improvement is required, specifically in gross rent arrears and to maintain our strong letting performance.

8. Value for money implications

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

9. Impact on financial projections

9.1 No implications.

10. Legal, regulatory, and charitable implications

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

11. Partnership implications

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

12. Equalities impact

12.1 There is no direct equalities impact from this report.

13. Recommendation

13.1 The Board is asked to note the content of this report and the actions highlighted within it to maintain and improve performance.

List of Appendices

Appendix 1 - Measures dashboard

Appendix 2 - Strategic projects dashboard

Appendix 1 - WLHP Board - Delivery Plan 2019/20 - Strategic Measures

Measure	2018/19	2019/20		
	2018	2019		
	Value	Value	Target	Status
% All complaints responded to in full within SPSO timescales	100%	100%	96%	
Average time taken to complete emergency repairs (hours) – make safe	2.47	1.87	3	
Average time taken to complete non-emergency repairs (working days)	4.86	4.82	5.5	
% reactive repairs completed right first time	95.49%	96.34%	95%	
% repairs appointments kept	100%	100%	98%	
% properties requiring a gas safety record which had gas safety check by anniversary date	100%	100%	100%	
% of tenants who have had repairs or maintenance carried out in last 12 months satisfied with the R&M service (4-weekly)	98.18%	95.05%	93%	
% tenancy offers refused during the year	23.46%	11.9%	21%	
% anti-social behaviour cases resolved within locally agreed targets	100%	100%	93.87%	
% new tenancies sustained for more than a year - overall	94.74%	98%	93%	
% lettable houses that became vacant	2.06%	4.91%	7.33%	
% Tenants satisfied with the standard of their home when moving in	100%	94.87%	94%	
Average time to complete approved applications for medical adaptations (calendar days)	10.63	9.25	25	
Gross rent arrears (all tenants) as a % of rent due	1.72%	2.75%	2.3%	
Average time to re-let properties	2.14	1.13	6.5	
% Lets to Nomination Homeless Applicants		33.78%		
% Lets to Other Nominations – non-homeless applicants		20.27%		

Measure	2018/19	2019/20		
	2018	2019		
	Value	Value	Target	Status
% avoidable contact	7.93%	12.67%	18%	
% of payments made within the reporting period which were paid in 30 days or fewer (from the date the business receives a valid invoice)	95.11%	98.92%	96%	
WLHP - Total number of jobs, training places or apprenticeships created including Wheatley Pledge	1	4	3	
New build completions - Social Housing	55	53	0	
New build completions - Mid-market	0	0	42	
% Sickness rate	0.29%	0.09%	3%	

Appendix 2 - WLHP Board - Delivery Plan 2019/20 - Strategic Projects

Strategic Project	Delivery Date	Status	% Progress
Develop and implement governance monitoring arrangements for the renewal of core strategies policies and frameworks	31-Oct-2019		<div style="width: 100%;"><div style="width: 100%;"></div></div> 100%
Review approach to service charges	31-Oct-2019		<div style="width: 100%;"><div style="width: 100%;"></div></div> 100%
Develop LivingWell specification for new build	31-Oct-2019		<div style="width: 70%;"><div style="width: 70%;"></div></div> 70%
Work with Police Scotland to develop a Group wide Antisocial Behaviour and Crime Prevention and Mitigation Framework	30-Nov-2019		<div style="width: 70%;"><div style="width: 70%;"></div></div> 70%
Develop a proposal to support choice, innovation and efficiency in the delivery of adaptations	31-Dec-2019		<div style="width: 0%;"><div style="width: 0%;"></div></div> 0%
Develop Group Asset Strategy for Housing, Commercial and Care	29-Feb-2020		<div style="width: 95%;"><div style="width: 95%;"></div></div> 95%
Development Framework	29-Feb-2020		<div style="width: 80%;"><div style="width: 80%;"></div></div> 80%
Develop Group Homelessness Framework including rapid rehousing	29-Feb-2020		<div style="width: 70%;"><div style="width: 70%;"></div></div> 70%
Implement repairs improvement project phase 1	30-Mar-2020		<div style="width: 70%;"><div style="width: 70%;"></div></div> 70%
New Wheatley Graduate Development programme in place	31-Mar-2020		<div style="width: 75%;"><div style="width: 75%;"></div></div> 75%
Develop 2020-2025 Group workforce development plan	31-Mar-2020		<div style="width: 0%;"><div style="width: 0%;"></div></div> 0%
Leadership and development framework implemented	31-Mar-2020		<div style="width: 75%;"><div style="width: 75%;"></div></div> 75%
Tenancy sustainment innovation - virtual home development (phase 3)	31-Mar-2020		<div style="width: 50%;"><div style="width: 50%;"></div></div> 50%
Mechanical & Electrical service contract procurement plan agreed and implemented	31-Mar-2020		<div style="width: 100%;"><div style="width: 100%;"></div></div> 100%
Deploy LivingWell Model East	31-Mar-2020		<div style="width: 80%;"><div style="width: 80%;"></div></div> 80%
Co-create our new engagement approach	31-Mar-2020		<div style="width: 80%;"><div style="width: 80%;"></div></div> 80%
Implement tenancy Star - Phase 2 (Group wide project)	31-Mar-2020		<div style="width: 60%;"><div style="width: 60%;"></div></div> 60%

