

Dumfries & Galloway Housing Partnership

Meeting of Board of Management on Wednesday 27 November 2019 at 10.30am at Grierson House, Dumfries

Agenda (including confidential items)		
Item	Subject	Who
	Formal Business	
1	Statement of Conflict of Interest	Chair
2	Apologies for absence	Chair
3	Minutes of Board of Management meeting of 22 October 2019	Chair
4	Board Action Tracker & matters arising	Chair
	Items requiring a Board decision (or significant items for noting)	
5	Chief Executive Update	AMcG
6	Proposed Wheatley Group Partnership Update including full partnership business case	AMcG
7	Partnership refinancing proposal – Item not published as commercially sensitive Section 33(1)(b) of the Freedom of Information (Scotland) Act 2002	HC
8	In-House repairs business case	AA
9	Appointment of Chair of Development Committee	EM
10	Finance Report – Report redacted due to commercial sensitivities under S33(1)(b) of the Freedom of Information (Scotland) Act 2002	HC
11	Performance Report to end of October 2019	AMcG
12	Demolition of garages	JP
13	Strategic Risk Assessment	Savills
	Items for discussion time permitting	
	Reports for information only	
14	Draft Minutes of Audit Committee of 18 November 2019 Minute redacted due to commercial sensitivities under S33(1)(b) of the Freedom of Information (Scotland) Act 2002	
	Date of next meeting – 12 December 2019 after the EGM	

MINUTES OF BOARD OF MANAGEMENT MEETING HELD ON TUESDAY 22 OCTOBER 2019 IN GRIERSON HOUSE, DUMFRIES

Members present: Bill Robertson (Chairman), Maureen Dowden, John Henderson, Irene Clark, Heather Macnaughton, John McCraw, George Thorley and Michael Greaves Mackintosh

In attendance: Alex McGuire (Interim Chief Executive Officer), Jayne Moore (Director of housing Services), Jim Preston (Interim Director of Investment & Regeneration), Eilidh Mowat (Company Secretary), Christopher Watt (Head of Corporate Business), Bill Byfield (Savills), Joe Leutchford (Savills), Steven Henderson (Director of Finance, Wheatley Group) and Samantha Bett (Director of Finance, Wheatley Group).

1. Statement of conflict of Interest

Heather Macnaughton indicated that she is aware that DGHP have applied for a grant with Historic Environment Scotland. Heather is employed with HES. The Board noted the declaration.

2. Apologies for absence

None

3. Minutes of Board of Management meeting of 17 September 2019

APPROVED the Minutes of the Board of Management meeting of 17 September 2019

4. Board Action Tracker & matters arising

The Board AGREED the actions to be removed from the tracker.

5. Stock Condition Survey

Bill Byfield and Joe Leutchford, both Savills gave a presentation to the Board on the outcome of the Stock Condition Survey. The Board NOTED the reported 76% compliance with SHQS and the 76.55% compliance with EESH. The Board discussed the requirement to undertake sustainability modelling, noting the skills and resource capacity needed to undertake that task, which do not currently exist within the organisation. The Board acknowledged the need to invest in skills development. The Board noted that an investment of an additional £2.7m would bring our Housing stock up to a 90%+ SQHS level. The Board AGREED to proceed with that investment as a priority - rather than this investment be undertaken as part of a 5 year plan.

The Board discussed the next steps which are to: draft five year plans and use the Wheatley Group capacity to assist us to enter the data into systems.

Bill Byfield and Joe Leuchford left the meeting.

6. Chief Executive Update

The interim Chief Executive gave an update on the notifiable event and the progress of the recruitment of the new Managing Director. The Board noted there had been 16 applicants with 6 shortlisted for interview.

The Board DISCUSSED the operation of DGHP's waiting list through it's partner, Homes 4 D & G. The board noted that Homes 4 D & G had commissioned an options appraisal for work to be carried out on areas of demand etc. The Board AGREED that the policy framework for allocations should be looked at and will be brought back for board approval.

7. Annual Assurance Statement

The Board DISCUSSED and AGREED the Annual Assurance Statement; AUTHORISED the Chair to sign the Annual Assurance Statement on behalf of the Board; and AUTHORISED submission of the Annual Assurance Statement to the Scottish Housing Regulator.

8. Development Update

The Interim Director of Investment and Regeneration gave a report. The Board discussed the report and noted the disappointing position of development which highlighted the need for enhanced scrutiny by the Board over future projects. The Board asked if management are satisfied that finance and development are now working together to ensure robust financial appraisal of projects? The Board asked that abortive costs be included in future reports.

In respect of the Thornhill site, the Board noted that discussions are ongoing with the NHS and Buccleuch and a further report will be brought back once those discussions have concluded.

The Board discussed the tenure approaches to future developments and agreed that we must consider mixed tenure in all of our future developments.

The Board NOTED the intention that the content will be the basis of an update to the Scottish Housing Regulator.

Action: include abortive costs and the impact of abortive costs in future reports – HC/JP

9. **Proposed Wheatley Group Partnership Update including Articles of Association**

The Wheatley Group Director of Finance and the Director of Treasury gave an update presentation to the Board on the refinancing position. The Board agreed this was useful and helped the Board to have a clear understanding of the proposed finance arrangements. The Board NOTED the update and proposed approach to re-financing DGHP as part of the Wheatley Group. This approach will be enshrined in the full Partnership Business Case that will be prepared for approval at the November Board meeting.

The Board NOTED progress with the implementation of the partnership with Wheatley Housing Group, noted the positive response so far by tenants to the ballot and noted that we are confident of a good turnout; and

APPROVED the draft Intra-Group Agreement and associated draft amendments to DGHP Articles of Association, for consideration by our membership at a future EGM (planned for 12 December 2019) that will allow us to enter into a Group arrangement.

10. **Sub-committee composition**

The Board discussed the proposed recommendations in respect of the composition of the sub-committees. The Board discussed the process for appointment of the Chairs of the sub-committees.

The Board had no difficulty with the composition of the committees and NOTED the composition of the Audit committee, the development committee and AGREED the composition of Novantie, with the exception that one member indicated that he did not wish to sit on Novantie.

It was proposed that a transparent process should be conducted for the appointment of the Chair of the development committee, as there was more than one potential candidate. The Board AGREED that nominations would be sought for the Chair of the development committee with candidate statements to be circulated in advance of the November board meeting at which the Board would agree the appointment of the Chair of the development committee.

The Board AGREED the appointment of Maureen Dowden as the Chair of the Audit committee and John McCraw as the Chair of Novantie.

Action: Nominations to be sought for the Chair of the development committee and Board to appoint the suitable candidate at the next Board meeting on 27 November - EM

11. **Scrutiny Panel report on Complaints and Compensation**

The Board discussed the content of this report. The Board agreed that the Chair would formally respond to the Scrutiny Panel. The Board agreed that it is important that the Board address the steps that have already been taken

and provide feedback to the panel. The Board agreed that the Director of Housing Services should facilitate the preparation of the programme in conjunction with the scrutiny panel and that the Board should see the programme, together with timescales for completion of each scrutiny exercise.

Action: programme of work for scrutiny panel to be agreed in conjunction with Scrutiny panel and Board - SJM

12. Freedom of Information

The Company Secretary gave a report. The Board expressed the view that it had previously, that it is important that we are proactive and open, publishing as much as possible through our publication scheme. The Board agreed that it is a culture change for the organisation and staff.

The Board NOTED the progress of DGHP in preparing for the implementation of FOI; APPROVED the Freedom of Information Policy attached at Appendix 2; and NOTED that a further update will be brought back to Board after implementation to give an update on the numbers of requests.

13. Finance Report Q2

The Director of Finance gave a report. The Board agreed the graphs are useful, however care needs to be taken to ensure figures used are consistent across schedules, accounting statements and graphs. The Board noted that we are on target to deliver the programme. The Board NOTED the deficit for the year to date of £1,712k; NOTED the commentary on the financial performance and projections; NOTED the loans balance at the end of March 2019 was £165m, comprising £110m with Dexia, £40m with THFC and £15m with Allia, and that net debt was £113.347m at 30 September; and NOTED the projected compliance with all lenders' covenants for 2019/20.

14. Performance Report to end of September 2019

The Board discussed and noted the content of the Performance Information Pack and noted that overall performance is reasonably good, among the top quartile for some indicators. The Board agreed that the comments in the pack had improved and cross referencing is better.

Ongoing Actions

Date of Meeting	Agenda Item	Board Decision	Actions arising	Current status of actions
17.09.19	7	7.1 NOTED the feedback from Research Resource	Provide leaving and satisfaction rates broken down into demographic and particular patterns relating to age and length of tenancy	Complete – available on secure site

Actions/Decisions from October meeting

Date of Meeting	Agenda Item	Board Decision	Actions arising	Current status of actions
22.10.19	5	NOTED the completion of the SCS and the summary of results		
22.10.19	6	NOTED the Chief Executive Update		
22.10.19	7	Discussed and Agreed the annual assurance statement Authorised the Chair to sign the Annual Assurance Statement on behalf of the Board Authorised submission of the Annual Assurance Statement to the Scottish Housing Regulator		
22.10.19	8	Discussed the development report and noted that it will form an update to the Scottish Housing Regulator	Include abortive costs within report & show impact of those abortive costs	ongoing
22.10.19	9	Noted progress with the implementation of the partnership with WHG APPROVED the draft intra group agreement and associated draft amendment to DGHP Articles of Association, for consideration by the membership at an EGM to be held on		

DGHP
BOARD DECISION TRACKER

		<p>12 December 2019 that will allow us to enter into a group arrangement</p> <p>NOTED and DISCUSSED the proposed approach to refinancing DGHP as part of the Wheatley Group.</p>		
22.10.19	10	<p>NOTED the composition of the Audit committee, the development committee and Novantie for 2019/20</p> <p>AGREED the appointment of Maureen Dowden as Chair of Audit Committee</p> <p>AGREED the appointment of John McCraw as Chair of Novantie</p> <p>AGREED to defer the appointment of the Chair of the development committee to the next Board meeting to allow nominations to be sought and an election process to take place</p>	<p>Company Secretary to invite nominations for Chair of development committee. Prospective candidates to submit statement. Election of Chair of development committee to take place at next board meeting on 27 November.</p>	<p>Complete – on November Agenda</p>
22.10.19	11	<p>NOTED the scrutiny panel report on complaints and compensation</p>	<p>Programme of work for scrutiny panel to be drawn up</p>	<p>ongoing</p>
22.10.19	12	<p>NOTED the progress of DGHP in preparing for the implementation of FOISA;</p> <p>APPROVED the Freedom of Information policy attached at Appendix 2</p> <p>NOTED that a further update will be brought back to Board after implementation to give an update on numbers of requests.</p>		
22.10.19	13	<p>NOTED the deficit for the year to date of £1,712k;</p> <p>NOTED the commentary on the financial performance and projections;</p> <p>NOTED the loans balance at the end of March 2019 was £165m, comprising £110m with Dexia, £40m with THFC</p>	<p>Bring monthly finance reports</p>	<p>Complete will bring monthly reports</p>

DGHP
BOARD DECISION TRACKER

		and £15m with Allia, and that net debt was £113.347m at 30 September; and NOTED the projected compliance with all lenders' covenants for 2019/20.		
22.10.19	14	NOTED the content of the Performance Information Pack		

	REPORT TO BOARD OF MANAGEMENT 27 NOVEMBER 2019	ITEM NO 5
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CONFIDENTIAL	NO
DECISION PUBLISHED AFTER THE MEETING	N/A

TITLE	CHIEF EXECUTIVE UPDATE		
DATE	20 NOVEMBER 2019		
AUTHOR	INTERIM CEO		
FOR	NOTING √	DISCUSSION √	DECISION

PURPOSE OF THE REPORT

The purpose of the report is to update the Board on key activities and events since the last Board meeting. The report includes cross references to other agenda items as appropriate

RECOMMENDATIONS

20.1. **NOTE** the Interim Chief Executive's update

IMPLICATIONS

FINANCIAL AND STAFFING	Where relevant, financial and staffing implications are picked up in related reports included elsewhere in the agenda.
LEGAL/REGULATORY	Assists Board understanding of key business issues in accordance with SHR Regulatory Framework. Specifically, Board members attention is drawn to the Engagement Plan from the Scottish Housing Regulator

RISK ASSESSMENT/ KEY RISKS	Highlights key risks as appropriate
CONSULTATION REQUIRED OR PLANNED	None
IMPLICATIONS FOR SERVICE USERS	Nothing specific as this is a general update.
PRIMARY STRATEGIC OBJECTIVE	All
EQUALITY & DIVERSITY	DGHP always seeks to comply with the terms of the Equality and Diversity Act 2010.

Background

- 1 The update is structured thematically to give the Board oversight of key issues since the last Update Report.

Governance, Regulation & Legal

- 2 Regular meetings, telephone discussions and email exchanges have taken place with SHR specifically regarding recent regulatory matters, Governance Review recommendations and the process to identify a potential constitutional group partner following the Review of DGHP's Strategic Purpose and Direction. The most recent meeting took place on Friday 8 November 2019 and discussion focused on our recent Annual Assurance Statement and the Development Programme Update submitted to SHR at the end of October.
- 3 There has been one further Notifiable Event submitted to SHR since the last Board meeting on 22 October 2019, relating to our requirement to inform SHR of the Extraordinary General Meeting called for 12 December 2019 to obtain members' approval to the changes in DGHP's Articles of Association to facilitate us joining a Group Structure.
- 4 The previous Notifiable Event relating to the formal grievance taken out against the Interim Chief Executive and the Interim Director of Investment and Regeneration by a senior manager in DGHP, has been closed off by SHR following rejection of the appeal heard by Board members on Tuesday 22nd October.

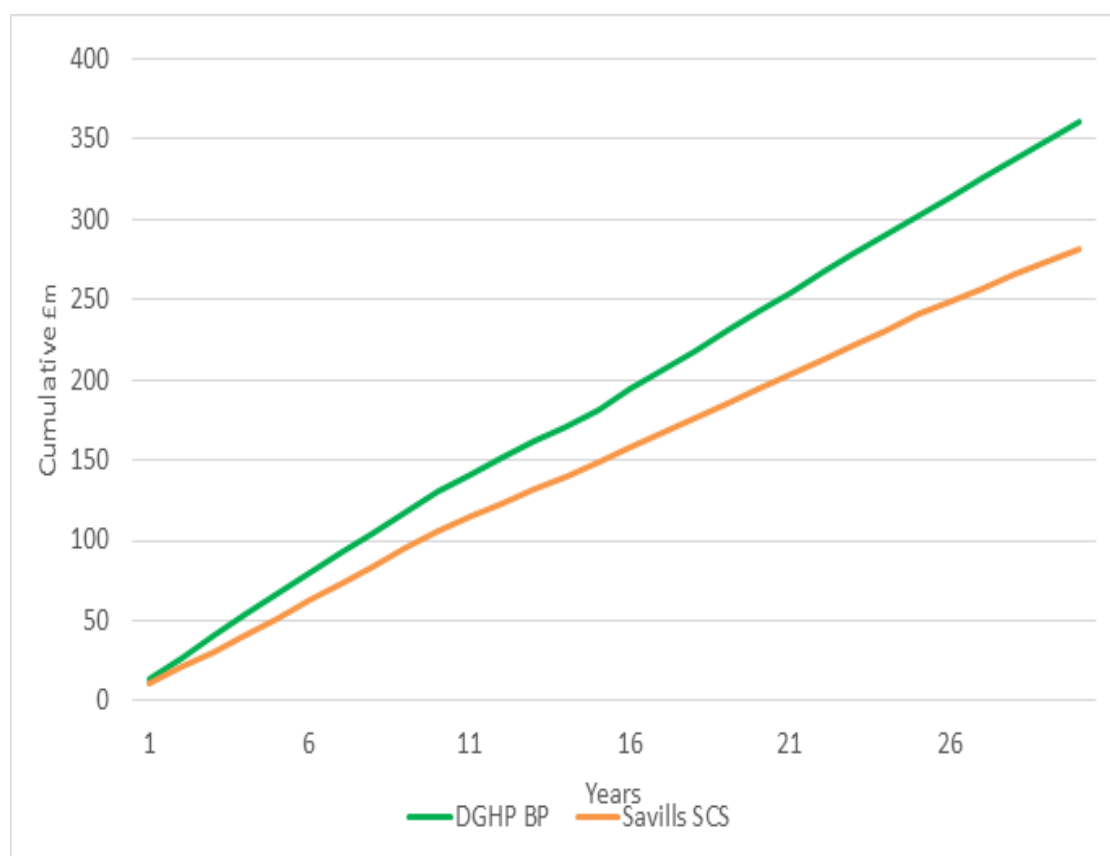
Freedom of Information

- 5 As Board members will be aware, Freedom of Information legislation (FOISA) became applicable to Registered Social Landlords in Scotland from 11 November 2019.
- 6 DGHP has now implemented the actions in our FOISA implementation plan in full. We have adopted the Model Publication Scheme (MPS) and published our Guide to Information on our website. We have formally notified the Scottish Information Commissioner of our adoption of the MPS.
- 7 DGHP is under an obligation to record and report requests under FOISA and Environmental Information Regulations (EIRs) to the Scottish Information Commissioner on a quarterly basis. The first figures are due to be reported before 7 February for the period 11 November 2019 to 31 December 2019.
- 8 Since the implementation date of 11 November, DGHP (at the time of writing this report) has had two formal requests, one of which was responded to under the FOISA legislation. This was a request relating to information which was available on our publication scheme and we responded in those terms. The other request sought details of a planning application, which is accessible from other public bodies and we responded in terms of EIR. Both requests were responded to well within the statutory time period of 20 working days.

Stock Condition Survey

- 9 On 22 October, the Board was updated on the completion of the Stock Condition Survey (SCS) with Savills reporting costs over the 30-year Business Plan period at £358m, excluding fees and VAT at 2019 prices. As advised to the Board, Savills had calculated this figure using primarily DGHP outturn cost figures based on DGHP as a stand-alone entity (i.e. without any potential benefit from procurement savings as part of the Wheatley Group).
- 10 The Board was further advised that the equivalent DGHP Business Plan allocation was £406m. This gave headroom of £48m in the Business Plan versus the projected SCS costs.
- 11 Further review of the DGHP Business Plan identified that an error had been made in respect of an erroneous inclusion of VAT from year 11 onwards. Once this error was corrected, the revised DGHP Business Plan resulted in a like for like allowance of £361m (down from £406m) and reducing the headroom against the SCS from £48m to £3m.

- 12 To maintain some headroom in the plan and help facilitate the re-financing of DGHP, the SCS allowances (previously totalling £358m) have now been adjusted to show outturn Wheatley Group costs – reflecting the procurement savings and other synergies that DGHP can deliver as part of the larger Wheatley Group.
- 13 Using the Group rates, Savills have revised their SCS total down to £282m. This reinstates headroom of £79m against the DGHP Business Plan of £361m and places DGHP in a firm position when approaching prospective lenders for new funding. This approach has also been included in the Partnership Business Case due for consideration under item 6 on the agenda.



Strategic Environment

- 14 The Interim CEO continues to meet with Jamie Little, Head of Housing Strategy at Dumfries and Galloway Council, on a monthly basis to maintain a strategic dialogue and communications as we pursue our future Strategic Vision agreed by the Board.

- 15 Senior development directors and staff from Wheatley Group have also assisted us with early engagement with the Council and Scottish Government to discuss future new build opportunities and to try to rebuild confidence that DGHP can be a strong strategic and delivery partner going forward. A very positive meeting was held in the Council offices with senior managers from DGC, Wheatley and DGHP on Friday 8th November to discuss the future Strategic Partnership relationship along with Regeneration Strategy, opportunities and priorities across Dumfries and Galloway.
- 16 The interim CEO continues to engage with elected members, including MSPs and Councillors to ensure communication is maintained through this important period for DGHP as we implement our Governance Review and Strategic Partnership arrangements, including the tenant ballot on our proposed Wheatley Partnership. So far, this engagement has been supportive and encouraging in terms of what DGHP wishes to achieve both in terms of strengthening our Governance and our new strategic direction linked to the Wheatley Group partnership proposal.

People incl. H&S

- 17 The process to identify and recruit a replacement for the Interim CEO has now concluded following final stage interviews with the Board sub-group (Chair, Vice-Chair and Chair of Audit) along with the DGHP Interim CEO and Wheatley Group CEO.



Recommendations

- 20 The Board is invited to:

20.1 **NOTE** the Interim Chief Executive's update.

Author:

Alex McGuire, Interim CEO

Responsible Director:

Interim CEO

Date:

20 November 2019

	REPORT TO BOARD OF MANAGEMENT 27 NOVEMBER 2019	ITEM NO 6
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CONFIDENTIAL	YES
DECISION PUBLISHED AFTER THE MEETING	YES

TITLE	PROPOSED WHEATLEY GROUP PARTNERSHIP UPDATE INCLUDING BUSINESS CASE APPROVAL		
DATE	20 NOVEMBER 2019		
AUTHOR	INTERIM CEO		
FOR	NOTING ✓	DISCUSSION ✓	DECISION ✓

PURPOSE OF THE REPORT

The purpose of the report is to update the Board on progress with creating a constitutional Group Partnership with Wheatley Housing Group, as approved by the Board at its meeting on 26 June 2019, including approval of the Partnership Business Case.

RECOMMENDATIONS

- 28.1. **NOTE** progress with the implementation of the partnership with Wheatley Housing Group, including conclusion of the financial due diligence carried out on Wheatley Group; and
- 28.2. **APPROVE** the Partnership Business Case that will form the basis of developing the DGHP Business Plan for 2020/21.

IMPLICATIONS	
FINANCIAL AND STAFFING	Financial and staffing implications will be picked up as part of implementing the detailed Group partnership arrangements and is reflected in the appended Partnership Business Case, which will then subsequently be contained within a revised DGHP Business Plan from April 2020 onwards
LEGAL/ REGULATORY	<p>SHR has made it clear that it expects DGHP to be in full compliance with the new Regulatory Standards as quickly as possible and certainly when it issues its first Regulatory Judgements in April 2020. Joining an existing well-resourced and high performing Group will assist in achieving this</p> <p>The constitutional Group arrangements have been overwhelmingly supported through a full ballot of DGHP tenants and will now go forward for approval by our membership at the EGM on 12 December 2019, and our funders</p>
RISK ASSESSMENT/ KEY RISKS	Indigo House report and presentation to the Board on 1 May 2019 covered the key risks. However, there is still a high risk of Statutory Intervention by SHR, resulting in default with our lenders, if DGHP does not take decisive action to address the issues identified in the Indigo House report, Governance Review and the SHR Engagement Plan of July 2019
CONSULTATION REQUIRED OR PLANNED	<p>In undertaking the Strategic Review, we carried out extensive consultation with the Board, staff, customers, funders and key external stakeholders such as SHR, Dumfries and Galloway Council and Scottish Government officials.</p> <p>Jointly led by the Interim CEO, Wheatley Group CEO and Wheatley Group Director of Housing and Care, a number of information sharing sessions have taken place with staff groups, senior managers, District Management Committees and the repairs contractors operatives to introduce the Wheatley Group and the partnership proposal. The response has been extremely positive from customers and staff.</p>

	<p>Comprehensive consultation and engagement, including formal 'part 1' and 'part 2' consultation in accordance with SHR Guidance, has been a key aspect with customers, tenants and residents' groups in advance of the full tenant ballot that concluded with overwhelming tenant support on 18 November</p> <p>Consultation with staff, elected members and all stakeholders has been maintained as we seek to implement the proposed Group partnership arrangement</p>
IMPLICATIONS FOR SERVICE USERS	Pursuing the Group Partnership will deliver substantial improvements in services, customer experience, development, investment and repairs as well as provide better opportunities for engagement for all service users
PRIMARY STRATEGIC OBJECTIVE	All
EQUALITY & DIVERSITY	DGHP always seeks to comply with the terms of the Equality and Diversity Act 2010

Background

- 1 After consideration of the Independent Review of DGHP's Strategic Purpose and Direction, the Board agreed on 1 May 2019, to pursue the recommended option to join or create a Group structure.
- 2 Subsequently, at its meeting on 26 June 2019, after consideration of the proposals received, the Board agreed to the selection of the Wheatley Group as the preferred partner.
- 3 At its meeting on 17 September 2019, the Board approved the outline Partnership Business Case.
- 4 The Board also agreed to set up a special sub-group of the Board, consisting of the Chair, Vice-Chair and Chair of Audit Committee, to oversee the implementation of the partnership proposal. The sub-committee has been informed of the key issues to date and formally met most recently on 13 November 2019 to review progress and consider the items generally covered in this report.

Partnership Business Case

- 5 The partnership board consisting of senior officers from both DGHP and Wheatley that was established to create, implement and monitor a project plan that will deliver the partnership and put in place the arrangements to make this a lasting success for both organisations has continued to meet and drive and monitor progress. The project board is led by Alex McGuire for DGHP and Elaine Melrose, Executive Director of Resources for Wheatley Group. The various work streams required to deliver the partnership, including Repairs and Tenant Consultation/Ballot, report directly into the project board. The overall project plan remains very much on track.
- 6 A draft business case, predicated on delivery of the proposals submitted by the Wheatley Group, was approved by the Board at its meeting on 17 September 2019. The outline of this business case, translated into meaningful information for our tenants, formed a key part of the formal consultation with tenants as reflected in the 'part 1' and 'part 2' notices in accordance with the SHR guidance on creating this type of group arrangement (see section below on tenant consultation).
- 7 The Partnership Business Case has been constructed to take into account the amended findings from the Stock Condition Survey, incorporate the feedback from tenants through the tenant's survey and feedback from the consultation and ballot exercise and reflects the design of services such as the new Repairs Service (to be considered in detail under agenda item 8). As will be explored in more detail under item 7 on the agenda, the Business Case has not been adjusted to reflect the most recent discussions and proposals from our funders (both current and future) but these additional gains can be reflected once they are achieved.

- 8 A major aspect of the Partnership Business Case is the assumptions and opportunities presented by re-financing of DGHP's current loans as part of joining the Group structure. The Business Case and subsequently the next DGHP Business Plan is predicated on the outcome of this re-financing arrangement. It is important that members fully understand the detail and commitments being made through the re-finance. The Board will be asked to sign-off on the principle of these arrangements as part of the Business Case approval and then will sign-off on the detailed borrowing arrangements as they conclude and are put in place.
- 9 To provide clarity and visibility as well as opportunity to discuss the re-financing arrangements, the Wheatley Group Executive Director of Finance (Stephen Henderson) and Group Treasury Director (Sam Bett) will facilitate a presentation and discussion at the Board meeting to update members on the current position of discussions with funders, map out the key issues and agree the approach to be adopted going forward. This will be covered under item 7 on the meeting agenda.
- 10 DGHP's Audit Committee also considered the progress made and proposed approach to concluding these re-financing issues at its meeting on 18 November 2019, noting that ultimately these are issues for full Board approval.

Intra-Group Agreement and Articles of Association

- 11 The arrangements governing our membership of the Group are contained in the Intra-Group Agreement and this in turn drives required changes to our Articles of Association to facilitate our Group membership. These were agreed by the Board at its meeting on 22 October 2019 and have now been issued to all of DGHP's members for consideration and approval at an Extraordinary General Meeting (EGM) to take place on 12 December 2019, at Easterbrook Hall, The Crichton, Dumfries. The changes to our Articles require to be approved by the DGHP membership at the EGM with support required from a minimum of 75% of those who vote (including those using a proxy vote).
- 12 The up to date position with our key funders will be part of the detailed presentation on the re-financing arrangements to be provided at the Board meeting. Meantime, Board members should note that we have obtained in principle consent to the changes to our Articles that allow us to join a Group structure from both THFC and Dexia. Wheatley has also received consent for DGHP to join the Group from some of its main funders and an update will be provided at the Board meeting. The Interim CEO, Director of Finance and the Wheatley Group Treasury Director will be going to London to update THFC and Dexia and discuss the next steps on Tuesday 3 December 2019.