Report

To: West Lothian Housing Partnership Board

By: Anthony Allison, Director of Governance

Approved by: Steven Henderson, Group Director of Finance

Subject: Board succession planning

Date of Meeting: 5 February 2020

1. Purpose

- 1.1 To provide the Board with feedback from the 2019 Board appraisal process and a revised 3-year succession plan for approval.

2. Authorising context

- 2.1 Under the Group authorising framework, the Group Board is responsible for our overall governance framework. This is also reflected in the Regulatory Framework, which places responsibility on the Parent for the overall governance arrangements across the Group.
- 2.2 Board recruitment and succession planning is the responsibility of individual Boards, with the Group Remuneration, Appointments and Appraisals (“RAAG”) Committee having an oversight and ratification role.

3. Risk appetite and assessment

- 3.1 Our risk appetite in relation to governance is cautious, which is defined as “Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward”.
- 3.2 The Group strategic risk register recognises the risk associated with our governance structure, that is, the risk of a service or financial failure if our governance “is not clearly defined, is overly complex and lacks appropriate skills at Board and Committee levels to govern the Group effectively”.
- 3.3 We mitigate this risk by having clearly defined documentation in place as well as undertaking a formal annual Board and individual member appraisal process. As part of this review we are taking into account the Scottish Housing Regulator (“SHR”) Regulatory Framework (“the Framework”) and associated statutory guidance.

4. Background

- 4.1 Our governance arrangements remain subject to ongoing review to ensure that they remain effective. The 2019 Board appraisal process has now been completed and a summary of the themes arising were presented to the Board in November.

5. Discussion

- 5.1 We have a succession plan in place and regularly review Board composition. The succession plan identifies that a key issue for 2020 is the appointment of a successor to the current Chair, who is scheduled to retire at the 2020 AGM. This appointment also has implications for the skills balance and succession planning at Group level, as the Chair is also a member of the Group Board.
- 5.2 During the recent appraisal meetings, discussion took place about succession. An outcome of this was that Mairi Martin was identified as a strong candidate to succeed in the role of Chair. Mairi's proposed appointment has also now been considered and endorsed by the Group Board as part of a review of its own succession plan. Accordingly, we now require this assumption to be formalised so that we can begin a phased handover for the role. The Board is therefore asked to formally confirm Mairi as the successor to the current Chair as part of the revised succession plan attached at Appendix 2. It is also proposed that Mairi is appointed to the role of Vice-Chair to assist with the transition. We do not currently have a Vice-Chair.
- 5.3 The updated succession plan takes into account appointments and retirements over the past 12 months and the ongoing recruitment activity for vacant roles. We strongly believe in the importance of having a diverse Board with a mix of skills, experience and background. Within our succession plan we have taken into consideration the Gender Representation on Public Boards (Scotland) Act 2018, which legislates the requirements for such public sector boards to have 50% females by 31 December 2022. We are planning for the possibility of this legislation being extended to include us in future.

Recruitment

- 5.4 We have recently recruited a new Board member with particular experience in property. In addition, we are also interviewing for a new Board member with finance experience and another with business management experience. Interviews for both roles have also been taking place in January and an update will be made at the meeting.

6. Key issues and conclusions

- 6.1 The feedback from the Board appraisals confirmed that the Board considers itself to be effective but recognises the need to regularly review composition. A key part of the Board's responsibility is effective succession planning and the revised plan seeks to allow us to discharge this duty.

7. Value for money implications

7.1 There are no direct value for money implications arising from this report.

8. Impact on financial projections

8.1 There are no financial implications associated with this report.

9. Legal, regulatory and charitable implications

9.1 As a RSL, we are required to comply with the Scottish Housing Regulator's Regulatory Framework. Regulatory Standard six sets out specific requirements in relation to succession planning, board appraisals and continually considering the skills and experience the board needs.

9.2 The proposals within the report support and strengthen our ability to demonstrate compliance with the Regulatory Standards.

10. Partnership implications

10.1 There are no partnership implications arising from this report.

11. Implementation and deployment

11.1 The succession plan is subject to approval by the Group RAAG Committee and will be presented at their next meeting on 19 February 2020.

12. Recommendations

12.1 The Board is asked to approve the updated 3-year succession plan, including

- the immediate appointment of Mairi Martin as Vice Chair; and
- subject to Group approval, Mairi's appointment as the successor to John Hill as the Chair from the 2020 AGM.

List of Appendices

Appendix 1 - Draft 3-year succession plan [redacted]