Financial Due Diligence

- 13 David Tolson Partnership (DTP), who are DGHP's retained treasury management advisers, were commissioned to undertake financial due diligence on Wheatley Housing Group.
- 14 Overall, DTP identified 4 items as 'amber'; all others were classed as 'green'. The Amber issues were:

Review Area	DTP Conclusion	DGHP Comment
Banking and Funding	It is not clear whether consent will be required from any of these lenders for DGHP to join the group. This will no doubt be explored under legal due diligence, but it is worth seeking confirmation of the position	Consent is required from WHG funders and the WHG Treasury Team have obtained (or are close to) all consents
Banking and Funding	'Golden Rules' are tighter than the sector norm around maintenance of liquidity, headroom between debt facilities and financial projections and interest cover	This is managed in the WHG funding approach. Note that the lack of 'for sale' activity and stronger government support for the sector in Scotland compared to England reduces the risks significantly
Banking and Funding	Details of stock security arrangements and unencumbered stock was not provided	This has been discussed with WHG colleagues through the refinancing process and no issues identified
Development Programme	DTP were not able to directly reconcile the development programme projections to the business plan.	This is not unusual in programmes of similar size, and the addition of the DGHP programme to the group will inevitably require a recasting of the group programme

Tenant Consultation and Ballot

- 15 As Board members will be aware, DGHP tenants have overwhelmingly supported the partnership proposal as reflected in the result of the recent ballot independently conducted by Electoral Reform Services that showed 95.5% of our tenants in favour based on an impressive turnout of 75.3% of all of those entitled to vote.
- 16 A high level of tenant engagement and participation in voting was evident across the Dumfries and Galloway region as shown in the following table:

Area	Total	Voted	Voted %	Not Voted	Not Voted %
Dumfries Nithsdale	3357	2413	72%	944	28%
Wigtown	1873	1357	72%	516	28%
Lower Annandale	1754	1311	75%	443	25%
Stewartry	1485	1171	79%	314	21%
Upper Annandale	1467	1085	74%	382	26%
Upper Nithsdale	1048	894	85%	154	15%
Mid Galloway	814	654	80%	160	20%
TOTAL	11798	8885		2913	

- 17 TPAS performed the role of independent advisors to our tenants throughout the consultation and ballot process. They have prepared a detailed report on their role and interaction with tenants throughout the process which they will share with SHR.
- 18 The consultation and implementation plan provided to the Board at the meeting on 21 August remains relevant and on target as summarised below:

- 5 to 9 August 2019 – Open Door newsletter delivered directly to tenants' homes - **completed**
- 12 to 31 August 2019 pre-consultation door to door discussions with tenants by DGHP staff – **completed 24 August**
- 2 to 30 September 2019 – 'First notice' formal consultation period (28 days) with document issued to all tenants containing partnership proposal/outline business case – **completed**
- 11 October 2019 - 'second notice' formal consultation period begins - **completed**
- 14 to 19 October 2019 – DGHP staff follow up with door to door consultation to provide any further information, answer queries or concerns, make referrals to TPAS where required and gauge support for proposals - **completed**

- 14 October 2019 - tenant ballot papers issued - **completed**
- 18 October 2019 – formal ballot period commences (28 days) and will be overseen by the Electoral Reform Society, Scotland - **completed**
- 18 November 2019 - ballot period concludes, and result issued 19 November 2019 - **completed**
- 20 November 2019 - notice and papers issued to DGHP members for Extraordinary General Meeting to vote on rule changes that allow joining Group structure - **completed**
- 12 December 2019 – members vote on rule change at EGM.

Staff Engagement

- 19 In developing the Group Partnership, it is recognised that it will be important to engage with staff and obtain their buy-in and support if the Partnership is to be a success. Our DGHP staff and our contractor's trades operatives, have been key voices and influencers in persuading our tenants to support the partnership proposals.
- 20 A series of further staff engagement sessions are now underway to facilitate co-creation of an operating model that will enable delivery of the commitments and opportunities presented through the Partnership Proposals and Business Case for tenants, communities, stakeholders and staff. These sessions are being led by DGHP's Head of HR, Michael Shrimpton, and supported by colleagues and expert consultants in organisational change from Wheatley Group. The outcome of these engagements and the resulting operating model and structures will be presented to the Board for approval in due course.
- 21 DGHP recognises Trade Unions and on-going consultation with the respective representatives has also been positive and will be maintained.
- 22 As well as our current DGHP staff, engagement has been carried out with the staff and trades operatives currently working our repairs (Morgan Sindall) and heating (Saltire) contractors who could potentially transfer to DGHP. Again, feedback has been very positive from those involved.

Wider Stakeholder engagement

- 23 As would be expected, we have been keeping SHR fully up to date and informed on progress with the Group Partnership. As well as our regular update meetings, we have also provided the consultation/engagement plan for their perusal and have also shared with them the formal consultation notices and supporting documentation for the part 1 and part 2 consultation, the tenant ballot paper and the outline Partnership Business Case, in accordance with the published Guidance Note of February 2019. If, as recommended, the Board approves the attached Partnership Business Case, this will be provided to SHR for information (they no longer require approving these).
- 24 The Interim CEO and Directors continue to engage positively with elected MSPs and Councillors to keep them informed, particularly at key stages of the tenant consultation process to deliver the Partnership arrangement. Again, feedback has been generally positive, particularly around the level of information we have been providing to them.
- 25 Discussion and regular contact has also been maintained with Council officers and Scottish Government civil servants to keep them informed and advised of key decisions and progress. In particular, Wheatley senior Directors are now helping us by directly engaging with the Council and Government on the DGHP development programme, to help give them assurance and rebuild our credibility around resources and capacity to deliver a programme going forward.

New Repairs Service


- 26 A key requirement of our Partnership Prospectus, that we issued to identify potential Group partners, was the need to identify a solution for the delivery of Repairs and Maintenance services across DGHP going forward. An inherent part of the Wheatley Group proposal, agreed by the Board as part of the preferred partner option, was the creation of a DGHP in-house repairs and maintenance service that would utilise the Group infrastructure (e.g. ICT systems and supplier procurement contracts) to deliver a first class service that would concentrate on customer needs and priorities as well as deliver service improvements and better value for money. The update on progress with this along with the Repairs Business Case is the subject of the following separate agenda item.

Recommendations

27 The Board is invited to:

- 28.1. **NOTE** progress with the implementation of the partnership with Wheatley Housing Group, including conclusion of the financial due diligence carried out on Wheatley Group; and
- 28.2. **APPROVE** the Partnership Business Case that will form the basis of developing the DGHP Business Plan for 2020/21.

Author:	Alex McGuire, Interim CEO
Responsible Director:	Interim CEO
Date:	20 November 2019

	REPORT TO BOARD OF MANAGEMENT 27 NOVEMBER 2019	ITEM NO 8
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CONFIDENTIAL	YES
DECISION PUBLISHED AFTER THE MEETING	NO

TITLE	DGHP'S IN-HOUSE REPAIRS SERVICE FULL BUSINESS CASE		
DATE	20 NOVEMBER 2019		
AUTHOR	INTERIM CEO/INTERIM DIRECTOR OF REPAIRS		
FOR	NOTING	DISCUSSION ✓	DECISION ✓

PURPOSE OF THE REPORT

The purpose of the report is to advise the Board on the Full Business Case for the Proposed In-house Repairs Service and to consider and agree the service delivery arrangements to take the Repairs Service forward.

RECOMMENDATIONS

15.1	NOTE and DISCUSS the Full Business Case for the In-house Repairs Service as set out in the attached Indigo House Group report;
15.2	AGREE the proposed area-based service delivery structure and associated operating arrangements, including a dedicated voids team;
15.3	NOTE the integration and alignment with other DGHP and Wheatley functions inherent to the success of the modernised in-house repairs service;
15.4	APPROVE commencement of the recruitment of the Head of Repairs and the Health & Safety Manager as set out in the proposed service delivery structure;
15.5	APPROVE commencement of the formal TUPE negotiations with Morgan Sindall regarding the transfer of the local workforce on 1 st April 2020 to DGHP and to ensure continued performance/continuity of service during the transition period;
15.6	AGREE that staff and other key stakeholders (including tenants and other service users) will be fully engaged and informed as appropriate;
15.7	NOTE that a contractor's day has been arranged by the Wheatley Housing Group for December and that all Board Members are invited to attend (details will follow);
15.8	AGREE commencement of the detailed mobilisation required to prepare fully for the new in-house Repairs Service between now and 1 April 2020; and
15.9	NOTE the cost of implementation support is being met within the Wheatley partnership provision.

IMPLICATIONS

FINANCIAL AND STAFFING	Financial implications are set out within the Full Business Case. Based on the information provided, the in-house Repairs Service can be delivered within the existing business plan provisions and these are detailed in the report. A formal TUPE transfer arrangement will apply to staff working in the affected (repairs services) and who are currently employed by either Morgan Sindall or Saltire. Specific implications for DGHP's existing staff will also be progressed through engagement with impacted staff between now and 1 April 2020
LEGAL/ REGULATORY	DGHP remains subject to scrutiny by the Scottish Housing Regulator. A number of specific areas of operational activity particularly relating to HSEQ and the employment/training and accreditation of staff will also be subject to scrutiny in line with essential certification requirements.
RISK ASSESSMENT/ KEY RISKS	The key risks identified – and steps to manage them – are included as an Annex to the Full Business Case and this will form the programme Risk Register for the

	development and implementation of the In-House Repairs Service moving forward. It will be kept under review and updates to the board provided over the coming months.
CONSULTATION REQUIRED PLANNED OR	Comprehensive engagement will be required over coming months with DGHP staff impacted by the repairs service and those currently employed by DGHPs existing providers (at Operations and HR levels), local subcontractors; users of the repairs service (tenants, factored owners, etc) and other local stakeholders including DGC and local RSLs.
IMPLICATIONS FOR SERVICE USERS	Pursuing the recommended option supports substantial improvements for customers through a more responsive, integrated and mobile service. There will be specific improvements in repairs timescales (particularly on void property repairs) and enhancements to customer satisfaction are expected as a result of the new appointment based approach and improvements in Right First Time as a result of working in a more empowered, customer focussed and agile workforce supported by Wheatley's 'Think Yes' approach which values and promotes the professional judgement of its front line staff.
PRIMARY STRATEGIC OBJECTIVE	All but most essentially keeping our tenants safe.
EQUALITY & DIVERSITY	The new arrangements will comply with the terms of the Equality and Diversity Act 2010.

Background

- 1 The Board considered the Outline Business Case for the establishment of an in-house Repairs Service in September 2019. The approach was agreed in principle, with additional detail around the structure, operating arrangements and costs to be encapsulated in a Full Business Case to the November meeting. The attached report from the Indigo House Group sets out that detail and the proposed arrangements to support the establishment of the new in-house Service by 1 April 2020.

Full Business Case Proposals

- 2 The report by Indigo House, and presentation to be provided at the Board meeting, identifies the structure, operating arrangements and costs associated with the new in-house approach. It also highlights issues, priorities, opportunities, and risks (and mitigations) associated with the new arrangements to be addressed. It has been developed in close liaison with the Interim Director of Repairs and the Interim Director of Investment, discussion with DGHP staff and representatives from the Wheatley Housing Group.
- 3 The intention is to create a single in-house Repairs Team with responsibility for both responsive and cyclical maintenance including void property repairs, gas servicing and heating. It will operate within the existing business plan provision for repairs from its launch in April 2020, with scope for operating efficiencies and potential re-investment over the medium and longer term.
- 4 The new arrangements will be managed by a dedicated Head of Repairs reporting directly to the DGHP Managing Director. They will be a key member of the DGHP senior management team working closely and proactively with colleagues responsible for other key aspects of DGHPs services including investment, housing and business support.
- 5 The Head of Repairs role, and a further new Manager role with specific responsibility for Health, Safety, Environment and Quality (HSEQ) will help to ensure a rigorous focus on the management and performance of the new Repairs Team, as well as acknowledging the importance of safeguarding, health and safety, and environmental sustainability as key outcomes for the repairs service.
- 6 Day to day operational management of the services will be on an area basis, and the full business case assumes four areas aligned with the former District Council areas (and current DGHP area boundaries). Each area team will be an appropriately resourced operational team reflecting (informed by) the projected demand patterns, asset requirements, and geographical variations across the area and stock base.

- 7 While the majority of supervision and repairs activity will focus on the responsive and cyclical repairs needs in each area, two dedicated voids teams will be created with their own supervisory and operatives base but reporting directly to the Area Managers. There will also be a dedicated manager focussed on Programmed Works (mainly gas and heating) within the Service.
- 8 Managers and staff in each of the four areas will be responsible for day to day liaison with Housing Officer colleagues on the ground as part of the patch-based approach being developed across DGHP. There may be scope for more formal integration with Housing and other Property activities in the longer term, but this has not been assumed in the business case at this stage.
- 9 There will also be a strong focus on 'Business Management' for repairs scheduling (minimising the white space); the commercial contracting arrangements with sub-contractors and materials providers (with more emphasis on a fully stocked, 'man with a van' mobile fleet); and innovation, quality and performance management. Expected performance targets for the new repairs service have been aligned to the Wheatley service standards for repairs.
- 10 This activity – and the wider centrally-based teams - will be supported by a focused admin and support resource. Together, this 'business management team' will be particularly important in helping DGHP report on, and monitor delivery of, the agreed customer service and performance targets post 1st April 2020.
- 11 The Morgan Sindall scheduling team will transfer to DGHP as part of the process. This allows individuals to build further on the current adjacencies with the Customer Service Centre team at Galloway House. Out of hours repairs will be directed to the Wheatley Contact Centre, further enhancing DGHP customers' access to service.
- 12 The new service will adopt the Servitor IT system to supplement its current operating systems. Remote scheduling of works within agreed customer appointment windows will be a new feature, helping to maximise the productivity of the new team. Teams will work from established locations in the short term with greater use of home starts supported by improved van stock arrangements. Optimum longer-term locations will be explored moving forward.
- 13 The Repairs Team will pool staff from DGHP and staff transferring under the Transfer and Protection of Employment Rights (TUPE) of – an expected - 94 staff from Morgan Sindall on 1st April 2020 then – an expected - 26 staff from Saltire in June 2020. DGHP will revisit its approach to grounds maintenance and environmental management but is likely to continue its partnership working with Idverde in the interim.
- 14 The next steps have been set out in the attached Full Business Case.

Recommendations

15 The Board is invited to:

- 15.1 **NOTE and DISCUSS** the Full Business Case for DGHPs In-house Repairs Service as set out in the attached Indigo House Group report;
- 15.2 **AGREE** the proposed area-based service delivery structure and associated operating arrangements, including a dedicated voids team;
- 15.3 **NOTE** the integration and alignment with other DGHP and Wheatley functions inherent to the success of the modernised in-house repairs service;
- 15.4 **APPROVE** commencement of the recruitment of the Head of Repairs and the Health & Safety Manager as set out in the proposed service delivery structure with support from the Wheatley Housing Group;
- 15.5 **APPROVE** commencement of formal TUPE negotiations with Morgan Sindall regarding the transfer of the local workforce on 1st April 2020 to DGHP and to ensure continued performance/continuity of service during the transition period;
- 15.6 **AGREE** that staff and other key stakeholders (including tenants and other service users) will be fully engaged and informed as appropriate;
- 15.7 **NOTE** that a contractor's day has been arranged by the Wheatley Housing Group for December and that all Board Members are invited to attend (details will follow);
- 15.8 **AGREE** the detailed mobilisation required to prepare fully for the new in-house Repairs Service between now and 1 April 2020 now commences; and
- 15.9 **NOTE** the cost of implementation support is being met within the Wheatley partnership provision.

Author:

Andy Ashcroft, Interim Director
of Repairs

Responsible Director:

Alex McGuire, Interim CEO

Date:

20 November 2019

	REPORT TO BOARD OF MANAGEMENT 27 NOVEMBER 2019	ITEM NO 9
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CONFIDENTIAL	YES
DECISION PUBLISHED AFTER THE MEETING	YES

TITLE	ELECTION OF THE CHAIR OF THE DEVELOPMENT COMMITTEE		
DATE	19 NOVEMBER 2019		
AUTHOR	EILIDH MOWAT		
FOR (PLEASE TICK ACTION REQUIRED)	NOTING	DISCUSSION	DECISION ✓
PURPOSE OF THE REPORT			
To request that the Board elect a Chair of the development committee, from the following candidates:- <ul style="list-style-type: none"> ○ Mr John Henderson; and ○ Mr George Thorley 			
RECOMMENDATION			
7.1. ELECT a Chairperson of the development committee			

IMPLICATIONS	
FINANCIAL AND STAFFING	None
LEGAL/REGULATORY	The election of a Chairperson of the committee ensures that we comply with constitutional and regulatory requirements.
RISK ASSESSMENT/KEY RISKS	Procedures should ensure that an appropriate candidate is appointed as the Chair of the development committee and DGHP demonstrates high standards of governance.
CONSULTATION REQUIRED OR PLANNED	N/A
IMPLICATIONS FOR SERVICE USERS	No direct implications
PRIMARY STRATEGIC OBJECTIVE	SO5: To strive in all areas of management to be a cost effective and well-managed organisation, achieving high standards of governance and financial management
EQUALITY & DIVERSITY	DGHP always seeks to comply with the terms of the Equality and Diversity Act 2010
IF A DECISION IS NECESSARY IS AN OPTION APPRAISAL CONTAINED IN THE BODY OF THE REPORT	N/A

Introduction

1. At the meeting of the Board on 22 October 2019, the Board agreed to appoint the Chairperson of the newly formed development committee, subject to a procedure whereby candidates would indicate their intention to stand and submit a candidate statement, together with a nomination form. The standing orders allow the Board to appoint the Chair of a sub-committee in circumstances when it thinks appropriate to do so.

Background

2. The procedure adopted followed the procedures established in respect of the election of DGHP's Chair and Vice-Chair. The procedure is that, any prospective candidate(s) for the position of

ITEM 9
27 November 2019

Chairperson or Vice-Chairperson have to declare their intention to stand for election, and submit a supporting statement, to the Company Secretary at least ten days before the meeting called for such a purpose.

3. The statement also needs to be signed by a Board Member acting as the proposer and a Board Member acting as a seconder, for each Board Member who has put themselves forward.¹

The Candidates

4. Valid applications have been received from the following candidates:-

Candidate	Proposer	Seconder
John Henderson	Maureen Dowden	Bill Robertson
George Thorley	John McCraw	Heather Macnaughton

5. The supporting statement of each candidate is attached at Appendix 1 (removed from published pack as this contains personal data). A copy of the role description for the Chairperson of the development committee is attached at Appendix 2.
6. Voting will be by ballot at the meeting.

Recommendations

7. The Board is invited to:

7.1. ELECT a Chairperson of the development committee

Author: Eilidh Mowat
Company Secretary

Date: 19 November 2019

-
1. ¹ confirmation of the proposer and seconder can be provided by an e-mail or telephone call to the Company Secretary in the first instance, instead of the signed statement.

Committee Chair Role Profile

Introduction

The Development Committee's responsibilities are delegated to it by the DGHP Board and these are detailed within the Committee's terms of reference.

1. The Role of the Chair

The role of the Chair is to:

- Ensure the efficient and effective conduct of the business of the Committee and that the Committee works to deliver its responsibilities within its terms of reference.
- Ensure that all members of the Committee are given the opportunity to express their views before any important decision is taken.
- Establish a constructive working relationship with the Committee, the Executive and other relevant staff.
- Ensure that the Committee delegates sufficient authority to the Chair, the Chief Executive, the Executive Management Team and others to enable the business of the Committee to be carried on effectively between meetings and also to ensure that the Committee monitors the use of those delegated powers.
- Ensure that the Committee receives professional advice when it is needed, and is able to scope the professional services it requests.
- Take decisions delegated to the Chair with the advice, where appropriate, of the Chief Executive, the Executive Management Team, other Committee members or relevant members of staff.
- Ensure that the Committee conducts an annual appraisal of its own effectiveness, including reporting on its objectives, and that this is reported to the Board

Person Specification –Committee Chair
Experience
<ol style="list-style-type: none">1. Demonstrable track record of leadership at board or senior executive level2. Working in or with the social housing sector3. Management or commissioning of residential and commercial property development4. Chairing Boards/committees, dealing with governance issues including complex and challenging issues, ensuring high performance and good decision-making.5. Working effectively with a wide range of stakeholders

Abilities, skills and knowledge

1. Knowledge of the processes and risks involved in residential property development
2. Understands the operation of property markets
3. Understands the role and expectations associated with receipt of public funding
4. Experience of options appraisals and land acquisition / disposals
5. Experience of managing development programmes, in line with defined strategies
6. Has a positive and constructive approach to the role of the committee and delegate responsibility appropriately
7. Working with stakeholders and partners – an effective networker with the ability to operate effectively at all levels, and to develop positive relationships that generate confidence and respect.
8. Communications – ability to present arguments with knowledge & understanding of the wider strategic context; ability to speak in public, represent and promote the organisation and to communicate effectively.
9. Politically sensitive and astute with ability to grasp relevant issues and understand relationships between interested parties
10. Customers – an awareness of the needs and aspirations of current and potential residents and customers and of the communities where they live.
11. Able to Chair complex discussions and summarise appropriately
12. Able to lead debates in an open and inclusive manner

Personal attributes

1. Shares the vision, values and commitments of DGHP.
2. A strong leader who leads by example.
3. A strategic thinker who understands the bigger picture and keeps up to date with trends in the external environment.
4. An open, engaging and enthusing style
5. Personal and professional credibility that will command confidence at all levels across a wide range of stakeholder interests.
6. Able to work as a Committee member within a team acting and thinking corporately with a collaborative style that engages at all levels and promotes positive relationships throughout the organisation and its partners.
7. Committed to the values of accountability, openness, transparency and equality.
8. Has the time and energy needed to discharge the responsibilities of the post in an appropriate way.

	REPORT TO THE BOARD OF MANAGEMENT 27 NOVEMBER 2019	ITEM NO 10
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CONFIDENTIAL	YES
DECISION PUBLISHED AFTER THE MEETING	NO

TITLE	FINANCIAL REPORT, OCTOBER 2019		
DATE	19 NOVEMBER 2019		
AUTHOR	HUGH CARR		
FOR	NOTING	DISCUSSION ✓	DECISION ✓

PURPOSE OF THE REPORT

To report the financial position at October 2019.

RECOMMENDATIONS

- 28.1. **NOTE** the deficit for the year to date of £808k;
- 28.2. **NOTE** the commentary on the financial performance and projections;
- 28.3. **NOTE** the loans balance at the end of March 2019 was £165m, [REDACTED] £40m with THFC and £15m with Allia, and that net debt was £115.228m at 31 October; and
- 28.4. **NOTE** the projected compliance with all existing lenders' covenants for 2019/20.

IMPLICATIONS

FINANCIAL AND STAFFING	Informs Board of any financial issues and increased risks that need to be addressed
LEGAL/REGULATORY	SHR requires strong financial reporting to the Board

RISK ASSESSMENT/KEY RISKS	Income collection, void levels, cost control, loan covenant compliance
CONSULTATION REQUIRED OR PLANNED	None
IMPLICATIONS FOR SERVICE USERS	None
PRIMARY STRATEGIC OBJECTIVE	SO5: To strive in all areas of management to be a cost effective and well-managed organisation, achieving high standards of governance and financial management
EQUALITY & DIVERSITY	DGHP always seeks to comply with the terms of the Equality and Diversity Act 2010.
IF A DECISION IS NECESSARY IS AN OPTION APPRAISAL CONTAINED IN THE BODY OF THE REPORT	n/a

Background

- This report presents management accounting information to the end of October 2019, month 7 of 2019/20.
- The Financial Dashboard sets out key financial information for this Quarter. The following schedules are attached to this report:

Schedule 1	Financial Dashboard
Schedule 2	Statement of Income
Schedule 3	Cashflow and Treasury Management
- Key income and expenditure headings are also presented graphically;

Graph 1	Accounting Surplus/(Deficit)
Graph 2	EBITDA-MRI - Earnings before Interest, Tax, Depreciation and Amortisation, adjusted for Major Repairs
Graph 3	Gross Rent
Graph 4	Void Losses
Graph 5	Staff Costs
Graph 6	Repair Costs

Graph 7	Investment Programme
Graph 8	Interest Payable
Graph 9	Debt
Graph 10	Cash Balances

4. This report compares actual results to the budget for 2019/20 as approved by the Board in April 2019. As always, the accounts have been prepared on a prudent basis throughout. The accounts and forecasts do not include the proposed refinancing exercise.
5. Throughout the accounts, a favourable variance is shown as a positive figure, and an adverse one as a negative.
6. Schedule 2 presents an overview of the Statement of Income for the year to date, with a projection to the year end.
7. Schedule 3 summarises Cashflow and Treasury Management information, including covenant compliance.
8. The graphs present the budget for the year; the actual results to October; a forecast to March 2020; and, where relevant, a comparison to 2018/19.

Financial Dashboard

9. This schedule presents an overview of key data, with a 3-colour symbol coding of performance against the Business Plan or budget:

Code	Definition	Comments
✓	Within target or budget	Management should understand issue and risks
!	Narrowly within target or budget	Corrective action should be in place, or recovery in trend explained
✗	Overspend or underperformance	Corrective action must be in place

10. Attached to the schedule is a table showing how each indicator is measured against this scale.

11. Noteworthy green indicators, showing strong performance, at October 2019 are:
- Void losses on lettable stock
 - Number of relets but not days to relet – as discussed with Board in September
 - Management costs remain close to budget, despite the extra costs relating to partnership (and allowing for recovery of agreed costs from Wheatley Group)
 - Interest costs, which are under budget
 - Cash balances are above budget
 - Loan movements, with no Dexia drawdown required in 2019/20 or projected in 2020/21. This will obviously be superseded by the proposed refinancing exercise.
 - Investment spend in YTD is shown as red, as it is below 50% of the Business Plan, but is already ahead of the 2018/19 full year spend and is projected by the team to be over £20m with a green indicator for the full year – the first time this indicator has ever been green.
 - NSSE sales, as these are now all complete.
 - Covenant compliance
12. Red Indicators at October 2019 are:
- Void losses in the unlettable stock, caused by the faster than expected emptying of the hard to let blocks
 - Rent arrears, caused by a higher than predicted level of technical arrears and the impact of Universal Credit
 - New Build spend and completions, as no new schemes have yet gone on site in 2018/19
13. All other indicators are yellow or green.
14. We are reporting compliance at October 2019 and projecting compliance at March 2020 with the Dexia covenants set from the 2019 Business Plan, which Dexia have approved, and with the THFC covenants and Allia requirement re the value of unsecured stock. Although the Dexia covenants will drop through the refinancing, the THFC and Allia ones will remain and must continue to be complied with.

Income and Expenditure Account – Schedule 2

15. The Income and Expenditure Account shows a full year projected deficit of £7,994k, compared to a budget deficit of £3,607k. EBITDA-MRI is projected at a deficit of £5,000k compared to budget deficit of £6,088k.
16. The principal cause of the difference in deficit is the rate of capitalisation of investment works; under our current accounting policy, we do not capitalise external wall insulation and rendering work, which is a major spend area in 2019/20, so the Business Plan assumed a higher than actual rate of capitalisation. This has no detrimental effect, as the spend is in line with budget and none of the covenants are based on the accounting surplus or deficit. The graph of EBITDA-MRI therefore shows a position that is much closer to budget. The harmonisation of accounting policies with the Wheatley Group will address this point.
17. Other variances to note are:
 - Staff costs are projected to be over budget, as resources are applied to the partnership project, including the tenant engagement work and the creation of the inhouse repairs service; some of this may be recovered from the Wheatley Group
 - Overheads are ahead of budget, partly because of cost associated with the group partnership project
 - Responsive repairs are marginally over budget, but projected to be in line with budget by the year end
 - Investment spend (before capitalisation, and including the SCS) is £1,907k behind budget, but forecast to be close to budget by the year end
 - Bad debt costs are below budget, in part because the Business Plan provision was set prudently to manage the risks associated with Universal Credit

Cashflow and Treasury – Schedule 3

18. Schedule 3 summarises the cashflow in the Quarter. At 31 October 2019, debt was £165m plus the amortising THFC loan premium of £1.23m, [REDACTED] THFC £40m and Allia £15m.

19. Cash balances are £49.8m, held at RBS (£10m), Santander (£7.5m), Barclays (£7.5m), Nationwide (£7.5m), Svenska Handelsbanken (£7.5m) and Bank of Scotland (£7.5m), plus the THFC interest deposit of £2.08m. We have given notice to recall 3 deposits totalling £17.5m with Handelsbanken, Nationwide and Santander which were on 35, 95 and 120 days' notice respectively (rather than a fixed maturity date) to ensure adequate working capital is available in early 2020; this is a precautionary move, agreed with colleagues at Wheatley, to provide accessible cash through the refinancing process.
20. Within the cashflow, the same trends as reported above are apparent.
21. We are reporting compliance with the THFC covenants and with the Dexia covenants set from the 2019 Business Plan, and with the Allia unencumbered stock requirement at October 2019, and projecting compliance at March 2020.

Staff Costs

22. Staff costs are £267k above budget for the YTD and projected to be £340k over budget for the year, largely because of temporary posts.

Overheads

23. Overall, overheads are projected to be £157k above budget for the year. The principal overspends are within the Digital Strategy, where costs have slipped from 2018/19 to the current year, and some costs will in time be capitalised as part of the year end accounts completion.
24. There were no fixed asset additions in the month, other than Digital Strategy related items.

Repairs and maintenance

25. The total expenditure on repairs and maintenance is £35k below budget for the year at present. We can anticipate a spike in costs on November as work reported by customers during the door knocking is completed. The full year projection is for the budget to be fully spent.

Investment Programme

26. Expenditure on the investment programme (including the SCS costs) currently stands at an encouraging £8,415k for the year to date, before accounting capitalisation. The projection for the year is for spend (including the stock Condition Survey) to be £20.468m, which is very close to the plan figure of £20,856k.
27. As noted above, the split of spend between capitalised and non-capitalised items is out of step with the Business Plan, but this has no impact on the Business Plan or funding position.

Recommendations

28. The Board is invited to:

- 28.1. **NOTE** the deficit for the year to date of £808k;
- 28.2. **NOTE** the commentary on the financial performance and projections;
- 28.3. **NOTE** the loans balance at the end of March 2019 was £165m, [REDACTED] £40m with THFC and £15m with Allia, and that net debt was £115.228m at 31 October; and
- 28.4. **NOTE** the projected compliance with all lenders' covenants for 2019/20.

Authors Director of Finance
 Head of Finance

Date 19 November 2019

	REPORT TO BOARD OF MANAGEMENT 27 NOVEMBER 2019	ITEM NO 11
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CONFIDENTIAL		NO	
DECISION PUBLISHED AFTER THE MEETING		YES	
TITLE	PERFORMANCE REPORT TO 3RD NOVEMBER 2019		
DATE	18 NOVEMBER 2019		
AUTHOR	DAVID FORD		
FOR (DELETE AS REQUIRED)	NOTING ✓	DISCUSSION ✓	DECISION
PURPOSE OF THE REPORT			
To provide members with an overview of the year to date performance during 2019/20			
RECOMMENDATIONS			
16.1. NOTE the content of the Performance Information Pack			
IMPLICATIONS			
FINANCIAL AND STAFFING	Poor performance may result in an increasing arrears balance; fines from non-compliance with Health and Safety matters and ultimately potential breaches of loan covenants.		
LEGAL/REGULATORY	In order to demonstrate compliance with the regulatory standards the Board require to have sight of DGHP's performance data on a frequent basis in order to scrutinise its quality.		
RISK ASSESSMENT/KEY RISKS	Without full scrutiny of the performance data the board will not be able to take appropriate decisions in relation to the strategic direction of the company.		

CONSULTATION REQUIRED OR PLANNED	No
IMPLICATIONS FOR SERVICE USERS	The monitoring of performance is key to the provision of high quality services to our tenants.
PRIMARY STRATEGIC OBJECTIVE <i><u>DELETE AS APPLICABLE</u></i>	SO5:- To strive in all areas of management to be a cost effective and well-managed organisation, achieving high standards of governance and financial management
EQUALITY & DIVERSITY	DGHP always seeks to comply with the terms of the Equality Act 2010.
IF A DECISION IS NECESSARY IS AN OPTION APPRAISAL CONTAINED IN THE BODY OF THE REPORT	No

Background

1. The Performance Information Pack is attached at Appendix 1.
2. This Pack contains 72 measures. This provides Members with an overview of areas of the service where measures indicate performance is not yet meeting target. A more detailed performance report with more measures will be presented to Audit Committee and Board quarterly and continue to be examined in detail monthly by Senior Leadership Team.
3. There are 7 Sections in the Appendix which cover measurements in key areas of service delivery as follows:
 1. Charter Measures
 2. Compliance Measures
 3. Customer Measures
 4. Financial Measures
 5. Property Measures
 6. People Measures
 7. Audit Recommendations Tracking
4. The report shows actual performance up to 3rd November 2019.
5. Quartile performance benchmark information is also provided in Appendix 1.

6. This quartile position is for the Charter Measures and have been compared to a benchmarking group of 52 landlords with 2,500 or more stock.
7. Our current performance is measured against the most recent information available from this group of RSLs and it is indicated which measures would be in Top (Green), Middle (Amber) or Bottom (Red) Quartiles.
8. Currently, our performance is in the Top Quartile for 12 out of 32 measures (37.5%) and in 2nd Quartile for a further 8 measures. There are 5 measures in the 3rd Quartile and 7 in the Bottom Quartile.
9. Actual Performance results are measured against current DGHP targets using the “traffic light” system below:



On Target
Within 3% of Target
More than 3% below Target

10. The structure of the report details the description of the Measure, reporting period shown against each measure on the appendix as YTD (Financial Year to Date) or 12 Months (Rolling 12 Months to Actual Performance Date), Actual results to date, the DGHP Target where applicable, Benchmark where available and Comments.
11. The Benchmark figure is the Scottish Average (mean) for the previous financial year calculated from all Annual Returns on the Charter to the Scottish Housing Regulator. The Benchmark figures have now been updated following publication of 2018/19 ARC results by SHR. Currently 17 out of the 33 Charter Measures is better than the Scottish Average.
12. The Audit Recommendation Tracking section provides Members with a list of current outstanding recommendations from previous Internal Audit visits with Status updates where applicable.

13. The table below summarises the Red, Amber and Green (RAG) position currently and with the focus on selected measures below target, this table will show most in Red and Amber status:

Report Section	Red Indicators	Amber Indicators	Green Indicators
1 ARC KPIs	14	10	9
2 Compliance	9	1	3
3 Customer	1	2	1
4 Financial	3	8	0
5 Property	0	0	5
6 People	2	1	1
Total for all Sections	29	22	19

14. Senior Managers have been assigned KPIs (Key Performance Indicators) for areas of the services for which they have responsibility and this is linked to the applicable Executive Manager.
15. Commentary is provided where applicable to provide Members with further information on individual Measures.

Discussion

16. Members are invited to note the status of the measures subject to the Traffic Light System above and the explanatory comments provided by responsible senior managers. These results up to 3rd November have been discussed in detail with senior managers to ensure that, where performance is below target, that action can be taken and improvement before year end can be demonstrated.
- Further information on selected key highlights and areas of concern is provided below:
 - Members will note that 41.4% of all measures are more than 3% below target (Red). However, the Monthly Trend analysis shows that almost half (47.1%) of measures are better than last month and the majority of these are in the Compliance and Financial (Investment Programme) sections.

- Our Investment programme this year was an ambitious one with replacement of 2,737 components planned. This included 1,000 homes with new windows and 800 homes with new heating systems.
- At 31st October the attached report shows 1367 new components fitted which includes 457 heating systems and 588 homes with new windows. We are forecasting completion of 2,494 components, a reduction of 243 the majority of which are door entry systems and Adaptations where we are experiencing a reduction in requests to previous years. To date we have experienced 141 refusals or no access to complete work offered and work to date has been carried out at 92% satisfaction levels.
- We have now paid out or accrued £10.14m against a budget YTD of £11.89m. We are still forecasting expenditure of £20.4m, a slight underspend on our budget of £20.85m, the reduction in the main caused by a slight slippage in components and obtaining better than BP rates on windows and Heating. Current contractors are unable to increase their workforce so discussions are underway with City Build to see if they can take up the slippage. In contrast in 2018/19 we completed 1,448 components, had 558 refusal or no access and spent £8.5m. We were unable to report on satisfaction levels last year.
- Delivering continued and sustained improvement remains a priority to achieve targets by year end. However, as Members are aware, an immediate priority is the tenant ballot process and frontline staff resources are required to support this. Services to customers should not be impacted and we will continue to carefully monitor performance whilst balancing the resource requirement to support the ballot and Group partnership to maintain performance results in the short term.

Recommendations

17. The Board is invited to:

17.1. NOTE the content of the Performance Information Pack

Author:	David Ford Performance and Insights Manager
Responsible Director:	Alex McGuire Interim Chief Executive
Date:	18/11/19

DGHP Board Performance Information Pack 2019/20

Performance at 3rd November 2019



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Traffic Light Key: Target

<div></div>	On Target – 27.2%
<div></div>	Within 3% of Target – 31.4%
<div></div>	More than 3% below Target – 41.4%

Financial Year to Date

Rolling 12 Months

Monthly Trend

Better than Previous Month – 47.1%
Same as Previous Month – 29.4%
Worse than Previous Month – 23.5%

Quartile

Top (Quartile 1) – 37.5%
Middle (Quartile 2 or 3) – 40.6%
Worse (Quartile 4) – 21.9%

DGHP EMT/Board Performance Pack

1. Charter Measures

KPI	YTD/12 Months	Actual 2019/20	Monthly Trend	Target	Previous Year 2018/19	Benchmark (ARC 2018/19)	Quartile	Leadership Responsibility	Comments
Percentage of tenants satisfied with the overall service provided by their landlord	YTD	94.8%		95%	95.2% (2017)	90.1%	1 st	Lesley Skilling, CSC Manager	3-year survey completed by Research Resource in July/August 2019.
Percentage of tenants who feel their landlord is good at keeping them informed about their services and decisions	YTD	94.6%		95%	95.6% (2017)	91.7%	1 st	Lee Herron, Communications and Communities Manager	3-year survey completed by RR in July/August 2019 We are nearing the end of the communication around the ballot and we will begin to look at a further piece of work to find out what works for our tenants and taking steps to improve, based on that feedback
Percentage of tenants satisfied with the opportunities given to them to participate in their landlord's decision-making processes	YTD	94.7%		95%	94.5% (2017)	85.9%	1 st		3-year survey completed by RR in July/August 2019 Ongoing work around the recent governance review, with further updates on improving and strengthening our tenant engagement structures and the voice of our tenants will hopefully lead to an improvement in this figure
Percentage of 1 st stage complaints, including those related to equalities issues, responded to in full	YTD	97.5%		100%	98.7%	98.4%	4 th	Lesley Skilling, CSC Manager	360 Stage 1 Complaints received 01/04/19 to 3/11/19. Of those, 9 are awaiting a response at the end of the reporting period but are within timescales.
Percentage of 1 st stage complaints, including those related to equalities issues, upheld	YTD	51.3%		50%	53.1%	55.3 %	2 nd		180 Stage 1 Complaints upheld. Increase in the number upheld so not achieving target this month. The outcomes are passed to Managers to review and learn from.
Percentage of 1 st stage complaints responded to in full, within the Scottish Public Services Ombudsman (SPSO) Model Complaint Handling Procedure (CHP) timescales	YTD	98.9%		100%	77.3%	86.7%	1 st		Continued improvement in YTD performance. All complaints in reporting period responded to within SPSO timescales. Average days to respond is 3.1
Percentage of 2 nd stage complaints, including those related to equalities issues, responded to in full	YTD	93.3%		100%	96.7%	94.2%	3 rd	Christopher Watt, Head of Corporate Business	Of the 45 complaints received in this period, 3 were still to receive a response. It is important to note that these are still within the 20 day SPSO timescale and it is purely by virtue of when they are received that they have not as yet been responded to in full.

KPI	YTD/12 Months	Actual 2019/20	Monthly Trend	Target	Previous Year 2018/19	Benchmark (ARC 2018/19)	Quartile	Leadership Responsibility	Comments
Percentage of 2 nd stage complaints, including those related to equalities issues, upheld	YTD	52.4%		53%	52.3%	51.3%	3 rd		22 out of 45 stage 2 complaints have been upheld this month. The themes from these complaints are being monitored by the Senior Leadership Team in an attempt to ensure that DGHP is learning fully from the complaints. In addition managers are receiving details of the individual complaints to look at together with a recommendation as to whether the complaint could have been prevented.
Percentage of 2 nd stage complaints responded to in full, within the Scottish Public Services Ombudsman (SPSO) Model Complaint Handling Procedure (CHP) timescales	YTD	100%		100%	71.6%	83.8%	1 st		All Stage 2 Complaints responded to within SPSO timescales. Average time to respond is 13.8 days
Complaints made to Scottish Public Services Ombudsman upheld	YTD	0		0	0	n/a	n/a		This figure is extremely important as it highlights to the organisation that it is investigating and responding to stage 2 complaints appropriately.
Percentage of existing tenants satisfied with the quality of their home	YTD	92.7%		95%	94.2% (2017)	88.1%	1 st	Jane Urquhart	These were measured July and August 2019 as part of our three-year satisfaction survey. We are reviewing the figures with our contractors.
Percentage of tenants satisfied with the standard of their home when moving in (within 12 months)	YTD	77.4%		90%	86.1%	90.8%	4 th	Martin Brown, Tenancy Services Manager	Very slight improvement this month. Neighbourhood Managers in particular, identifying additional measures, including enhanced decoration, to ensure tenant satisfied with the condition of the property. However, 50% of negative comments from tenants relate to “poor overall repair condition of the property” This highlights the need for additional internal investment in many of our properties.
Average length of time to complete emergency repairs	YTD	2.2 hours		2.5 hours	2.33 hours	3.65 hours	1 st		Consistently good performance with this KPI.
Average length of time to complete non-emergency repairs	YTD	8.0 working days		6.5 working days	7.83 working days	6.56 working days	4 th	Gary McGeoch, Operations Manager	Contractor has received in excess of 500no additional jobs on the back of the 2 door knocking exercises .Some works being issued to other contractors to assist catch up.
Percentage of repairs completed right first time	YTD	87.2%		92%	93.01%	92.5%	4 th		Performance slipped further, continued talks with contractors in order to see and reach an improvement within this KPI.

KPI	YTD/12 Months	Actual 2019/20	Monthly Trend	Target	Previous Year 2018/19	Benchmark (ARC 2018/19)	Quartile	Leadership Responsibility	Comments
Percentage of repairs appointments kept	YTD	96.6%		97%	96.5%	95.6%	2 nd		Good but not great performance ,slight dip of 0.2% since last month ,continued talks with contractors to achieve improvements.
Percentage of tenants who have had repairs or maintenance carried out in the last 12 months satisfied with the repairs and maintenance service	YTD	91.3%		95%	91.7%	91.7%	2 nd		Performance dipped from last month mainly as a result of delays in re-programming follow on works. Greater effort is being invested in communicating the new dates with tenants and to ensure satisfaction before the they leave the property.
Percentage of properties at or above appropriate SAP or NHER in SHQS	YTD	93%		100%	94.9%	97.9%	2 nd	Jim Preston, Interim Director of Investment and Regeneration	Figure clarified in September 2019 SCS. List of properties being reviewed alongside full SCS and EESSH performance to identify work required
Percentage of tenants satisfied with the management of the neighbourhood they live in	YTD	92.4%		92%	91.9% (2017)	87.8%	1 st		These were measured August 2019.
Percentage of ASB cases resolved within locally agreed targets	12 months	88.2%		100%	89.4%	87.9%	2 nd		429 ASB cases opened in 12 months rolling to 03/11/19. Measured in accordance with SHR definition which does not allow for the carry forward of open cases at the start of the reporting period.
Percentage of lettable houses that became vacant in the year	12 months	9.77%		9%	9.12%	8.6%	3 rd		1,000 Terminations in 12 months rolling to 03/11/19. Continuing to focus on trying to reduce abandonments to improve performance
Total rent arrears as percentage of gross rent (including FTA written-off)	YTD	3.95%		3.6%	3.44%	5.67%	1 st	Martin Brown, Tenancy Services Manager	At 3/11/19: Total Arrears = £1,698,923 Current Tenants Arrears = £1,362,403 -Increase is predominantly due to DWP payment pattern. Last payment received on 8 October. Total arrears would be 3.3% taking account of the value of the delayed DWP payment. It is still strongly anticipated that arrears will be within the 3.6% target by year end-
Percentage of rent due lost through properties being empty	YTD	0.75%		0.75%	0.76%	0.88%	2 nd		At 03/11/19 Net VRL = £192,430.38 No change in performance this month. Improved processes in place internally. Continuing to meet with contractor to try and improve performance.

KPI	YTD/12 Months	Actual 2019/20	Monthly Trend	Target	Previous Year 2018/19	Benchmark (ARC 2018/19)	Quartile	Leadership Responsibility	Comments
Average time to re-let empty properties	YTD	28.5 days		20 days	29.95 days	31.9 days	2 nd		592 properties re-let 01/04/19 to 03/11/19. There were 16 long term voids (low demand) let this month. This has substantial impact on overall monthly performance figure. This year 8% (50) properties have had low demand issues totalling 2,021 days. If this time was excluded, the average days to re-let would be 25.1.
Percentage of tenants who feel that the rent for their property represents good value for money	YTD	90.3%		84%	86.8%	83.2%	1 st		These were measured July and August 2019

Percentage of Stock meeting the Scottish Housing Quality Standard (SHQS)	YTD	76.55%		100%	66.2%	94.1%	4 th	Jim Preston, Interim Director of Investment and Regeneration	Figure clarified in SCS completed in September 2019. Data now being analysed to prioritise work for remainder of this year and 2020/21 to bring 2425 failures up to Standard and identity Abeyances and Exemptions
Percentage of Stock meeting the Energy Efficiency Standard for Social Housing (EESH)	YTD	80.62%		85%	74.2%	n/a	3 rd		Figures clarified in SCS survey completed in September 2019. Work underway to prioritise work required to bring 2005 failures up to standard
Average time to complete Adaptations (calendar days)	YTD	23.2		31	32.96	49.4	1 st	Jane Urquhart, Senior Investment Manager	74 Major Adaptations completed in average 81.1 days 454 Minor Adaptations (<£500) completed in average 13.9 days
Percentage of factored owners satisfied with the factoring service they receive	YTD	69%		75%	55% (2013)	67%	1 st	Dorothy Grassom, Factoring Manager	This was measured March 2017 in accordance with SHR guidance; next scheduled survey will be October 2019.
Rent Collected as a percentage of Rent Due	YTD	98.33%		100%	99.64%	99.1%	4 th	Martin Brown, Tenancy Services Manager	This figure can fluctuate, dependent on the DWP, HB payment cycles. To date £24,298,275 collected out of £24,433,404 due. Anticipated to be on target by end of the year.
Percentage of tenancy offers refused	YTD	26.3%		20%	26.8%	36.3%	2 nd		We are continuing to achieve a refusal rate which is substantially better than the Scottish Average. 37.1% of Refusals were due to a Change of Circumstances, 17.4% did not respond to the offer, 18.8% refused because house offered was unsuitable due to type, size or location and 1.8% refused due to condition of property.
Percentage of court actions initiated which resulted in eviction	YTD	20.7%		16%	18.6%	19.9%	3 rd	Christopher Watt, Head of Corporate Business	17 evictions (16 Evictions for Rent Arrears and 1 Eviction for ASB).

Percentage of new tenancies sustained for more than a year by source of let	YTD	85.6%		>88%	86.8%	88.8%	4 th	Martin Brown, Tenancy Services Manager	<p>86 out of 598 re-lets and mutual exchanges did not last more than 12 months. In accordance with SHR guidance, terminations for all reasons are included in this measure. 26.7% of tenancies not sustained were Abandoned, 7% moved to a private let, and 4.7% were evicted for rent arrears. Also, around 25% of the tenancies ending within 12 months were due to reasons such as Transfer, Moving Away for Employment, Deceased etc.</p> <p>Focus on improving performance is on tenants who are vulnerable with limited skills in managing a tenancy.</p>
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2. Compliance

KPI	YTD/12 Months	Actual 2019/20		Monthly Trend	Target	Previous Year 2018/19	Benchmark	Leadership Responsibility	Comments
Fire Risk Assessments - Reviews	12 months	Blocks Required	30		100%	n/a	n/a	Lorna McCubbin. Compliance Manager	FRA Programme now complete, an action plan is being developed as there are areas of concern within Office accommodation.
		Blocks Assessed	30						
		Percentage Completed	100%						
FRA Remedial Work (priority 1 – Recommendations that should be implemented immediately or as soon as reasonably practicable)	12 months				100%	n/a	n/a		One Action on the FRAs includes several door replacements. The action cannot be closed until all doors are replaced;
		Required	710						All identified DGHP flat entrance doors have been replaced but awaiting 24 sign offs to be submitted by 11 November
		Complete	466						The following was programmed to complete by 20 December 2019
		Percentage Complete	65%						157 Electrical cabinets and doors 81 Store Doors 193 Store doors in Factored Blocks – surveying works continue as work progresses to ascertain which store door is assigned to a tenancy
								35 Owners have indicated that they would like DGHP to arrange their replacement front door. A mandate is being drafted by our In House Solicitor to ensure the owner understanding their responsibility for payment. Once the mandates are received surveying work will commence.	
FRA Remedial Work (priority 2 – Recommendations that should be implemented in the short term and of a non-urgent nature)	12 months				100%	n/a	n/a		All emergency lighting has been installed, waiting on certification for 10 installations to be received by 22 November
		Required	64						
		Complete	52						
		Percentage Complete	81%						
FRA Remedial Work (priority 3 - Recommendations for longer term considerations)	12 months				100%	n/a	n/a		All emergency lighting has been installed, remaining remedial works are for non-urgent replacement of communal store doors, works scheduled to be completed by 20 December 2019
		Required	26						
		Complete	21						
		Percentage Complete	80.7%						
DOMESTIC – Smoke Detection Upgrade to LD2 systems					TBC	0	n/a		Year one of a two-year programme - Programme commenced in April 2019 and is to conclude in January 2021. –
		Required	4,053						
		Complete	2559						
		Percentage Complete	63%						

KPI	YTD/12 Months	Actual 2019/20		Monthly Trend	Target	Previous Year 2018/19	Benchmark		Comments
Legionella Risk Assessments (General Needs)	12 months	Required	1,087		100%	n/a	n/a		2017-2019 Risk Assessment programme is now complete, an LRA is held for all identified properties
		Complete	1087						
		Percentage Complete	100%						
Asbestos Management Survey (Domestic)	12 months	Required	9,609		100%	n/a	n/a		Full Management surveys are carried out for voids that are categorised Band C and above – void for 16+ working days. Best practice is we have management surveys for 10% of every archetype. The SCS completed in September 2019. Data now being analysed and will give us all our archetypes and will quantify what percentage surveys we hold to ensure we meet best practice. Target is not correct at 100%
		Complete	4020						
		Percentage Complete	41.8%						
Lifts – Domestic Stair Lifts curved and straight	12 months	Required	269		100%	n/a	n/a		Inspection programme ongoing, meeting to be scheduled with BES to discuss programme, inspection dates and no access (resource issues)
		Complete	185						
		Percentage Complete	68%						
Electrical - Communal Periodic Electric Inspection Condition Report (present)	12 months	Required	461		100%	n/a	n/a		It has been identified that a partial rewire is required for the communal lighting in these blocks, works scheduled to be complete 22 November 2019
		Complete	457						
		Percentage Complete	99%						
Electrical – Communal Electrical Installations C2 Remedial Works	12 months	Required	454		100%	n/a	n/a		Works being carried out by City Building Glasgow and Mears, all internal works scheduled to be completed by 11 November 2019. Complex external works scheduled to be completed by 22 November 2019
		Complete	413						
		Percentage Complete	90.9%						
Electrical - DOMESTIC - Periodic Electric Inspection Condition Report	12 months	Required	4,053						Year one of a two-year programme - Programme commenced in April 2019 and is to conclude in January 2021.
		Complete	2856						
		Percentage Complete	70%						
Electrical - Portable Appliance Testing Buildings with equipment	12 months	Required	19		100%	n/a	n/a		Office accommodation - contractor could not provide the resources to meet our PAT test schedule during October – a new contractor was appointed and testing will be completed by 13 th November 2019
		Complete	12						
		Percentage Complete	63%						

KPI	YTD/12 Months	Actual 2019/20		Monthly Trend	Target	Previous Year 2018/19	Benchmark	Leadership Responsibility	Comments
Gas Safety Report	12 months	Required	8283		100%	100%	99.93%	David McLachlan, Contracts Manager	Continued excellent performance again this month and it is expected to maintain this throughout this reporting year. Air Source Heat Pump servicing complete end of October
		Complete	8283						
		Percentage Complete	100						

3. Customer Measures

KPI	YTD/12 Months	Actual 2019/20	Monthly Trend	Target	Previous Year 2018/19	Benchmark	Leadership Responsibility	Comments
Percentage of Telephone Calls answered within 20 seconds	YTD	77.7%		80%	80.4%	n/a	Lesley Skilling, CSC Manager	YTD performance still below target. Performance in this period was 70% which is poor. This was due to staff shortages because of sickness and the door knocking exercise. The new phone system went live in this period and this further impacted on performance as the team became familiar with its operation.
Percentage of Customer Contacts resolved at first point of contact	YTD	92.8%		92%	91.4%	n/a		Performance continues to improve and remains above target.
Percentage of tenants satisfied with Investment Programme work	YTD	93.33%		95%	91.4%	n/a	Jane Urquhart, Senior Investment Manager	Overall tenant satisfaction based on monthly transactional survey to October 2019. Tenant comments continue to be discussed and with the relevant contractors at monthly meetings for action/improvement. There is a small downturn since last month (93.8%).
Percentage of Stage 1 and Stage 2 complainants satisfied with the handling of complaints	YTD	57.4%		65%	60.1%	n/a	Christopher Watt, Head of Corporate Business	Monthly transactional surveys up to October 2019. A study of the comments received indicate that the dissatisfaction relates more to the issue rather than the way we handled their complaint. The biggest trend regards the complaints handling would appear to be how we are signposting people who have had a Stage 1 complaint about their options to progress the issue. This has been highlighted

4. Financial Measures

KPI	YTD/12 Months	Actual 2019/20	Monthly Trend	Target	Previous Year 2018/19	Benchmark (ARC 2018/19)	Leadership Responsibility	Comments
Current tenant arrears as percentage of gross rent	YTD	3.16%		2.5%	2.79%	3.63%	Martin Brown, Tenancy Services Manager	<p>At 3/11/19 current tenant arrears are £1,362,163.</p> <p>Slight monthly upward trend which is primarily due to the DWP payment cycle. Underlying performance is good.</p> <p>In addition, an adjustment of approximately 15% due to normal DWP late payment pattern could also be applied (as one at year end in accordance with SHR guidance.)</p> <p>Fully anticipate to be within or very close to target of 2.5% by the end of the year.</p>
Kitchens and Bathrooms and Aids & Adaptations Spend against Budget (£000)	YTD	£671		£819	£1,500	n/a	Jane Urquhart, Senior Investment Manager	Slow tenant uptake of bathroom works and reduction in requests for plus a lower cost against budget for bathrooms continue to lead to an underspend against budget.
Kitchen Project (number completed)	YTD	30		43	54	n/a		Behind target but still forecasting the full uptake of 67 kitchen replacements this year.
Bathroom Project (number completed)	YTD	12		37	79	n/a		Slow take up from those who have previously refused bathroom replacement. Further work ongoing with tenants by Tenant Liaison Team
Aids & Adaptations (All Types) (number completed)	YTD	84		n/a	235	n/a		Reduced number of requests, well behind the number in previous years.
Heating Replacement (Energy Efficiency) Spend against Budget (£000)	YTD	£2173		£2,417	£3,141	n/a		Slightly behind programme and the actual cost per unit of gas heating installations is slightly below budget which contributes to the underspend so far.
Heating Replacement Project (number completed)	YTD	457		485	713	n/a		Will continue to monitor but still expect overall target of 800 to be met by the year end.

KPI	YTD/12 Months	Actual 2019/20	Monthly Trend	Target	Previous Year 2018/19	Benchmark (ARC 2018/19)	Leadership Responsibility	Comments
Window Replacement Spend against Budget (£000)	YTD	£1,901		£2,643	£3,141	n/a		We are very slightly behind programme. The average cost per home is lower than budget by approximately 25% and is contributing to the underspend.
Window Replacement Project (number completed)	YTD	588		602	n/a	n/a		Slightly behind phased target but the contractor has agreed that they will resource to complete the targeted 1,000 homes by 31 March 2020. We will continue to monitor this.
Roofing and EWI Spend against Budget (£000)	YTD	£2,798		£3,020	£945	n/a		Slightly behind programme but work in progress ongoing. Actual costs per property are being monitored and we are currently above the budget allowance per unit. This is due to the full extent of the works required only being fully defined after a detailed survey is carried out. The expenditure shown includes for £152,838 grant funding income.
Roofing and EWI Project (number completed)	YTD	192		232	34	n/a		Total 192 properties signed off to date but work in progress (approximately 35) at various stages. Slightly behind programme.
Investment spend against budget (£000)	YTD	£10,115		£11,898	£6,867	n/a	Jane Urquhart, Senior Investment Manager	The new Roofing contract has now started on site and expenditure against this will be shown in the next report. The new Door Entry System project is planned to start in the New Year.

5. Property Measures

KPI	YTD/12 Months	Actual 2019/20	Monthly Trend	Target	Previous Year 2018/19	Benchmark	Leadership Responsibility	Comments
Investment costs per unit	YTD	£1,300		£1,872	£830	£811	Jim Preston Interim Director Investment & Regeneration	HouseMark All Scotland Peer Group Full year forecast = £1,814
Number of New Build starts in year against target	YTD	0		0	0	n/a		4 projects (Sanquhar, Monreith, Nursery Avenue & Lincluden) all still forecast to go on site in last quarter of 2019/20.
Number of New Build completions in year against target	YTD	0		0	46	n/a		As per above. No completions planned on site in 2019-2020
Number of NSSE sales achieved in year against target	YTD	13		13	4	n/a	Jim Preston Interim Director Investment & Regeneration	As of August 2nd, 2019, all sales are now completed. We now have no outstanding homes for sale.
RIDDOR (Contractors)	YTD	0		0	0	n/a	David McLachlan, Contracts Manager	No RIDDOR reported for Repairs, Cyclical or Electrical Compliance under my remit. Investment contracts will have to report these via Senior Investment Manager

6. People Measures

KPI	YTD/12 Months	Actual 2019/20	Monthly Trend	Target	Previous Year 2018/19	Benchmark	Leadership Responsibility	Comments
Full-Time Equivalent Employees	YTD	200.18		189	187.3	n/a	Michael Shrimpton, HR Operations Manager	There has been an increase of 1.4 from the previous month. It is anticipated that the FTE will remain consistently above the target throughout the year due to a number of new temporary posts including the Tenant Liaison Officers and backfills for maternity leave.
Lost Time Due to Sickness Absence	YTD	5.02%		3%	2.7%	3.9%		This has increased by a further 0.4% from last month and is significantly higher than the same period last year. There has been 1361 days lost to sickness absence and 80% of this lost time is due to longer term absences over 7 days which limits the options to address this high sickness rate. It is very unlikely that the annual target of 3% will be met this year, however, HR will continue to consult with staff on long term sick, their managers and Occupational Health with a view to reducing the sickness rate before the end of the reporting year.
Staff Turnover (%)	YTD	2.7%		n/a	8.92%	11.8%		There have been 7 leavers within the reporting year with the following reasons for leaving: 4 Resignations; 2 Retirements and 1 Probation Termination
RIDDOR (Staff)	YTD	0		0	0	n/a	Callum Fraser, Health & Safety & Facilities Manager	
Reported Lost time accidents	YTD	1		0	1	n/a		Visiting Officer had an adverse reaction to flea bites – lost 14 days

7. Audit Recommendation Tracking

DGHP Full List of Outstanding Recommendations as at 27 th March 2019 - Significant & Fundamental Compliance				
Name	Leadership Responsibility	Implementation Date	Description	Current Status
August 2016 Data Protection and Information Security Rec 7.1 - USB sticks	Hugh	31/12/18	Enhanced controls over the use of removable media devices such as USB memory sticks should be introduced. These should include comprehensive coverage within the Company's IT Security Policy (including prohibited working practices and potential penalties for non-compliance) and the investigation of technical controls such as the use of Group Policy Editor (windows server setting) or using mobile device software.	IT Security Policy presented to Board for approval 17/9/19.
July 2018 Business Continuity Planning Rec 4.2 - Suppliers Confirmation	Doreen Kirkland	31/01/2019	The Company should ensure that relevant major suppliers are asked to confirm how their threat plans will benefit the Company.	Main suppliers have been confirmed as Morgan Sindall & Saltire, business continuity and threat plans now received and will be presented to Risk Panel and thereafter Audit Committee in May
November 2018 Health and Safety Landlord Rec 4.1	Jim Preston	30/4/19	The Company should re-perform the Fire and Legionella reconciliations to ensure that they are accurate for all Company properties.	Agreed. A reconciliation of data between Keystone and Orchard in respect of flatted blocks with communal spaces has been carried out. Management are in the process of commissioning surveys of all communal areas to ensure accurate information.
November 2018 Health and Safety Landlord Rec 4.2	Lorna	28/2/19	The Audit & Compliance Manager should liaise with the Gas Compliance Manager to ascertain whether Keystone/Orchard can be used to monitor FRA dates and actions in the same way it can be used to monitor LGSR dates. Furthermore, The Company should complete, then close off all outstanding FRA remedial actions, to ensure that all risks arising from assessments are managed promptly.	The decision on purchasing the servicing module for Keystone will be made following the Strategic Review. Identified doors requiring replacements with FD30 doors have now been ordered with Mears as main contractor solid wood FD30s doors have been specified. Mears have ordered doors, completed date 30 August 2019
November 2018 Health and Safety Landlord – Rec 4.4	Jim Preston	23/4/19	The company should liaise with the Fire External Contractor to discuss the “means of escape” remedial action and appropriately close the actions off	The External Fire Risk Assessor identified a particular but isolated issue with a slippery floor surface in 2 blocks of flats in Dunlop Road. Slip Tests have been carried out. This action can be closed
November 2018 Development Rec 1.1	Jim Preston	31/3/19	The company should update the Financial Regulations to include a cap on the level of expenditure that can be approved by the Chief Executive and Director of Finance	Audit Committee to approve to cap the expenditure figure. This will go to Audit Committee in November 2019
February 2019 GDPR Rec 2.1 Data Maps	Eilidh Mowat	24/4/19	The Data Maps should be reviewed to ensure that all data is listed, all required elements are included, and data is classified correctly, especially in relation to sensitive data	The relevant data maps have been updated
February 2019 GDPR Rec 2.3 Privacy Notices	Eilidh Mowat	24/4/19	All privacy notices should refer to the possibility of gathering personal data using website cookies and to the use of consent in some instances as a legitimate reason for holding data such as photographs. Privacy Notices should also highlight the right to withdraw consent at any time.	There is a privacy notice on our website which details the personal data gathered by website cookies. We have now updated the privacy notices for tenants and service users

	REPORT TO EMT BOARD OF MANAGEMENT 27 NOVEMBER 2019	ITEM NO 12
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CONFIDENTIAL	NO
DECISION PUBLISHED AFTER THE MEETING	YES

TITLE	DEMOLITION OF GARAGE SITES AT SUMMERVILLE AVENUE & DUNLOP ROAD, DUMFRIES		
DATE	12 NOVEMBER 2019		
AUTHOR	JIM PRESTON/APRIL DEVLIN		
	TEL. NO: 01387 242551		
FOR	NOTING	DISCUSSION	DECISION
			✓

PURPOSE OF THE REPORT

To seek approval to demolish lock up garage sites at Summerville Avenue and Dunlop Road, Dumfries

RECOMMENDATION

16.1. AGREE to demolish lock up garage sites at Summerville Avenue and Dunlop Road, Dumfries.

IMPLICATIONS

FINANCIAL AND STAFFING	<ul style="list-style-type: none"> • Forecast £30,000 demolition and reinstatement costs, affordable within Investment budget • A financial accounting requirement for removal of £8,789 Asset from DGHP Balance Sheet, which creates a Loss on Disposal in the accounts • Work carried out within existing staffing establishment
LEGAL/REGULATORY	Appointment of contractor and Demolition Warrant to be applied for in December 2019, subject to Board approval
RISK ASSESSMENT/KEY RISKS	<ul style="list-style-type: none"> • Current condition of buildings is a H&S risk of serious injury to the public, one site has been fenced off • Buildings are an attraction for ASB

	<ul style="list-style-type: none"> • Potential low appetite for a demolition contract of this type and size within this area • Asbestos in properties
CONSULTATION REQUIRED OR PLANNED	<ul style="list-style-type: none"> • Statutory process for Demolition Contract required • Ongoing consultation with local Council officers and members
IMPLICATIONS FOR SERVICE USERS	<ul style="list-style-type: none"> • Minor disruption, noise etc. will affect adjoining owners during the works
PRIMARY STRATEGIC OBJECTIVE	<p>SO2: To improve the quality and sustainability our housing stock, communities and the environment, in a cost-effective way for the benefit of our customers</p> <p>SO4: To maximise DGHPs accountability to our customers and to work effectively with all our stakeholders and partners for the benefit of local communities</p>
EQUALITY & DIVERSITY	We shall not discriminate on grounds of race, colour, ethnicity, sexual orientation, marital state, age or disability when investigating complaints
IF A DECISION IS NECESSARY IS AN OPTION APPRAISAL CONTAINED IN THE BODY OF THE REPORT	Yes

BACKGROUND

1. DGHP has 966 lock up garages on 99 sites, throughout the region, owned since transfer. 268 garages are currently vacant, 28% of the total stock. In addition, we also own 1,200 garage sites where we allow customers to erect their own garage or building and charge a small annual rent. 362 are vacant which is 30% of stock.
2. A full Stock Condition Survey of all sites is being completed by Savills, along with a Sustainability Review showing the costs associated with maintaining such assets. A full strategic review of all garage sites and lock ups will then be programmed for 2020/21.
3. However, the sites at Dunlop Road and Summerville Avenue Dumfries are both currently 100% vacant, see table below:

UPRN	GARAGE	ADDRESS	DATE VACANT
28303	21	Summerville Avenue, Dumfries, DG2 9BU	20/02/2017
28304	22	Summerville Avenue, Dumfries, DG2 9BU	19/05/2003
28305	23	Summerville Avenue, Dumfries, DG2 9BU	13/11/2000

UPRN	GARAGE	ADDRESS	DATE VACANT
28306	24	Summerville Avenue, Dumfries, DG2 9BU	23/06/2008
28307	25	Summerville Avenue, Dumfries, DG2 9BU	08/10/2012
28308	26	Summerville Avenue, Dumfries, DG2 9BU	17/05/2004
27893	19	Dunlop Road, Dumfries, DG2 9NG	12/03/2007
27894	20	Dunlop Road, Dumfries, DG2 9NG	25/02/2013
27895	21	Dunlop Road, Dumfries, DG2 9NG	22/06/1998
27896	22	Dunlop Road, Dumfries, DG2 9NG	19/01/2009
27897	23	Dunlop Road, Dumfries, DG2 9NG	19/11/2012

DEMAND

- Housing Services have confirmed there is no demand for these garages, and they have not been actively seeking to let since March 2016.

GOVERNANCE

- Our Asset Disposal policy and good practice requires all demolition/disposal of assets to be approved by Board. We shall review the system of delegations and ask Board to determine if smaller disposals can be delegated to EMT or Development Committee.

FINANCE

- Project Costs:

Construction	Demolition	£25,000
	Site Reinstatement Works	£5,000
	Fees	£1,650
		£31,650

- Weekly rent is £8.33. Demolition removes a potential income of £4,765 but currently, no rent is being earned as the garages are unlet, and the total potential rent for these units is matched by a void loss of the same amount.
- The asset value to be written off our Balance Sheet is £8,789, which will be recorded as a loss on disposal in the accounts.
- The demolition and reinstatement works are contained in this year's Investment budget.
- The block at Summerville Avenue is in poor condition, as seen from photographs at Appendix 1. We have spent £150 YTD on making safe and are now incurring costs of £180 per month for temporary fencing to protect the site.

11. Dunlop Road has not recently incurred any costs for repairs; however, uplift of rubbish has been required at these garage blocks, which are used for fly tipping.
12. In addition, the site at Summerville Avenue has a Pigeon Racing Hut that DGHP relocated in July 2007 as part of the previous regeneration scheme at Summerville. DGHP signed a lease in February 2009 with Nith Valley Racing Pigeon Club for a 5-year period. This lease has now expired, however a proposal to leave the hut in situ until the site is required for any future development.
13. Discussions are underway with the Racing Club over the lease.

FUTURE USE OF SITES

14. Appendix 2 shows the site plans for both sites. At 1,474 sq. metre for Summerville and 1,352 sq. metre for Dunlop both sites may be suitable for future development. At the present time we will make the site safe and land bank for future consideration for development.

TIMESCALE

15. We are procuring a contractor through the Excel Scotland Framework. Our forecast is SOS in late-February and completion by 31st March 2020.

RECOMMENDATION

16. The Board is asked to:

16.1. AGREE to demolish lock up garage sites at Summerville Avenue and Dunlop Road, Dumfries.
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Author:	April Devlin Quantity Surveyor
Responsible Director:	Jim Preston Interim Director of Investment & Regeneration
Date:	8 th November 2019

Garage Sites 21-26 Summerville Avenue, Dumfries, DG2 9BU







Garage Sites 19-23 Dunlop Road, Dumfries, DG2 9NG

Site Plan 21-26 Summerville Avenue, Dumfries, DG2 9BU



Site Plan 19-23 Dunlop Road, Dumfries, DG2 9NG



	REPORT TO THE BOARD OF MANAGEMENT 27 NOVEMBER 2019	ITEM NO 13
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CONFIDENTIAL	NO
DECISION PUBLISHED AFTER THE MEETING	YES

TITLE	STRATEGIC RISK MANAGEMENT		
DATE	18 NOVEMBER 2019		
AUTHOR	DOREEN KIRKLAND		
FOR	NOTING ✓	DISCUSSION	DECISION ✓

PURPOSE OF THE REPORT

This report informs the Board on progress with the Strategic Risk Assessment and Heat Map and provides an update on the deep dive template and programme of reporting.

The Board is asked to approve the new process and update from the operational risk assessments.

As part of the Strategic Risk Management process for DGHP our Business Continuity threat plans are reviewed on an annual basis, an overview of the threat plans that were reviewed this quarter are also included in this report.

RECOMMENDATIONS

- 27.1 **APPROVE** the Strategic Risk Assessment & Heat Map;
- 27.2 **NOTE** the Deep Dive template and the programme of reporting dates;
- 27.3 **APPROVE** the new process and update from the operational risk assessments; and
- 27.4 **APPROVE** the Business Continuity document and note that a full review will be required after the partnership is agreed and repair service move.

IMPLICATIONS

FINANCIAL AND STAFFING	None
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LEGAL/REGULATORY	Scottish Housing Regulatory Standards of Governance and Financial Management No. 3 & 4 (stated below)
RISK ASSESSMENT/KEY RISKS	A well governed RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay. The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.
CONSULTATION REQUIRED OR PLANNED	N/A
IMPLICATIONS FOR SERVICE USERS	N/A
PRIMARY STRATEGIC OBJECTIVE	SO5:- To strive in all areas of management to be a cost effective and well-managed organisation, achieving high standards of governance and financial management
EQUALITY & DIVERSITY	DGHP always seeks to comply with the terms of the Equality and Diversity Act 2010.
IF A DECISION IS NECESSARY IS AN OPTION APPRAISAL CONTAINED IN THE BODY OF THE REPORT	N/A

Background & Way Forward

1. As a result of the Governance review by Savills the Risk Management process for DGHP has changed. The Strategic Risk Assessment has been developed to include the new streamlined approach and executive team are updating the actions regularly.
2. Our internal Risk Panel was presented with the strategic risk assessment, three deep dive templates and the 5 operational risk assessments, on Monday 21st October 2019. Comments and feedback from this meeting are then fed into this report.

Strategic Risk Assessment and Heat Map

3. The current Strategic Risk Assessment and Heat Map can be viewed [HERE](#).

4. In the last quarter, emphasis has been placed on progressing the actions required for each control in order to ultimately reduce the residual score. Accordingly, 5 risks have reduced their residual scores due to actions which have been completed resulting in controls being strengthened. It is intended that at the next Audit Committee in February 2020, the strategic risk residual scores will be reduced even further as actions progress and assurance is gained. Below are the changes, editions and updates from the last quarter.
5. Audit Committee was not presented with the strategic risk management update in November 2019 as it has been progressed straight to the full Board to complement the risk awareness training that follows the Board meeting.

Risk 1 – Safety compromised due to building H&S compliance gaps

This risk underwent a deep dive and was presented to Audit Committee in November 2019. **The proposal to Audit Committee was to reduce the residual scoring from its current 25 to 20**, reducing the probability score from an almost certain (5) to a likely (4). This is due to completion of the stock condition survey and reconciliation of communal areas. Full asbestos surveys have been completed. In addition, good progress has been made in closing down outstanding actions identified in communal FRA and EICR certificates as well as in completion of domestic EICRs and upgrades of smoke and heat detection equipment in our tenant's homes. However, the risk should remain critical due to its importance and as a result of the actions still to be completed. The deep dive was approved at Audit Committee on 18th November and assurance can be given that this risk is being managed well.

Risk 2 – Leadership skills do not match business need

This risk has also undergone a deep dive and was presented to Audit Committee on 18th November 2019. The proposal to Audit Committee was to reduce the residual score from a probability almost certain (5) to a 3 (possible) and to reduce the impact from a major (4) to a moderate (3). In other words, **residual risk reducing from a critical (20) to a medium (9)**. This is due to implementation of key controls along with the skills assessment that has been completed. The recruitment of the Managing Director is well underway and interim posts in position. The deep dive was approved at Audit Committee on 18th November and assurance can be given that this risk is being managed well.

Risk 3 - Culture fails to enable successful change process

The risk wording has changed from "Culture fails to enable timely problem raising or escalation to Culture fails to enable successful change process" this has been reworded to reflect the two organisations (DGHP and WHG) coming together. The scores remain the same as actions are required to progress to strengthen the controls.

Risk 4 – Failure to meet Regulatory Expectations leads to potential regulatory intervention and adverse consequences

This risk has also undergone a deep dive and was presented to Audit Committee on 18th November 2019. The proposal to Audit Committee was to reduce the residual score from a probability likely (4) to a 2 (unlikely) and to keep the impact as a major (4). In other words, **residual risk reducing from a high (16) to a medium (8)**. This is due to some key controls being completed e.g. the actions in the governance review mainly complete, stock condition survey received and in process of being input, validation of ARC return and assurance statement agreed at Board and the recruitment of the Managing Director is well underway. The deep dive was approved at Audit Committee on 18th November and assurance can be given that this risk is being managed well.

Risk 5 – Significant underperformance on Development

No change to scoring. The action in relation to the implementation of the new development strategy has been pushed back to March 2020 to allow consideration of the group strategy. Development reporting action has been completed and control is now strong.

Risk 6 – Significant underperformance on property investment programme

Risk wording has changed from “major repairs to property investment.” The risks residual score has reduced from a probability possible (3) to a 2 (unlikely) and the impact reduced from a major (4) to a moderate (3). In other words, **residual risk reducing from a high (12) to a medium (6)**. This is due to some key controls being completed, stock condition survey received and in process of being input this information is now able to drive investment requirements. Contract managers training has been completed.

No 7 – IT not fit for purpose

The risk wording has changed from “Product/service delivered does not meet business need (digital strategy) to IT not fit for purpose.” No score change has been made. The actions will progress in alignment with group strategy.

Risk 8 – Strategic partnership not being completed

Residual risk score has reduced from an impact of extreme (5) to a major (4) **reducing the overall score from a major (10) to a Medium (8)**. By the time this paper goes to Board the results of ballot will have been announced reducing the impact. Actions are still to be progressed to strengthen the controls.

Risk 9 – Breach of loan covenants

No actions to progress and residual risk score is sitting as a probability score of unlikely however it would have extreme impact. This risk impact should reduce once we are in the Wheatley borrowing group.

Risk 10 – Significant increase in arrears

No score change, actions are to progress to reduce the residual score.

Risk 11 – Reputation damage (e.g. from adverse publicity re regulatory intervention)

No actions to progress, controls are strong. Once we are in partnership with Wheatley this risk may come off the strategic risk assessment.

Strategic Risk Assessment - Deep Dives

6. For Board information please find attached [HERE](#) the Deep Dive blank template including the program for future reporting.
7. This template will be used for us to present to the Audit Committee the in-depth detail of controls and actions in relation to each strategic risk. This will allow the Committee to evaluate whether they feel the controls are appropriate or indeed if they think there is something missing that we need to look at.
8. Strategic Risks No. 1, 2 & 4 were reported to the Audit Committee in November 2019, all of which were approved.

Update in relation to the Operational Risk Assessments

9. Since the outcome of the Governance review by Savills, progress has been made over the last few months in relation to not only updating the strategic risk assessment but also the streamlining of the operational risk assessments.
10. DGHP had a detailed process for the production off numerous operational risk assessments and although this was comprehensive, we found several areas of duplication and overlap when reviewing all of them together.
11. The operational risk assessments focus on risks around the systems and resources to deliver the agreed business objectives. They do not duplicate strategic risks, rather focus on component parts which impact on the strategic risks.
12. The operational risks have been grouped according to broad areas of risk, rather than directly linked to current structural / line management responsibility. For practical reasons we have assigned a Director to each risk assessment to have ultimate senior accountability for updates, but there is a collective responsibility for these risks across the senior leadership team.
13. By reducing the operational risk assessments there has been a greater focus on materiality, clarity of the risk and reduced duplication.

14. The operational risk assessments have been reduced from 19 to 5, now covering:
 - Finance & Corporate Services
 - Customer Services
 - Property
 - Novantia (normally reported to Novantia Board)
 - DGHP3 (normally reported to DGHP3 Board)
15. See [HERE](#) for all operational risk assessments.
16. This is the first time that these risk assessments have been presented as a group. Meetings have been held over the last quarter in relation to setting operational objectives for each section and highlighting the top risks. The process is in the early stages with these assessments, however good progress has been made and will continue to be made.
17. The operational risk assessments will be reviewed on a quarterly basis and reported thereafter to Risk Panel and then Audit Committee.
18. DGHP also have separate risk assessments for specific projects such as the Strategic Partnership with Wheatley and the in-house repairs service project

Business Continuity Threat Plan Testing

19. As reported to the Audit Committee on 8th November 2016, the results of each threat plan testing will be reported back initially to Risk Panel and thereafter to Audit Committee for noting. It was agreed that this will be carried out on a quarterly basis.
20. During quarter three, eight critical reviews were carried out, namely:
 - Loss of access to satellite offices
 - Loss of contractors
 - Fuel shortage
 - Loss of utilities
 - Severe weather conditions
 - Man-made disaster at DGHP property
 - Legionella incident - outbreak
 - Carbon monoxide leak at a DGHP property

Significant Findings from Reviews

21. The threat plans required only small administrative changes.
22. As well as the threat plans being reviewed the full "Contact Details" list has been reviewed and various updates have been implemented.
23. As a result of the Beever & Struthers recent audit, the formation of a Business Impact Assessment has been compiled and can be viewed in Appendix U (within the business continuity document) this document has also been reviewed and updated as per the outcomes of the above threat plan reviews.

24. The full updated Business Continuity document can be viewed [HERE](#).
25. A full review of the Business Continuity document will be required after the Group strategic partnership is agreed and to take on board the repairs service transfer.
26. All related documents as per the threat plan testing will be updated after the Board of Management and distributed to the Crisis Management Team.

Recommendations

27. The Audit Committee is invited to:

27.1 APPROVE the Strategic Risk Assessment & Heat Map;
27.2 NOTE the Deep Dive template and the programme of reporting dates;
27.3 APPROVE the new process and update from the operational risk assessments; and
27.4 APPROVE the Business Continuity document and note that a full review will be required after the partnership is agreed and repair service move.

Author:	Doreen Kirkland, Risk Management Co-ordinator
Responsible Director:	Alex McGuire, Interim Chief Executive
Date:	18 th November 2019



MINUTES OF AUDIT COMMITTEE HELD ON MONDAY 18 NOVEMBER 2019 IN GRIERSON HOUSE, DUMFRIES

Members present:

Maureen Dowden (Chair)
Heather MacNaughton (by telephone)
Michael Greaves Mackintosh

In attendance:

Alex McGuire (Interim Chief Executive Officer)
Hugh Carr (Director of Finance)
Jayne Moore (Director of Housing Services)
Jim Preston (Director of Investment and Regeneration)
Christopher Watt (Head of Corporate Business)
Doreen Kirkland (Risk Management Co-ordinator)
Lorna McCubbin (Compliance Manager)
Sam Bett (Director of Treasury, Wheatley Group)
Helen Armstrong (Beever & Struthers)

1. Statement of conflict of interest

None

2. Apologies

Irene Clark

3. Minutes of Audit committee meeting of 21 August 2019

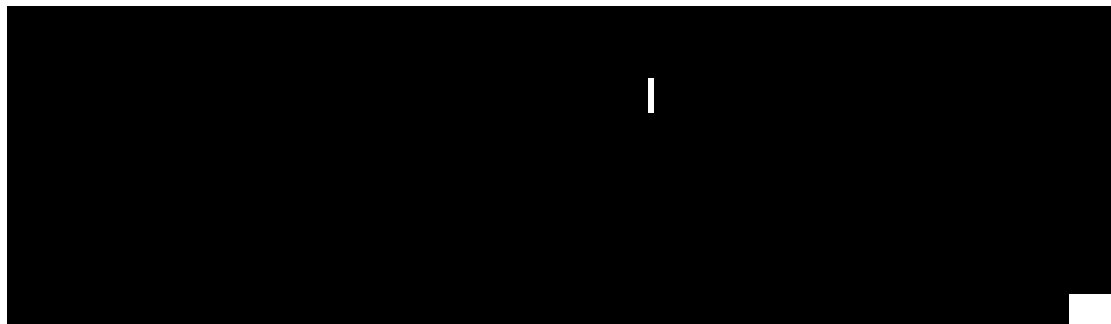
The **APPROVAL** of the minutes of the Audit committee meeting of 21 August 2019 was proposed by Michael Greaves-Mackintosh and seconded by Heather McNaughton.

4. Wheatley Partnership Refinancing Update

The Interim CEO advised the Committee that this was the last day of the tenant ballot. Noted turnout of 73.8% and that based on the feedback from the initial door knocking exercise it would appear the vast majority of tenants were in favour of the proposal. If indeed it is a positive ballot result, this will then trigger the EGM which will take place on 12 December.

Noted the detailed presentation from Wheatley Group Director of Treasury regarding the plans around [REDACTED]

The Director of Treasury advised that one of the Principal Funders, M&G would be coming to DGHP on 2nd December 2019 to undertake due diligence on the Board.



5. Wheatley Partnership Matters

The Interim CEO and the Director of Finance gave a report. In particular the Director of Finance explained the rationale behind the change in the Auditors at this stage. The Committee noted that in the event of a positive ballot and joining the Wheatley Group it is likely that DGHP's commercial arms will be transferred to Wheatley's commercial subsidiaries there is no longer a need to retain their profits to strengthen the balance sheets. On this basis the profits can be transferred to DGHP.

RECOMMENDED to the Board the appointment of KPMG LLP as external auditors, subject to a positive tenant ballot and positive members' vote at the EGM; **NOTED** that the Board will be asked to approve KPMG LLP as auditors for 2019/20 at its meeting in December, to meet Wheatley Group requirements; **NOTED** that the Boards of Novantie and DGHP3 will be asked to agree to Gift Aid 2018/19 profits to DGHP by 31 December, to mitigate a tax charge of £25k; and **APPROVED** a limit of £250,000 on the emergency expenditure that the Chief Executive and Director of Finance can authorise being inserted in the Financial Regulations.

6. Audit committee summary report

Helen Armstrong attended and presented the report on behalf of the Internal Auditors. The Committee noted that the issues surrounding Electrical Safety were picked up in the Compliance report at number 8 on the Agenda.

The committee **NOTED** the management comments and agreed implementation dates for recommendations relating to: -

Visit 2:

- Electrical Safety
- Follow up

7. Performance Report – to end of September 2019

The Interim CEO gave an update to the Committee. The committee noted that the Tenant Satisfaction Survey Results had now all been fed into the performance pack and that they were positive. The Committee also noted that Christine Duggan has carried out a validation exercise and is currently seeking

guidance from the Regulator in respect of one performance measure. It should be noted that DGHP reported this conservatively so any change based on her feedback would be positive.

The committee **NOTED** the content of the Performance Information Pack.

8. Compliance Update

The Compliance Manager gave a presentation highlighting the updates on DGHP's Compliance Framework. In particular she reported the progress on Fire safety works, electrical inspections and emergency repairs works and legionella testing.

The committee **NOTED** and **Discussed** the progress of the Compliance framework

Heather MacNaughton and Sam Bett left the meeting.

9. Deep Dives – Strategic Risks 1,2 and 4

The committee **DISCUSSED** & **APPROVED** the three deep dives in order to provide assurance that the strategic risks are being managed appropriately.

10. AOCB

The Chair noted just how far DGHP has progressed in a very short period of time. In particular the Committee wished to note that the progress that has been made in respect of the partnership and towards compliance was fantastic and a great testament to the staff's hard work.

The Committee also noted and thanked Jayne Moore and her team for delivering such an excellent turnout with the Tenant Ballot.

Signed:

Date: