



**CUBE HOUSING ASSOCIATION  
BOARD MEETING  
Tuesday 4 February 2020 at 18.00  
Maryhill Burgh Halls, 24 Gairbraid Avenue, Glasgow**

**AGENDA**

1. Apologies for Absence
2. Declarations of Interest
3. Minutes of Board Meeting held on 10 December 2019 and matters arising
4. Action Points
5. Chair's Update (Verbal)

**Main Business Items**

6. Rent and other charges 2020/21
7. Financial Projections 2020/21
8. Inspiring Ambition, Unleashing Potential: Our Strategy 2020-25
9. High Rise Living Framework – Uniqueness by Design
10. Five Year Development Programme
11. Cube Queen's Quay: New Build Project
12. Fire Safety update

**Other Business Items**

13. Finance Report for the period to 31 December 2019
14. Performance Report – YTD 2019/20 Quarter 3 (Oct – Dec)
15. Board appraisal and succession Planning
16. AOCB- Stock Tour

**CUBE BOARD ACTION LIST:**

<b>Date</b>	<b>Business</b>	<b>Responsible officer/Agreed date</b>	<b>Status</b>
December 2019	Report on complaints trends to a future meeting	Laura Henderson	Planned for May 2020 Board
December 2019	High Rise Living Framework to be presented to Board	Laura Henderson	See agenda item 9



## Report

**To:** Cube Housing Association Board

**By:** Laura Henderson, Managing Director

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

**Subject:** Rent and other charges 2020/21

**Date of Meeting:** 4 February 2020

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### 1. Purpose

1.1 This report:

- Provides feedback from our consultation on the 2020/21 RSL rent and service charge increase; and
- Seeks Board approval for the 2020/21 rent and service charge increases.

### 2. Authorising context

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

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

### 3. Risk appetite and assessment

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

3.2 The Scottish Housing Regulator undertook a thematic enquiry into how Registered Social Landlords ("RSLs") consult with tenants about rent increases. In tandem, the Scottish Federation of Housing Associations ("SFHA") issued guidance on rent setting and affordability. The main risk highlighted by these publications related to RSLs setting rent without due regard to meaningfully engaging tenants and affordability.

3.3 We mitigate this risk through engagement with our tenants on our rent proposals through a combination of focus Groups, local engagement and a statutory consultation process.

#### 4. Background

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

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

4.2 The Board considered the first three principles as part of agreeing the baseline consultation levels during discussions at the meeting on 9 October. The consultation with tenants is the final element of our rent setting process prior to formally agreeing rent levels.

#### 5. Discussion

5.1 Our consultation approach has been refined in recent years to provide a greater degree of insight into our tenants' views on our rent setting proposals. Our rent setting process for 2020/21 involved two stages; firstly, a series of focus groups and direct tenant engagement; then a full written consultation issued to all tenants with options, including a "none of the above" option. We had 245 responses (2018: 231) to the full consultation stage, with **61% of tenants supporting** of one of the three increase options (3.4%, 3.9% or 4.4%). This compares with 66.5% last year.

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

##### Focus Groups

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

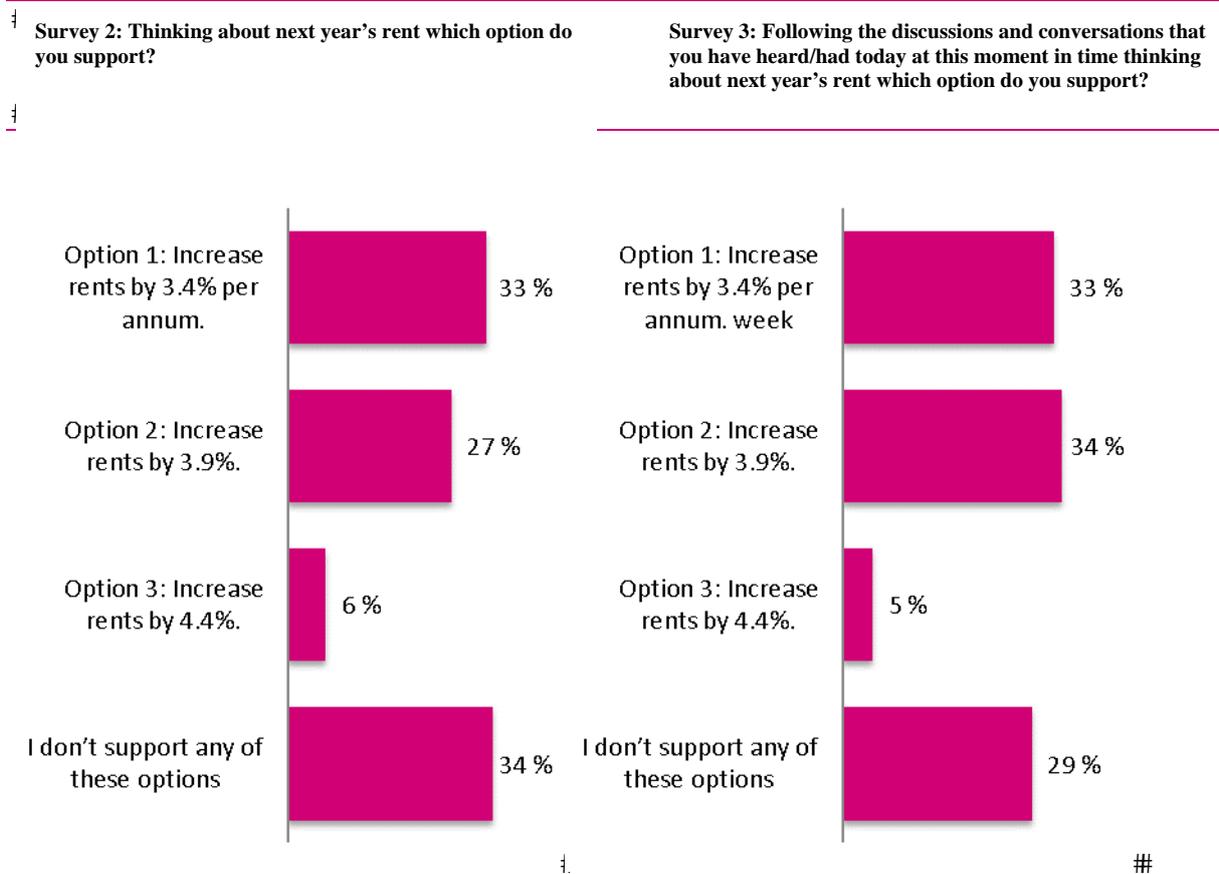
- How we spent tenants' money in the previous year ie what rent pays for;
- Key challenges for the year ahead; and
- The rent options.

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

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

- 5.6 In total there were 19 focus groups across the wider Group. Two of these were Cube and were attended by 15 of our tenants.
- 5.7 The focus groups allowed us to engage with tenants in more depth on rent setting proposals, in particular:
- Tenants' perception of what their rent pays for vs what it actually pays for;
  - Tenants' understanding of the drivers of rent increases;
  - Value drivers for tenants in terms of rent levels; and
  - General feedback on tenants' views of our landlord services in the context of rent.
- 5.8 In exploring these issues with tenants, as opposed to asking a binary 'yes or no' question on rent proposals, we were able to gather a) quantitative feedback by testing if the group discussion and increased knowledge of how rents are set impacts tenants' views of rent, and b) qualitative feedback we can use to understand what drives and impacts tenants' views on rent setting, potentially informing our service delivery and future strategic thinking.
- 5.9 Across all focus groups, support for the options 1-3 was 72%, which rose from 66% following the discussions and supporting information on the reasons for the increase. The breakdown by option is shown below.

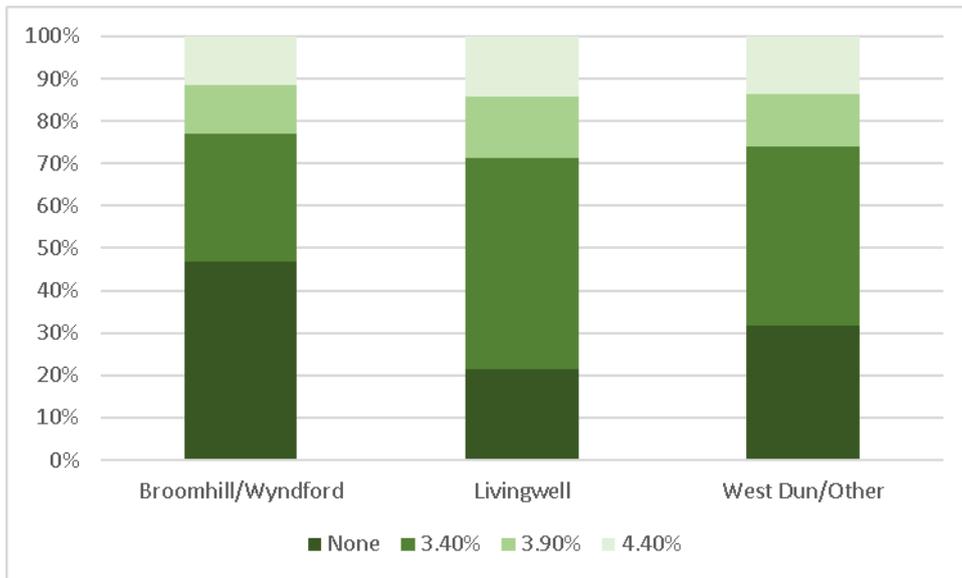
**Figure 1: Views on the rent increase options**



- 5.10 The report provided detail of key drivers of tenant satisfaction. The following were identified by BMG as key satisfaction drivers:
- living in a new(ish) home and particularly a house with a front and backdoor and garden;
  - receipt of significant capital investment in recent years (particularly new heating systems, windows, bathrooms, kitchens and foyers);
  - receipt of a personalised service;
  - tenants (across all RSLs) who have experienced a range of wraparound services are noticeably more satisfied with and appreciative of their RSL, and are keen to impress on other tenants the value of this assistance;
  - a proactive housing officer who is effective in supporting and signposting tenants such as help to navigate complex benefit systems they feel nervous or unable to tackle alone;
  - tenants who seem to be the most satisfied also live in what they term 'nice' areas, close to facilities and good transport connections, where they know their neighbours and above all, where there are no significant problems with anti-social behavior; and
  - In comparison with last year, it would appear that tenants' estimation of the repairs service has improved, with more participants saying that more appointments are now prompt, the staff more polite and likely to complete the job in one visit, and the service generally more joined up.
- 5.11 In terms of drivers of dissatisfaction, there were very localised responses. A key overall driver was where a tenant considers an issue is not being addressed appropriately or as quickly as they would like. The associated communication in resolving such issues can further exacerbate such issues.
- 5.12 The key theme overall related to anti-social behaviour. Tenant frustrations in relation to this issue can have a significant effect on satisfaction, and the ongoing work through our Community Improvement Partnership to address this is a key part of the customer value element of our new strategy.

#### All-tenant consultation

- 5.13 We consulted all tenants, as we have a statutory duty to do, using the consultation booklet agreed by the Board and revised to reflect the feedback from the focus groups. The consultation ran from November 2018 to 12 January 2020. Tenants were able to respond email, prepaid return slips, telephone or online.
- 5.14 In total 245 of our tenants provided feedback (2018: 231), either by completing the feedback form or by phone, email or online. In total 61% of tenants supported one of the increase options. The breakdown of the responses by area is set out below for Wyndford/Broomhill (139), LivingWell (14) and West Dunbartonshire/other (88).



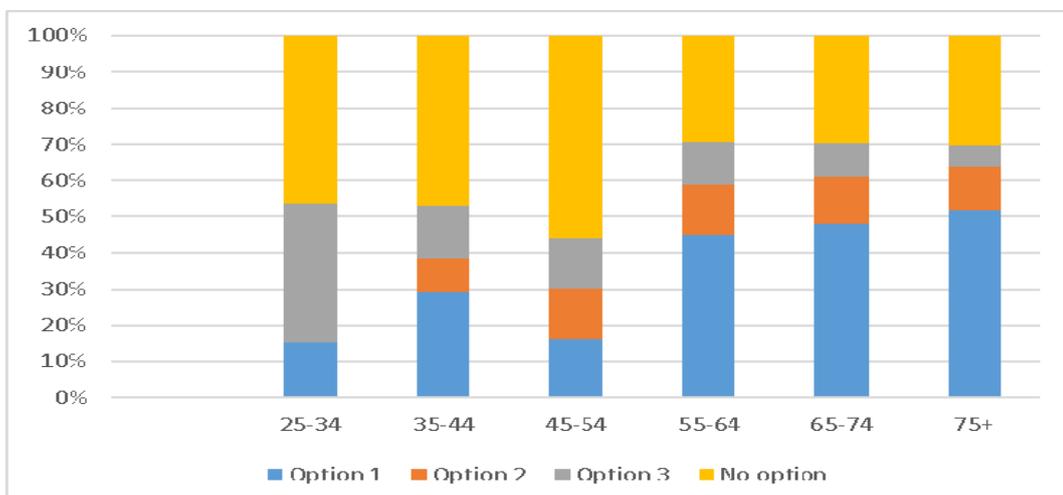
5.15 As can be seen, the majority of tenants in all areas supported one of the increase options. In all cases the largest support within the three option was option 1, which was also greater than for total support for options 2 and 3.

5.16 The open feedback box on the consultation responses drew a wide range of responses. Where option 1 was selected the most common feedback was that this was the most affordable. Where one of the higher options was selected, the additional improvements identified as desirable ranged widely with no single specific theme emerging.

5.17 We undertook further analysis of the responses to identify if there were any variations in responses based on different tenant characteristics. Those who provided ethnicity details were of such a small number that any further analysis would not be proportionate.

### Age

5.18 In total, 231 of the respondents provided their age range in the response. The data identified that support levels are generally correlated to age, with the level of support ascending with the age groups. The results are set out below:



5.19 The results indicate that all but one of the age groups, 45-54 year olds, had a majority in favour of one of the increase options. In the 45-54 category this represented 24 individuals not in support of any of the options. Support was highest amongst 55-64 and 65-74 year olds, which were the two segments where we received the highest number of responses.

## **6. Key issues and conclusions**

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

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

## **7. Value for money implications**

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

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

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

## **8. Impact on financial projections**

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

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

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

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

## **10. Partnership implications**

10.1 There are no partnership implications arising from this report.

## **11. Implementation and deployment**

- 11.1 Following approval of the 2020/21 rent and service charge levels, tenants will subsequently receive notification of the final decision in writing 28 days clear of a change in rent being applied.
- 11.2 In recognition of the increasing importance for tenants to notify the relevant authority of the change, we are undertaking additional communication to remind and encourage tenants to notify the change of circumstances as soon as possible.

## **12. Equalities impact**

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

## **13. Recommendations**

- 13.1 The Board is asked to:
  - 1) Consider the feedback received through the extensive consultation process with tenants on our 2020/21 RSL rent and service charge increase; and
  - 2) Approve a 3.4% rent and service charge increase for 2020/21 and that we formally write to tenants to confirm this.



## Report

**To:-** Cube Housing Association Board

**By:-** Pauline Turnock, Director of Financial Reporting

**Approved by:-** Steven Henderson, Group Director of Finance

**Subject:-** Financial Projections 2020/21

**Date of Meeting:-** 4 February 2020

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### 1. Purpose

1.1 The purpose of this report is:

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

### 2. Authorising context

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

### 3. Risk appetite and assessment

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

### 4. Background

4.1 The financial projections presented reflect our new 2020-25 strategy, *Inspiring Ambition, Unleashing Potential*, and addresses how the 5 key themes of the strategy will be achieved.

4.2 We continue to make significant investment in our services and assets. For example:

- In the current financial year we are forecast to invest £6m in our existing housing stock.
- A total of 133 new social rent units will be completed at a number of sites this year. Across the period of the 'Investing in our Futures' strategy from 2015-20, Cube will have delivered 447 new units for social rent, plus a further 95 mid-market rent units, a total of 542 properties.

- Management and overhead costs remain lower than when Cube joined the Group, reducing from £3,791 per unit in 2012/13, to £2,445 per unit forecast for 2020/21. These efficiencies create capacity within Cube to fund the debt required to meet our new build ambitions and invest in services for our customers.

## 5. Discussion

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

### Delivering Exceptional Customer Experience

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

- A continuation of our 1:200 housing officer patch sizes and environmental teams, including:
  - Building on the five-star accreditation recently awarded to the Broomhill site through our partnership with 'Keep Scotland Beautiful', in addition to the four stars awarded to Gorget. Funding of £11.3m over the next five years for environmental services will assist Cube achieving five-star accreditation throughout the areas within which we operate. This allocation represents £9.4m to fund the work performed by our environmental teams, and £1.9m on capital environmental works;
  - A programme of improvements to the common areas within our blocks, which has also been informed by our work in conjunction with 'Keep Scotland Beautiful'; and
  - Increasing our 24/7 presence at the Wyndford estate, with funding for an additional 4 members of staff. This allows for an increase to the night shift concierge from three to five employees, and ensures that our customers always have a point of contact on site, improving the safety and security of our tenants.
- Cube's contribution to the Community Improvement Partnership; £134k per annum will support police teams to enhance our focus on anti-social behaviour, and fire specialists to ensure our customers are safe in their homes.
- Our new *MyRepairs* service, with a specialist hub in our call centre delivering the right diagnosis first time, offering next day appointments and text alerts to customers, improving the flexibility of our offering and enhancing business efficiencies through improved access rates

### Making the most of our homes and assets

- 5.3 The projections include £44.8m of gross funding for the new build programme over the five years, delivering 241 new social housing units during this period. Grant income of £24.3m is also assumed in the projections which will contribute towards the funding costs of the properties noted above.

- 5.4 In our existing homes, total investment of £23.5m has been included. This work will largely be completed by our joint venture partner, City Building (Glasgow) LLP.
- 5.5 During the first five years of the plan £13.5m has been earmarked for repairs, assisting the upkeep and maintenance of our stock.
- 5.6 The financial projections include £1.9m of funding in years 1-5 for customer identified investment priorities. Our vision is that customers will have a greater say in what investment creates most value for them. This will promote community engagement and will mean investment work streams will be better directed towards what customers want.

#### Changing lives and communities

- 5.7 The financial projections demonstrate our commitment to changing the lives of our tenants and the wider communities in which we operate. This will be achieved through:
- Funding of £0.9m to the Wheatley Foundation (“The Foundation”) over the first 5 years of the financial projections. The Foundation use this to deliver services to our customers including welfare benefits advice, employability advice and training schemes for unemployed tenants, modern apprenticeships, our furniture up-cycling Homes Comforts scheme as well as our Eat Well service which delivers food parcels for 6 weeks to tenants most in need.
  - The group-wide Tenancy Support Service (“TSS”) is managed by our colleagues at Loretto Care. Cube’s financial projections include funding of £1.0m over the five years and in return we receive flexible, tailored support for our vulnerable tenants.
  - The Helping Hand Fund continues in 2020/21; this funding continues to be relevant with the introduction of universal credit impacting our tenants. The £60k provision next year can provide a “helping hand” towards utility bills, the purchase of food or can be used to help clear rent arrears.

#### Developing our shared capacity

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

## Enabling our ambitions

- 5.9 In order to achieve our ambitious strategy, we must demonstrate a strong and stable financial performance. This will ensure we continue to achieve a strong credit rating and attract funding at low rates of interest. The financial statements presented below demonstrate our improving financial performance and position over the next five years.
- 5.10 The detailed financial projections and assumptions are provided in the appendices to this report. Figure 1 shows the forecast deficit/surplus over the five year period to 2024/25.

**Figure 1: Statement of comprehensive income**

<b>Summary Income &amp; Expenditure</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Net Rental Income	18,841	19,531	20,847	22,085	22,902
Other Income	885	8,331	11,203	5,675	964
<b>Total Income</b>	<b>19,727</b>	<b>27,863</b>	<b>32,050</b>	<b>27,760</b>	<b>23,866</b>
Operating Expenditure	(17,943)	(18,433)	(19,099)	(20,033)	(20,735)
Gain on Investment Properties	41	42	43	44	44
<b>Operating Surplus</b>	<b>1,825</b>	<b>9,472</b>	<b>12,993</b>	<b>7,771</b>	<b>3,176</b>
<b>Operating Margin (%)</b>	<b>9%</b>	<b>34%</b>	<b>41%</b>	<b>28%</b>	<b>13%</b>
Finance Costs	(5,147)	(5,316)	(5,826)	(6,221)	(6,283)
Housing Property Valuation Movement	4,548	(3,950)	(7,440)	52	6,415
<b>Total Comprehensive Income</b>	<b>1,226</b>	<b>206</b>	<b>(272)</b>	<b>1,602</b>	<b>3,308</b>

- 5.11 Over the five year period presented, Cube's statutory surplus fluctuates due to property valuation movements and grant recognition on completed units.
- 5.12 Our annual rent and service charge consultation exercise has now been concluded and is reported to the Board separately. The financial projections incorporate the proposed 3.4% increase in rent and service charge levels and are aligned to our Strategy; the key elements of which are set out below:
- The financial projections assume a reduction to our operating cost base, with efficiency savings of 11.2% in the cost per unit over the five year period; ensuring we continue to deliver value for money for our customers;
  - The joint venture with City Building will continue to result in a share of its profit each year, better working practices and closer collaboration. This will help support the delivery of our capital programme; and
  - The financial plans support our strategic commitment to strengthen our asset base through development, with funding in place for 241 new properties to be built over the five year period to 2024/25.

5.13 In order to achieve our ambitious strategy, we must demonstrate a strong and stable financial performance. Our Statement of Financial Position, set out below, shows a strong net asset position which improves over the first 5 years of the projections. The delivery of 241 new social housing properties will help to strengthen Cube's net asset base. Figure 2 shows the projected change in the balance sheet over the five year period to 2024/25.

**Figure 2: Balance sheet**

Statement of Financial Position	2020/21	2021/22	2022/23	2023/24	2024/25
Housing Assets and Investment Properties	142,933	154,430	155,407	153,428	160,550
Other Fixed Assets	3,704	3,384	3,048	2,719	2,395
<b>Total Fixed Assets</b>	<b>146,637</b>	<b>157,814</b>	<b>158,455</b>	<b>156,147</b>	<b>162,946</b>
Current Assets	4,957	5,027	4,960	4,906	4,906
Current Liabilities	(17,832)	(23,709)	(12,110)	(7,436)	(10,071)
<b>Net Current (Liabilities)/Assets</b>	<b>(12,876)</b>	<b>(18,682)</b>	<b>(7,150)</b>	<b>(2,530)</b>	<b>(5,165)</b>
Long-Term Liabilities	(101,194)	(106,359)	(118,803)	(119,513)	(120,369)
<b>Net Assets</b>	<b>32,568</b>	<b>32,774</b>	<b>32,502</b>	<b>34,103</b>	<b>37,412</b>
Retained Earnings	32,568	32,774	32,502	34,103	37,412
<b>Total Reserves</b>	<b>32,568</b>	<b>32,774</b>	<b>32,502</b>	<b>34,103</b>	<b>37,412</b>

5.14 The value of housing assets increases by £17.6m over the five years. The new build programme is funded by debt (and grant subsidy) which increases £11.4m over the same period. This additional debt and asset value results in a growth in net assets of £4.8m over the period.

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

**Figure 3: Cashflows generated**

Cash Flow	2020/21	2021/22	2022/23	2023/24	2024/25
Net Rental Income	19,519	20,265	21,713	22,933	23,696
Operating Expenditure	(10,540)	(10,712)	(10,431)	(10,714)	(11,076)
<b>Net Cash from Operating Activities</b>	<b>8,979</b>	<b>9,554</b>	<b>11,282</b>	<b>12,219</b>	<b>12,620</b>
Core & Other Capital Expenditure	(4,597)	(5,169)	(5,591)	(5,301)	(5,357)
New Build Expenditure	(10,908)	(17,319)	(10,765)	(1,381)	(4,453)
Grant Income	9,688	8,570	3,441	57	2,635
<b>Net Cash used in Investing Activities</b>	<b>(5,817)</b>	<b>(13,919)</b>	<b>(12,914)</b>	<b>(6,625)</b>	<b>(7,175)</b>
Finance Costs	(5,150)	(5,556)	(6,048)	(6,300)	(6,296)
<b>Net Movement in Cash</b>	<b>(1,989)</b>	<b>(9,921)</b>	<b>(7,680)</b>	<b>(706)</b>	<b>(852)</b>

- 5.16 As there is a time lag between expenditure and the generation of additional rental income, our finance costs increase before we realise the benefit of additional rents from new build properties. Upon completion of the new build programme debt repayments will commence, reducing the associated finance costs, thereby improving the cash position.
- 5.17 Cash flows need to be sufficient to service intra-group debt each year, i.e. meet the finance costs, and to repay funding within 30 years. EBITDA MRI (earnings before interest, tax, depreciation and amortisation with major repairs investment spend taken into account) over net interest payable is the ratio used by the group to assess this and ideally should be >1. The chart in figure 3 shows that the ratio is < 1 in the first three years as Cube's debt level increases to fund the new build programme and capital investment. As the additional income is generated from new build properties and rent increases the ratio improves, being >1 from 2023/24 onwards.

**Figure 4: EBITDA MRI interest cover ratio**

£'000	2020/21	2021/22	2022/23	2023/24	2024/25
EBITDA MRI	4,396	4,338	5,477	6,712	7,107
Net Interest Payable	5,147	5,316	5,826	6,221	6,283
<b>Interest cover</b>	<b>0.85</b>	<b>0.82</b>	<b>0.94</b>	<b>1.08</b>	<b>1.13</b>

- 5.18 We must ensure that Cube and the other subsidiaries within the Group meet certain financial parameters. These include ensuring that a sufficient operating margin is generated and that there is sufficient cash flow strength and asset cover to support the level of debt. As demonstrated in the table above and within the appendix, Cube is able to meet these parameters, albeit in the development years the position is weaker. This ensures WFL1, as Group treasury vehicle, is able to meet its external funding conditions.

## **6. Key issues and conclusions**

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

## **7. Value for money implications**

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

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

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

## **9. Equalities impact**

9.1 Not applicable.

## **10. Recommendations**

10.1 The Board is requested to

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

## **List of Appendices**

Appendix 1 - Cube 2020/21 Detailed Financial Projections



Better homes, better lives  
[www.cubehousing.co.uk](http://www.cubehousing.co.uk)

## Cube HA Financial Projections 2020/21

## 1. Headlines

Cube is on track to complete 133 social rent new build properties. Investment of £6m in our existing homes is also on track to be made.

The 2020/21 five year financial projections include:

- Provision to build 241 new social rent homes
- A further £24m of investment in existing housing stock
- Contribution of £1m to the Group's IT investment, which is required to make our operating practices more efficient
- £0.9m in donations to the Wheatley Foundation

Throughout the five year period presented Cube's development programme is on-going which means the statutory surplus, net assets and interest cover reported are all low (although increasing over the period) and there is a net cash outflow each year (before debt finance).

Cube's peak net debt is in 2026/27 (year 7) and finance costs on the debt borrowed from Wheatley Funding No 1 Limited steadily increase over the five years. This is in advance of the significant benefit from increased rental and lease income and lowers the statutory surpluses reported.

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

## 2. Key Assumptions

The key financial assumptions in the Cube 2020/21 Business Plan are highlighted below. All figures include VAT and inflation unless stated otherwise.

2.1 Stock

a) Stock numbers

Opening stock numbers in the plan reflect the actual stock reported in the statutory accounts as at 31 March 2019, updated for developments which are due to complete in 2019/20 (see table 2 for a breakdown) and shared ownership disposals. Table 1 below shows the split of Cube’s opening stock.

**Table 1 – Split of stock by type as at March 2020**

Unit Type	Units
General Needs and Supported	3,723
Shared Ownership	27
<b>Total (Social)</b>	<b>3,750</b>
Mid-Market Rent	27
<b>Total</b>	<b>3,777</b>

Cube’s strategic plan for 2015-20 aimed to grow housing stock by 623 properties (411 social and 212 MMR). It is projected that a total of 542 units (447 social and 95 MMR) will be completed by March 2020, some 81 units lower due to the timing of the Queen’s Quay development which was included in the original five year plan target.

b) Stock Profile – Social Housing

Cube’s Strategic Plan for 2015-2020 aimed to grow its social housing stock by 411 units. At 31 March 2020 it’s expected that a total of 447 new units will have been completed. Table 2 outlines the developments and the year of completion.

**Table 2 – Social rent units completed**

Year	Developments	Units
2015/16	Beardmore Place, Bankend Street	69
2016/17	Bilsland Drive	34
2017/18	Kelvindale Place, Liddlesdale Road	59
2018/19	Kelvindale Place, Liddlesdale Road, Carrick Terrace, Auld St, Ruchill, Barrhead South	152
2019/20	Dumbain, Bonhill PS, Stirling Rd and Westcliff	133
<b>Total</b>		<b>447</b>

c) Stock Profile – Other Affordable Housing

Cube’s Strategic Plan for 2015-2020 aimed to grow its mid-market Rent (MMR) housing stock by an additional 212 units, noting that this was a provisional allocation between social and mid-market rent homes. MMR properties provide an attractive, low cost, alternative in areas where the Private Rented Sector is considered substandard. The properties provide a greater choice of housing options for customers in our communities who receive a low to moderate salary and have proven to be popular. Table 3 outlines the developments, the year of completion and any sales. No MMR properties were completed in 2019/20.

**Table 3 – Mid-market rent units completed**

Year	Development	Units
2015/16	Milncroft Place	22
2016/17	Ellerslie Rd	46
2018/19	Ruchill	27
<b>Total Completed</b>		<b>95</b>
2018/19 sale to Lowther Homes	Milncroft Place and Ellerslie Rd	(68)
<b>Cube MMR Units</b>		<b>27</b>

As planned, 68 units were sold in 2018/19 to Lowther Homes. A total of 27 MMR units were completed in 2018/19 as part of the Ruchill development. Cube has retained ownership of these units and they are managed under a lease arrangement with Lowther Homes with the letting and management risk being taken by Lowther. On-going capital works costs will remain for the account of Cube and these costs are contained within the business plan assumptions moving forward.

d) Stock Profile - New build completions

The 2020/21 projections assume a further 241 social rent units can be delivered in the next five years. Table 4 below shows the planned profile of social housing stock (includes 27 MMR stock, but excludes shared ownership units) over the period of the projections.

**Table 4 – Housing stock numbers (ex SO)**

	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Opening Stock</b>	<b>3,750</b>	<b>3,750</b>	<b>3,825</b>	<b>3,932</b>	<b>3,991</b>
New Build	-	75	107	59	-
<b>Closing Stock</b>	<b>3,750</b>	<b>3,825</b>	<b>3,932</b>	<b>3,991</b>	<b>3,991</b>

## 2.2 Income

### a) Rent and Service Charge Income

The plan assumes an average weekly rent based on the current average rent and, subject to Board approval, a 3.4% rent increase in April 2020. In addition to rental income Cube also receives income from service charges. Based on current charges the income received is forecast to be £606k per annum (excluding new build), with supported accommodation service charges being significantly higher than general needs. Table 5 shows the rent and service charge growth assumptions over the next five years.

**Table 5 – Rent and service charge increase assumptions**

Rent Increases	2020/21	2021/22	2022/23	2023/24	2024/25
Increase %	3.4	3.5	3.5	3.5	3.5

The projections assume no further LivingWell properties, other than the existing ones at Kelvindale, Gorget and Ruchazie.

### b) Other Income

In addition to rental and service charge income Cube generates significant income from a number of other sources.

Rental Type	Service Description
Garage Rents	Cube receives income from the rental of garages and lock ups. In line with current income levels and voids this is assumed at £62k per annum.
MMR Lease Income	Lease income of £135k from Lowther Homes for the 27 unit MMR development at Ruchill

Rental Type	Service Description
Commercial	Cube receives income from radio masts at the top of a number of multi-storey blocks and office rental. In line with current income level the projections assume annual commercial income of £89k.

Income	
Factoring Income	Cube’s factored properties are currently administered by YourPlace and will fully transfer to Lowther on the merger of the two businesses when the timing of which is subject to the date of final approval from the Financial Conduct Authority (“FCA”). The service reports a nil surplus/deficit in Cube’s accounts.
District Heating Scheme	The biomass district heating schemes operates at Collina, Gorget and Broomhill. Annual income of £335k has been assumed in the financial projections, and a small deficit is allowed for.

### 2.3 Cost Inflation Assumptions

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

**Table 6 – Inflation assumptions**

Inflation	2020/21	2021/22	2022/23	2023/24	2024/25
General cost inflation	0%	3.00%	3.00%	3.00%	3.00%
Wage inflation	0%	2.20%	2.20%	2.20%	2.20%

2.4 Operating performance

The percentage of rent lost to voids and bad debts has been based on historical performance together with our performance expectations going forward. Table 7 below shows the assumptions in the plan for the next five years.

**Table 7 – Void, bad debt and arrears assumptions**

<b>Void, Bad Debt &amp; Arrears</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Routine voids (%) – General Needs	1.3	1.3	1.3	1.3	1.3
Routine voids (%) – Supported	Varies from 1.3% to 11%				
Bad debts (%) – General Needs	3.0	3.0	3.0	3.0	3.0
Bad debts (%) – Supported	2.0	2.0	2.0	2.0	2.0
Arrears (£'000)	494	564	497	443	443

The plan assumes voids remain at a constant % of rental income. Current year to date performance overall is 1.0%, therefore our assumptions are prudent compared to historical rates.

The financial projections still include provision for higher void levels in our Homelink (supported) properties recognising the specialist nature of the service provided in this accommodation.

Business plan assumptions on the movement in arrears as a result of Universal Credit have been updated to reflect our experience and expectations going forward including:

- Increase in the number of tenants moving to universal credit (a total of 1,602 tenants – all tenants of working age)
- 80% of tenants who move to universal credit will have an increase in arrears, with this increase equivalent to 5 weeks rent; and
- Of this increased arrears balance it is assumed only 40% will be recovered which will take up to two years.

## 2.5 Management and Service costs

Cube’s employee cost assumptions reflect Cube’s direct staff structure. Additionally, Cube pays an appropriate share of the salaries of investment, NET’s and Wheatley 360 staff. Improved working practices will ensure the growing asset base can be managed within the existing staff complement, as reflected in the static staff cost in the table below.

Running costs, which include day to day expenditure but exclude Initiatives and district heating scheme costs, are assumed to increase by 9% over five years. This increase relates to the additional costs assumed to manage the new social rent units delivered through the development programme.

The plan assumes recharges from Group, which includes employee and running costs for central services such as Human Resources, IT, Finance, Regeneration and the Transactional Hub, to reduce by 4% by 2022/23, remaining constant thereafter. This reflects further efficiency savings resulting from investment in back office services. Table 9 sets out the overall management costs are assumed in the plan.

The savings noted above are required in order to be able to re-invest in our business and grow our asset base.

**Table 8 – management cost assumptions (excluding inflation)**

Management Costs	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Employee Costs (excluding pension deficit)	3,113	3,113	3,113	3,095	3,095
Pension deficit contribution	540	557	0	0	0
Running Costs	875	877	920	950	957
Wheatley Solutions Recharge	1,455	1,413	1,402	1,402	1,402
<b>Total</b>	<b>5,983</b>	<b>5,960</b>	<b>5,435</b>	<b>5,448</b>	<b>5,455</b>

## Service Costs

Service costs mainly relate to communal electricity and district heating. The increase in spend every other year is due to HIU inspections required every two years for dwellings connected to district heating schemes.

**Table 9 – service cost assumptions (excluding inflation)**

Service Costs	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Services (including District Heating)	949	1,006	949	1,006	949

## Initiatives

Other Group recharges include provision for various initiatives which are available to tenants. The largest of these is our contribution to the Wheatley Foundation. The Wheatley Foundation is a charitable trust established with the aim of delivering community benefits. Cube will contribute £195k in 2020/21, reducing to £160k from year 4.

Initiatives also include the tenancy support service (TSS), provided by colleagues from Loretto Care, to help our tenants who are struggling to sustain their tenancy due to underlying mental health or other personal challenges. Our contribution to TSS is £192k per annum.

2020/21 also includes support for The Helping Hand Fund of £60k; the fund providing support to those customers experiencing severe hardship. In addition, all tenants can talk with a Welfare Benefits or Fuel Advisor for support in managing their money and bills. The aim of these initiatives is to help our tenants sustain their tenancy, and to continue to improve our performance in tenancy sustainment for more than a year.

These provisions are considered to be an investment in creating strong and sustainable communities and providing better opportunities for our tenants. It is anticipated that this will contribute to the sustainability of the income stream for Cube over the long term.

**Table 10 – Other Group Recharges - Initiatives (excluding inflation)**

Other Group Recharges	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Initiatives	460	392	385	339	332

2.6 Asset management and growth

a) Revenue Repairs and Maintenance

Following the creation of the joint venture with City Building, the plan assumes further efficiency savings in repair expenditure through better working practices and closer collaboration City Building. Table 11 summarises the revenue repairs and maintenance in the plan.

**Table 11 – Planned and Routine Maintenance costs (excluding inflation)**

Repairs & Maintenance	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Routine Maintenance	1,598	1,537	1,623	1,627	1,773
Planned Maintenance	1,061	1,077	1,065	1,054	1,042
<b>Total</b>	<b>2,659</b>	<b>2,614</b>	<b>2,688</b>	<b>2,681</b>	<b>2,816</b>
Average No. of Units	3,723	3,761	3,852	3,935	3,964
<b>Average Repair £ cost per unit</b>	<b>£714</b>	<b>£695</b>	<b>£698</b>	<b>£681</b>	<b>£710</b>

b) Capital Investment

Cube’s existing stock fully meets the Scottish Housing Quality Standard (SHQS) and has benefited from a major programme of fire safety works in the last two years. The current Strategic Plan involved investment of £40m in existing properties over the five years 2015-20. Over £40m has already been invested and the projections allow for a further £23.6m in existing properties over the period of our new five year strategy, ‘Inspiring Ambition, Unleashing Potential’. This is possible due to increased operational efficiencies in management costs and repairs and maintenance expenditure, and access to borrowing via the Group. Table 12 presents the capital programme for the next five years. Within the Core Programme (excluding capitalised repairs) 5% (£1.9m) has been allocated to local priorities with spending decisions made in consultation with and led by our customers.

**Table 12 – Capital investment programme (excluding inflation)**

Capital Investment	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Core Programme (including capitalised repairs)	3,168	3,592	3,842	3,422	3,329	17,354
Void Repairs	834	837	841	844	847	4,204
Other	269	267	265	263	261	1,326
Medical Adaptations	139	139	139	139	139	695
<b>Total</b>	<b>4,410</b>	<b>4,836</b>	<b>5,087</b>	<b>4,668</b>	<b>4,577</b>	<b>23,579</b>

The purpose of the core investment programme is to improve and maintain the quality of our homes, shaped by feedback received from customers, to ensure our communities are great places to live and increase satisfaction of tenants with the quality of their home to 90% by 2020.

a) New Build Programme

The new build programme is set out at Section 1.1; 241 new Social housing units planned to be delivered over the next five years. One of the key themes in the 2020-2025 draft strategy is building communities and as part of this developing over 3,000 new homes. The projections include Cube’s provisional share of this target. Table 13 summarises the investment in new build homes over the next five years.

**Table 13 – New build funding profile (including inflation)**

New Build Programme	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Development Costs	10,908	17,319	10,765	1,381	4,453	44,826
Grant Income (cash received)	9,688	8,570	3,441	57	2,635	24,391
<b>Net Cost</b>	<b>1,220</b>	<b>8,749</b>	<b>7,323</b>	<b>1,324</b>	<b>1,818</b>	<b>20,435</b>
Completed Units	0	75	107	59	0	241

b) ICT

In order to continue to deliver service development and improvement, the projections include a provision of £1m over the next five years. This represents Cube’s share of the Group capital IT investment programme, and includes, increasing the number of online services offered and direct video calling for customers to our transactional hub.

2.8 Operating Cost per Unit

As a result of the assumed efficiencies in management costs and repairs and maintenance, our operating costs per unit, excluding district heating, depreciation and finance costs, decrease over the five year period and are set out in Table 14 below.

**Table 14 – Projected operating cost per unit (excluding inflation)**

<b>Operating Costs (£'000)</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Operating Costs	9,102	8,966	8,508	8,467	8,603
Average No. of Units in year	3,723	3,761	3,852	3,935	3,964
<b>Operating Cost per Unit</b>	<b>2,445</b>	<b>2,384</b>	<b>2,209</b>	<b>2,152</b>	<b>2,170</b>

This represents an 11.2% saving to the operating cost base over the five year period. Efficiency savings will also arise as due to continuing investment in service transformation, including the introduction of self-service and automated services.

2.9 Interest Rate assumptions

The new build programme planned requires debt finance to be drawn down over time. In line with the wider Group funding strategy, borrowing is advanced from Wheatley Funding No 1 Limited (WFL1) at an assumed blended all in average funding rate of 5.25%. The blended funding rate reflects a combination of bank and bond funding, any fixed rate arrangements in place and any monitoring or commitment fees payable by WFL1 to external funders and is consistent across all Group subsidiaries.

**Table 15 – Interest rate assumptions**

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

### 3. Financial projections

#### 3.1 Statement of Comprehensive Income

**Table 16 – Income and expenditure projections**

<b>Statement of Comprehensive Income</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Net Rental Income	18,841	19,531	20,847	22,085	22,902
Other Income (including MMR lease income)	746	761	776	792	808
Grant Income	139	7,570	10,427	4,884	157
<b>Total Income</b>	<b>19,727</b>	<b>27,863</b>	<b>32,050</b>	<b>27,760</b>	<b>23,866</b>
Management Costs	(7,393)	(7,530)	(7,116)	(7,323)	(7,445)
Repair and Maintenance Costs	(2,659)	(2,692)	(2,852)	(2,930)	(3,169)
Bad Debt	(543)	(562)	(587)	(612)	(632)
Depreciation	(7,349)	(7,648)	(8,544)	(9,169)	(9,488)
<b>Operating Expenditure</b>	<b>(17,943)</b>	<b>(18,433)</b>	<b>(19,099)</b>	<b>(20,033)</b>	<b>(20,735)</b>
Gain on Investment Properties	41	42	43	44	44
<b>Operating Surplus</b>	<b>1,825</b>	<b>9,472</b>	<b>12,993</b>	<b>7,771</b>	<b>3,176</b>
<b>Operating Margin (%)</b>	<b>9%</b>	<b>34%</b>	<b>41%</b>	<b>28%</b>	<b>13%</b>
Finance Costs	(5,147)	(5,316)	(5,826)	(6,221)	(6,283)
Housing Property Valuation Movement	4,548	(3,950)	(7,440)	52	6,415
<b>Total Comprehensive Income</b>	<b>1,226</b>	<b>206</b>	<b>(272)</b>	<b>1,602</b>	<b>3,308</b>

## Rental and Other Income

Investment in the new build programme & assumed rent increase will generate growth in rental income of 21.6% over the next 5 years.

## Grant Income

In line with SORP 2014, the projected Income and Expenditure account shows recognition of grant income upon completion of the properties. The result of this is operating margin increasing or decreasing in line with the level of grant income. Depreciation will increase in line with an increased asset base.

## Investment Property Valuation Movement

Mid-market rent properties are held on the balance sheet as Investment Properties. These properties are valued annually, with any increase or decrease in valuation recognised within the Income & Expenditure account.

## Expenditure

Even with the planned asset growth, improved working practices and closer collaboration with our service providers over the next 5 years will result in efficiency savings that achieve a 11.2% reduction in operating cost per unit in real terms.

## Finance Costs

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

## Housing Property Valuation Movement

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

## Statutory Surplus/(Deficit)

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

3.2 Statement of Financial position

**Table 17 – Statement of financial position projection**

<b>Statement of Financial Position</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Housing Assets and Investment Properties	142,933	154,430	155,407	153,428	160,550
Other Fixed Assets	3,704	3,384	3,048	2,719	2,395
<b>Total Fixed Assets</b>	<b>146,637</b>	<b>157,814</b>	<b>158,455</b>	<b>156,147</b>	<b>162,946</b>
Current Assets	4,957	5,027	4,960	4,906	4,906
Current Liabilities	(17,832)	(23,709)	(12,110)	(7,436)	(10,071)
<b>Net Current (Liabilities)/Assets</b>	<b>(12,876)</b>	<b>(18,682)</b>	<b>(7,150)</b>	<b>(2,530)</b>	<b>(5,165)</b>
Long-Term Liabilities	(101,194)	(106,359)	(118,803)	(119,513)	(120,369)
<b>Net Assets</b>	<b>32,568</b>	<b>32,774</b>	<b>32,502</b>	<b>34,103</b>	<b>37,412</b>
Retained Earnings	32,568	32,774	32,502	34,103	37,412
<b>Total Reserves</b>	<b>32,568</b>	<b>32,774</b>	<b>32,502</b>	<b>34,103</b>	<b>37,412</b>

Housing Assets

The plan assumes Housing Property assets to increase 12.3% over five years due to the construction of 241 additional properties and an assumed increase in the value of our existing stock as a result of investment.

Other Assets

This includes the CHP plant at Wyndford, district heating scheme energy centres at Broomhill, Collina and Gorget, and investment in our offices at Maryhill Burgh Halls and Dumbarton. The decrease in asset value is due to annual depreciation costs. No significant additions are planned to other fixed assets.

### Current Assets

Current assets include cash, rent arrears, net of bad debt provision; and other debtors, such as office rent and insurance prepayments. The table shows current assets remaining fairly static across the five years, due to matching debt drawdowns with cash requirements.

### Current Liabilities

Current liabilities are high throughout the five year period due to the deferral of grant income received until the relevant scheme is complete. Deferred grant income is a liability.

### Long-Term Liabilities

Long-term liabilities mainly relate to the loan due from Cube to Wheatley Funding Limited 1 (WFL1) and deferred income. The net balance due to WFL1 increases from £96.3m at March 2020 to £117.8m at March 2025, funding new build development. Peak net debt is in year 7 (2026/27) and is £122.6m.

### Retained Earnings

Retained earnings are planned to increase from £31.3m at March 20 to £37.4m at 31 March 2025, reflecting the cumulative statutory surplus of £6.1m projected over the next five years. Whilst property valuation movements assist the accumulation of reserves, the strong operating surplus is the main reason for the increase over the period, reflecting the strong income base, and cost efficiencies.

3.3 Statement of Cash flow

**Table 19 – Cashflow projections**

<b>Cash Flow</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Net Rental Income	19,519	20,265	21,713	22,933	23,696
Operating Expenditure	(10,540)	(10,712)	(10,431)	(10,714)	(11,076)
<b>Net Cash from Operating Activities</b>	<b>8,979</b>	<b>9,554</b>	<b>11,282</b>	<b>12,219</b>	<b>12,620</b>
Core & Other Capital Expenditure	(4,597)	(5,169)	(5,591)	(5,301)	(5,357)
New Build Expenditure	(10,908)	(17,319)	(10,765)	(1,381)	(4,453)
Grant Income	9,688	8,570	3,441	57	2,635
<b>Net Cash used in Investing Activities</b>	<b>(5,817)</b>	<b>(13,919)</b>	<b>(12,914)</b>	<b>(6,625)</b>	<b>(7,175)</b>
Finance Costs	(5,150)	(5,556)	(6,048)	(6,300)	(6,296)
<b>Net Movement in Cash</b>	<b>(1,989)</b>	<b>(9,921)</b>	<b>(7,680)</b>	<b>(706)</b>	<b>(852)</b>

Net Cash from Operating Activities

The plan assumes cash from operating activities to increase by 41% over the course of the projections. This increase is due to the completion and handover of 241 new build properties, generating additional income, and the operating cost per unit decreasing 11.2% over the same period.

Net Cash used in Investing Activities

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

Finance Costs

This reflects the interest due on our loan with Wheatley Funding No 1 Limited. As expenditure is incurred to pay for our new build programme, Cube will use existing cash resources, followed by drawing down money from Group. Peak net debt is reached in 2026/27, which is year 7 of the plan; after this point in the absence of further new build, debt reduces as repayments are made, and the corresponding finance costs reduce.

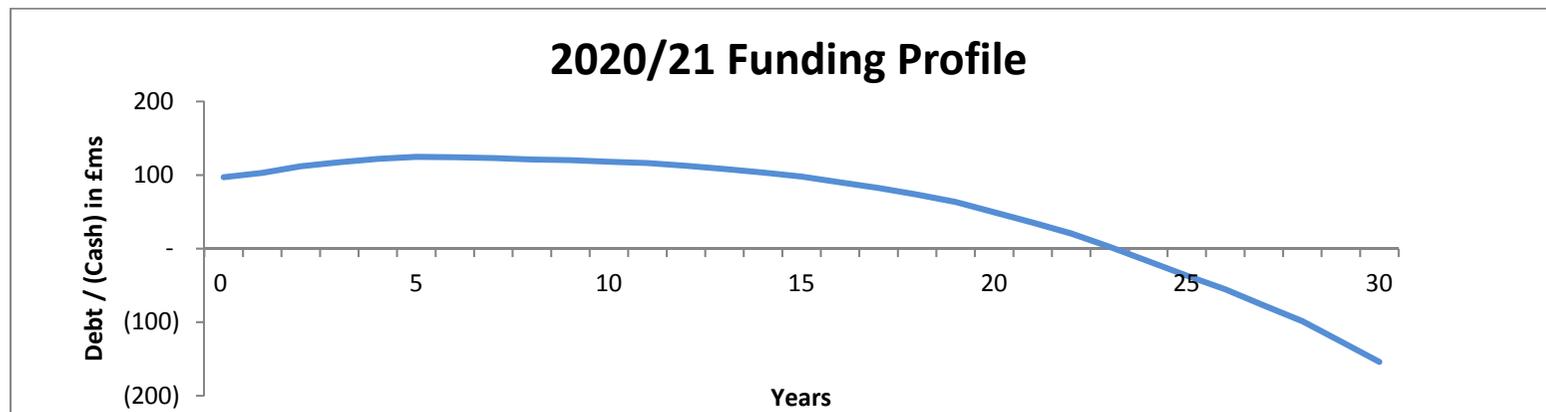
Net Movement in Cash

In the first five years of the plan we anticipate a £21.2m net decrease in cash. This is due to significant investment in our existing properties, and the new build programme, in line with our strategic objectives.

**4. Funding and debt profile**

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

Debt indicator	Value
Peak net debt	£122.6m
Peak debt year	7
Debt repayment year	24
Cash at Year 30	£139.1m



## 5. Key financial parameters

### a) WFL1 Funding

Whilst covenants attached to WFL1 funding are assessed at Group level, rather than individual RSL level, there are important financial parameters which need to be met to ensure that Cube remains financially sustainable in the long term and that its contribution to the RSL Borrowing Group, along with all the other RSLs in the group, allows WFL1 to meet its external funding conditions.

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

#### i. Operating margin generation

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

£'000	2020/21	2021/22	2022/23	2023/24	2024/25
Income (excluding grant income and property valuation movement)	19,588	20,292	21,623	22,876	23,710
Adjusted Operating Surplus	1,645	1,860	2,524	2,844	2,975
<b>Adjusted Operating Margin (%)</b>	<b>8.40%</b>	<b>9.16%</b>	<b>11.67%</b>	<b>12.43%</b>	<b>12.55%</b>

The adjusted operating margin, which excludes grant income and valuation movements, is the measure used to test covenant compliance. It is lower than the operating margin reported in the Statement of Comprehensive income at 3.1, illustrating the significant impact that the recognition of grant income on completion of new build has on the results. The margin increases over the five years due to additional rental income generated from completed new build units, as well as efficiency savings.

## ii. Cash flow strength

Cash flows need to be sufficient to demonstrate that there is sufficient cash available to service intra-group debt each year and to repay funding within 30 years. EBITDA MRI (earnings before interest, tax, depreciation and amortisation and taking into account major repairs investment spend) removes items that are not cash and/or unrelated to underlying operations, such as grant income and property valuation movements, to assess the funds available to meet interest payments. A ratio > 1 means that there is sufficient capacity to meet interest payments as they fall due. As the debt principal must also be repaid, long term, the interest cover ratio needs to be comfortably over 1 to demonstrate sufficient capacity to repay capital.

£'000	2020/21	2021/22	2022/23	2023/24	2024/25
EBITDA MRI	4,396	4,338	5,477	6,712	7,107
Net Interest Payable	5,147	5,316	5,826	6,221	6,283
<b>Interest cover</b>	<b>0.85</b>	<b>0.82</b>	<b>0.94</b>	<b>1.08</b>	<b>1.13</b>

Note that EBITDA MRI increases across the five years as rental income from completed new build properties is generated. The interest cover won't improve significantly until the development programme completes as during this period Cube's debt is continuing to increase (and related interest) but without the benefit of all the additional rental income from the units.

Increases in rental income (as noted in paragraph 2.2) and continuing management of the cost base during this period are of extreme importance.

The long term financial projections currently assume that debt can be repaid in Year 24 of the plan with £139.1m of cash generated in Year 30.

## iii. Asset cover

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

**6. Risk analysis**

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

Nr	Risk description	EBITDA MRI Interest Cover					Cash flow			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £k	Debt repaid	Cash (Year 30)	
<b>Base Case</b>		<b>0.85</b>	<b>0.82</b>	<b>0.94</b>	<b>1.08</b>	<b>1.13</b>	<b>£122.6m</b>	<b>24</b>	<b>£139.1m</b>	
1	Cost inflation decreases to 2.5% from year 3	0.85	0.82	0.95	1.09	1.15	£122.4m	24	£155.1m	As expected this has a positive impact on the Business Plan, more so in later years as the compound effect of lower than assumed inflation results in improved performance and cash flows. Whilst there is no change to the year of debt repayment, cash at year 30 increases by £16m
2	Rent increase reduced to 3% for duration of plan	0.85	0.80	0.91	1.03	1.06	£124.9m	28	£40.7m	In early years EBITDA MRI cover deteriorates, though still exceeds 1 by year 4. The compound effect of these lower rent increases delays the debt repayment period by 4 years and decreases cash at year 30 by £98.4m. In mitigation costs, costs of operation, investment and new build would be reviewed in order to reduce the overall cost and cash requirement to within a manageable level.

Nr	Risk description	EBITDA MRI Interest Cover					Cash flow			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £k	Debt repaid	Cash (Year 30)	
<b>Base Case</b>		<b>0.85</b>	<b>0.82</b>	<b>0.94</b>	<b>1.08</b>	<b>1.13</b>	<b>£122.6m</b>	<b>24</b>	<b>£139.1m</b>	
3	Bad debt increases by 1%	0.80	0.78	0.90	1.04	1.09	£124.5m	25	£121.9m	The increase to bad debt causes debt repayment to be delayed by one year, with peak debt increasing £1.9m, and year 30 cash decreasing £17.2m. The monthly reporting process would identify any trend towards a deterioration of the bad debt position, allowing for time to understand the reasons and work towards resolution.
4	Employee costs increase by 2% higher per year (4.2%) in year 2.	0.85	0.81	0.94	1.07	1.13	122.8m	24	£137.4m	Interest cover is only marginally affected, and remains on trend, being >1 by year 4. Peak debt increases by £0.2m and closing cash is reduced by £1.7m. Operational cost efficiencies would be sought elsewhere in order to mitigate any impact from increased employee costs.
5	Repairs & maintenance costs increase by £250k a year for duration of plan	0.79	0.76	0.89	1.02	1.07	£125.1m	25	£117.1m	Whilst there is a slight reduction to EBITDA MRI, the main impact is on peak debt (increasing £2.5m) and closing cash (decreasing £22m), with debt repayment being delayed by one year. In mitigation cost efficiencies would be sought elsewhere in the event of increasing management costs.

Nr	Risk description	EBITDA MRI Interest Cover					Cash flow			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £k	Debt repaid	Cash (Year 30)	
<b>Base Case</b>		<b>0.85</b>	<b>0.82</b>	<b>0.94</b>	<b>1.08</b>	<b>1.13</b>	<b>£122.6m</b>	<b>24</b>	<b>£139.1m</b>	
6	The introduction of a new housing standard requires additional capital investment of £3m over the course of years 2 and 3	0.85	0.51	0.64	1.05	1.10	£126.8m	25	£127.8m	The additional investment has a significant impact on interest cover in years 2 and 3 due to the effect of additional capex reducing cash surplus, and increased interest costs as a result of additional debt funding; however, this is still on trend being >1 by year 4. Peak debt increases £4.2m and repayment is delayed by one year to year 25. Closing cash reduces by £11.3m. In mitigation any non-essential works would be delayed in order to accommodate investment priorities, and cost efficiencies would be sought within the operational cost base and new build programme.
7	New Build schemes are all delayed by 3 months	0.85	0.81	0.94	1.08	1.13	£122.9m	24	£138.2m	This has the effect of delaying the net operating surplus generated by new build units; costs of finance increase due to debt being held for longer than anticipated and the organisation is also potentially exposed to inflated costs brought about by the delay. Overall peak debt increases by £300k and cash at year 30 decreases by £900k. Whilst Cube can absorb these impacts, the development team would endeavour to reduce the impact of this through contract negotiation and planning forward for known issues.

Nr	Risk description	EBITDA MRI Interest Cover					Cash flow			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £k	Debt repaid	Cash (Year 30)	
<b>Base Case</b>		<b>0.85</b>	<b>0.82</b>	<b>0.94</b>	<b>1.08</b>	<b>1.13</b>	<b>£122.6m</b>	<b>24</b>	<b>£139.1m</b>	
8	A major house builder goes into administration affecting almost half of Cubes development programme. This causes a 6 month delay to completions and increases costs by 20%	0.85	0.82	0.99	1.03	1.08	126.70	25	£128m	Interest cover increases in year 3 due to the delay to the scheme, meaning less debt has been drawn. This subsequently decreases in years 4 and 5 due to the additional debt requirement to complete the scheme, increasing interest costs. The delayed handover of completed units also means rent is not being generated until later. Peak debt increases by almost £4m, and closing cash decreases by almost £11m. In mitigation we would expect that this would be picked up by our monthly monitoring of contract exposure, allowing time for resolution before the contractor fell into administration. We would seek to absorb any impact from this within the investment programme funding allocation, and by reducing non-essential work within the capital investment programme.



## Report

**To:-** Cube Housing Association Board

**By:-** Laura Henderson, Managing Director

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

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

**Date:-** 4 February 2020

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### 1. Purpose

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

### 2. Authorising context

2.1 The Intra Group Agreement as well as the Group Authorising Framework sets out that the Group Board is responsible for the agreement of a Group strategy. We have responsibility for approving:

- Our individual strategy;
- Our strategic priorities; and
- How the strategy is implemented in a way that reflects our specific circumstances.

### 3. Risk appetite and assessment

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

### 4. Background

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

## 5. Discussion

### The approved Group strategy

- 5.1 The draft Group strategy was well-received by Boards across the Group, and remains as exciting and ambitious as it was when it was first presented a year ago. However, reflecting on some of the feedback from the Boards and discussions at the Group Governance Event and Group Board residential, some changes have been made. These changes ensured that the final Group strategy reflects our latest thinking and strategic direction, in particular the potential growth of the Group into Dumfries & Galloway. Subsequently, at the October 2019 Group Board, the Group strategy for 2020-25 was approved.
- 5.2 In the period since the Cube Board feedback and October 2019 approval of the Group strategy, work has been undertaken to refine the proposed summary Cube Strategy 2020-25. The key updates are summarised below.
- (i) *Restructuring of strategic themes to draw out our work in changing lives and communities more strongly.*
- 5.3 Initially, four key strategic themes were proposed. In response to Board feedback we have amended these slightly; splitting the “Creating Customer Value” theme into two; one theme based on services (“Delivering Exceptional Customer Experience”) and a specific theme to emphasise the importance of our role in “Changing Lives and Communities”. The latter covers our care and wraparound services through Wheatley 360, but also introduces a new strategic outcome of *Supporting economic resilience in our communities*, which picks up our work on employment, education, training and poverty alleviation through the Wheatley Foundation.
- 5.4 We have also renamed the theme “Building Communities and Engagement” as “Making the Most of our Homes and Assets” to make it clearer that this theme relates to our physical assets and infrastructure. Engagement as a topic is threaded throughout the strategy, not just linked to our physical assets.
- 5.5 The revised set of strategic themes is:
- *Delivering Exceptional Customer Experience;*
  - *Making the Most of our Homes and Assets;*
  - *Changing Lives and Communities;*
  - *Developing our Shared Capability; and*
  - *Enabling our Ambitions.*
- (ii) *Updated strategic outcomes*
- 5.6 The strategy sets out the key strategic outcomes we will achieve by 2025. These have been amended to:

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

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

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

*(iv) Updating our plans for the repairs service*

5.8 In the last year our plans for our new repairs service have taken greater shape, as presented to the Cube Board in October under the banner of *MyRepairs*. The content in the strategy has been updated to reflect our latest detailed plans and the sequencing of work to deliver service improvements.

*(v) Greater focus in care on supporting existing customers*

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

## Our strategy

5.10 Our proposed Strategy 2020-25 is provided at appendix 1. In addition to capturing changes made in the Group strategy, the updated summary emphasises our key priorities as identified during our strategy workshop in May 2019:

(i) *Be a catalyst for positive change in our customers' lives*

5.10.1 Our vision very strongly sets out that our services will be customer led. As with the Group strategy; engagement with our customers and communities is a common thread throughout our strategy. Through involving and engaging our customers we aim to deliver bespoke and highly personalised services which are important to them as well supporting them to meet their wider aspirations through employment and training opportunities.

(ii) *Understanding what creates value for money for our customers*

5.10.2 Delivering exceptional customer experience sets out our commitment to understanding what creates value for our customers and how this can be improved by prioritising the services which mean the most to our customers and working with them to define what 'outstanding' service means to them. We have made great progress in energy efficiency with over 65% of our homes already benefiting from energy efficient initiatives. Over the next five years our ambition is to make a giant leap forward on our journey towards our long term aims of becoming carbon neutral and eliminating fuel poverty

(iii) *Ensuring right behaviours around our digital transition*

5.10.3 We have recognised, whilst fully harnessing the benefits of technology to our customers and business, that face to face contact will always be important to some. We have detailed our commitment to listen and co-design the transformation of services, as well as establishing affordable and accessible Wi-Fi connections to ensure no-one is left behind.

(iv) *Influence on local and national levels to benefit our communities*

5.10.4 Through development of structured engagement with key partner organisations such as DWP, Health and Social Care and local authorities we will raise our collective voice on important challenges that our customers face and drive change for the benefit of our communities. This will be particularly important with the continuation of the roll out of Universal Credit during the period of our Strategy.

(v) *Unique places to live – high rise living*

5.10.5 We will utilise the unique nature of high-rise living which represents 50% of our homes to engage with customers every day through local teams, with a bespoke engagement programme for each site.

## From strategy to implementation

### (a) Delivery Plans

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

5.12 These delivery plans are:

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

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

### (b) New Performance Management Framework

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

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

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

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

- *Key Performance Indicators (KPIs)* – these are the key measures which have been linked to the strategy.
- *Projects* – these are the priorities detailed in the strategy and detailed in the Group wide supporting chapters. We will monitor achievement of planned business outcomes along with achievement of milestones.

- *Impact Measures* – the strategy includes a number of actions which will have a positive impact on our customers’ lives e.g. reducing the cost of running a household by 10% and building the confidence and resilience of our communities. This new reporting area will monitor achievement of these areas. We plan to work in partnership with specialists in this area (e.g. the Fraser of Allander Institute) to develop an approach which would index our impact on our customers, our communities and national wellbeing. This will also provide external assurance on our impact in these areas.
- *Operational Measures* – these will be the routine measures used at an operational level to monitor performance (e.g. Annual Return on Charter measures) and will continue to be used.

5.17 Further detail on the implementation of the Performance Management Framework will be provided to the Board in early 2020.

## **6. Value for money implications**

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

## **7. Impact on financial projections**

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

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

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

## **9. Partnership implications**

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

## **10. Implementation and deployment**

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

## **11. Equalities impact**

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

## **12. Recommendation**

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

### **List of Appendices**

Appendix 1 – Summary Cube Strategy 2020-25: Inspiring Ambition: Unleashing Potential

# Inspiring Ambition, Unleashing Potential

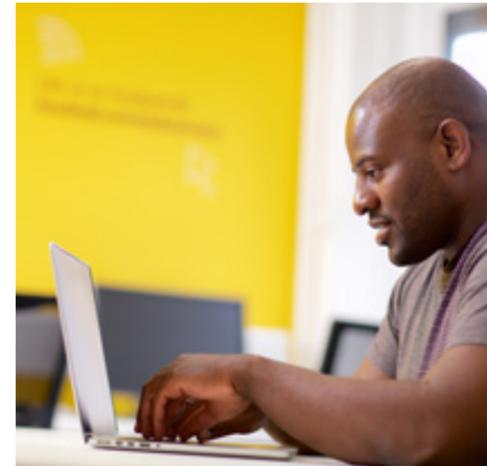


# 2020-2025



## Cube Housing Association Our five-year strategy





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# OUR VISION FOR 2020 TO 2025

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

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

An ambitious new-build programme has seen us work closely with our key partners, seven Local Authorities, Glasgow, East and West Dunbartonshire, East Renfrewshire, North and South Lanarkshire, Renfrewshire and the Scottish Government, to bring forward much-needed new affordable homes. Over the lifetime of this strategy we will build hundreds more homes while continuing to invest in the fabric of our existing homes.

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

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

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

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

By 2025, we know that the expectations of our customers and our staff will be very different. We will evolve how we work, listening and responding so that Cube remains in the best possible shape to deliver on its ambitions. Key to this is understanding the needs of our diverse range of customers across eight Local Authorities. This includes where high-rise living, (50% of our homes), brings whole communities under one roof. Within our stock we have 26 storey blocks at Wyndford, which are in the top three tallest buildings in Glasgow, and we will consider a range of options for the future throughout the lifetime of the strategy.

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

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



# OUR VISION – CUBE IN 2025

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



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

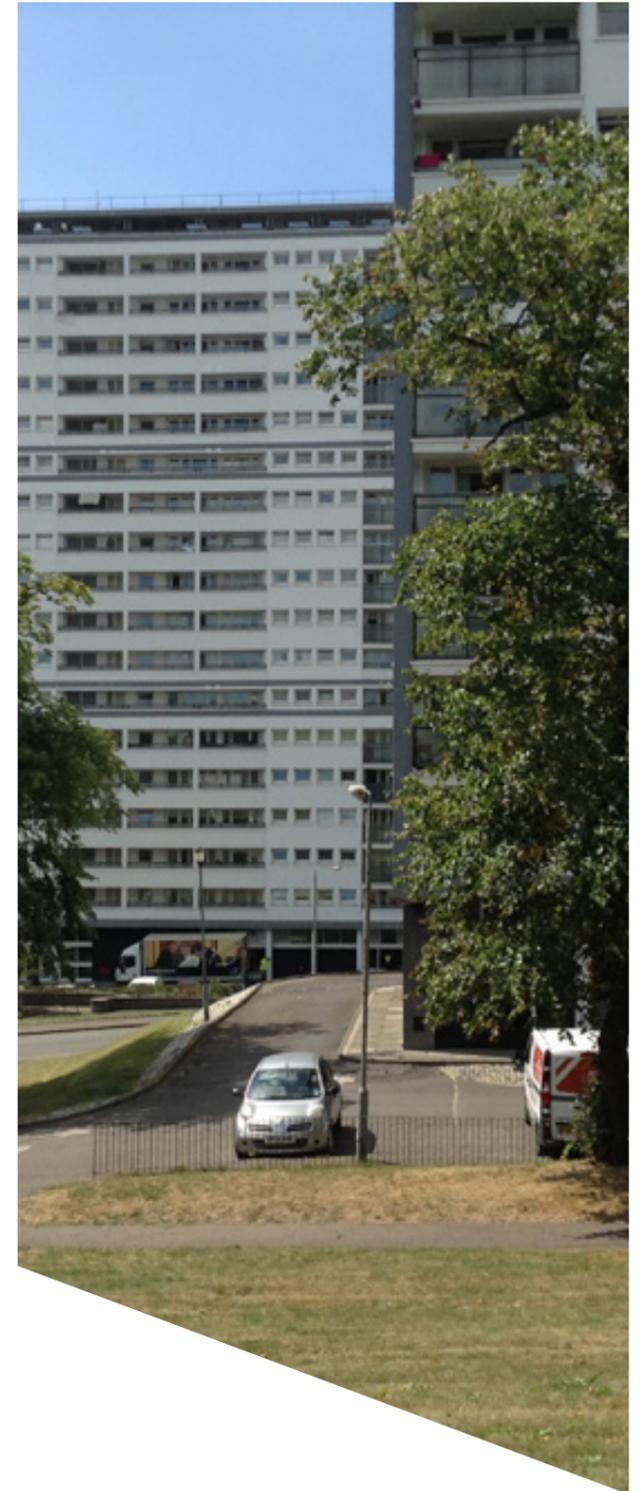
<p><b>Our purpose:</b> Making Homes and Lives Better</p>				
<p><b>Our vision:</b> Customers have increased control over their services, their communities and their lives, with new opportunities for building skills and resilience.</p> <p>We will work ethically and sustainably, ensuring our homes and services are affordable for our customers, sharing our expertise and collaborating with others to improve the fabric of our customers' lives while creating great communities.</p>				
<p><b>Strategic themes:</b></p>				
Delivering exceptional customer experience	Making the most of our homes and assets	Changing lives and communities	Developing our shared capability	Enabling our ambitions
<p><b>Strategic outcomes:</b></p>				
<p>Progressing from excellent to outstanding</p> <p>Enabling customers to lead</p> <p>Developing a customer led repairs service</p>	<p>Increasing the supply of new homes</p> <p>Investing in existing homes and environments</p> <p>Setting the benchmark for sustainability and reducing carbon footprint</p> <p>Building community voice, engagement and resilience</p>	<p>Developing peaceful and connected neighbourhoods</p> <p>Supporting economic resilience in our communities</p>	<p>W.E. Think – creating our “Think Yes Together” culture</p> <p>W.E. Create – driving innovation</p> <p>W.E. Work – strengthening the skills and agility of our staff</p>	<p>Raising the funding to support our ambitions</p> <p>Maintaining a strong credit rating and managing financial risks</p> <p>Evolving digital platforms to support our activities</p> <p>Influencing locally and nationally to benefit our communities</p>

These themes and outcomes align the strategic priorities across our Group. The particular priorities of Cube’s strategy for 2020-25 are detailed in the following sections of this document under each strategic theme.

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

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

- **Strengthening the Economy** – this will include tracking the significant impact this strategy will make to the Scottish GDP. It is projected by Cube that the operating and capital spend over the 2020-25 period is estimated to support up to 340 jobs, training places and apprenticeships annually and have a total impact of up to £90m on GDP.
- **Reducing Poverty and Improving Wellbeing** – this will include measuring how we are reducing the cost of running a home and tracking the positive impact our support services are making to both customers’ financial circumstances and overall wellbeing and resilience.
- **Improving our Environment and Mitigating Climate Change** – this will include reducing our corporate carbon footprint by 50% (from 2012 baseline), reducing the CO2 emissions in our Wheatley homes by at least 1,000 tonnes and raising the environmental standard of our New Build homes making them more energy efficient and cheaper to run.
- **Strengthening our communities** – this will include increasing customers’ social capital, expanding our engagement methods and measuring the positive impact this is making to our customers and our communities. We will also track how our increased community cohesion is helping to make our neighbourhoods more ‘peaceful’.



## Our values:

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



# 1. DELIVERING EXCEPTIONAL CUSTOMER EXPERIENCE

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

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

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

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

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

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

Our new **Whole Family Approach** is focused on improving outcomes for families. Children and young people will become part of decision-making in our neighbourhoods, such as the use of outdoor space around our high rise blocks. In our homes, we'll look to develop more child-friendly features such as better storage for family equipment. In high-rise homes this may involve providing storage for bikes, prams and play equipment; promoting active play and healthy living. New-build homes will be designed to suit modern family living. As children grow we will support families with employment and training opportunities through the Wheatley Foundation. Young adult children in our homes will be offered a housing options consultation as they consider setting up their own home.

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

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

We will re-design the way we engage with customers. Enabling them to have more choices and control to make changes that are important to them. **Co-designing the transformation of our services** with our customers will ensure **no one is left behind**. We will utilise the unique nature of high-rise living to engage with customers every day through local teams, with a bespoke engagement programme for each site. Building on the success of our "We're here to help" campaign, we will utilise community spaces and work with partners and stakeholders to provide tailored support and services that meet the specific needs of customer groups, whether they are delivered digitally or face to face. We will encourage a diverse range of customers to talk about their experiences and the **issues that matter to them** and will encourage our **customers to challenge our performance** and outcomes.

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

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





### Our key performance indicators:

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



# 2. MAKING THE MOST OF OUR HOMES AND ASSETS

Our primary purpose of changing lives through providing quality homes remains unchanged. Building on the unparalleled success of the last five years we have set ourselves another challenging target. We will deliver a minimum of **240 new homes** between 2020 and 2025; with the potential for a further 150 subject to agreement from the Group's lenders to support an increased level of private finance and the availability of government grant funding.

**Improving our existing customers' homes** remains a key strategic priority. We will use our financial strengths to invest a further £23.5m over the next five years in improving, modernising and maintaining homes, in addition to £13.5m on repairs. This will allow us to reduce the levels of emergency, reactive and maintenance repairs which create inconvenience to our customers as well as being poor value for money.

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

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

We will harness **technology** to make home life more convenient for our customers and to support people to live independently for as long as possible. We will build on our investment in technology, including touchscreens, that will improve the cost of running a home and energy efficiencies. Our "OK each day" service, will also be expanded to older people within our high-rise homes.

Through to 2025, the transformation of our services will provide scope for us to look at how we organise our office spaces. More **agile working patterns** will be more suited to touch-down points rather than assigned desk spaces. This will enable us to generate new opportunities for supporting entrepreneurship in our communities by providing **flexible spaces that can be shared with customers, social enterprises and new local businesses**. We will replace our current

workplace estate and relocate to creative community hubs and workspaces that look and feel very different from traditional office and provide added value for our customers.

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

**A warm, safe and energy efficient home in the right location is a life changing experience** for a household that can transform health and well-being, educational attainment and life opportunities. Over the next five years our ambition is to make a giant leap forward on our journey towards our long term aims of becoming carbon neutral and eliminating fuel poverty. Cube has made great progress, with over 2300 customers in Wyndford, Broomhill, Gorget, Collina Street, Kelvindale Place and Granville Street already benefitting from energy efficient heating systems. This equates to 65% of our total stock. Our future new build plans will see us explore innovative heating solutions for customers with the potential of 139 homes benefiting from the connection to a water source heat pump system at an exciting new development within West Dunbartonshire.

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

Moving through to 2025, we want to review empty or underused assets within our communities and, if viable, deliver innovative restoration projects which bring more homes to existing neighbourhoods.



Our **Wheatley 24** homes will be highly adaptable and can easily change as the needs of the household evolves. This means homes will support people at all stages of life creating truly 'lifetime homes'. In addition to the added value this brings to our customers, it will deliver significant business benefits, including reducing tenancy turnover and future-proofing our homes against changing demographics. We will work with innovative development partners to ensure our **house types evolve, and that they are sustainable, connected and intelligent homes for the future. They will be built as efficiently as possible with the most limited impact on the environment.**

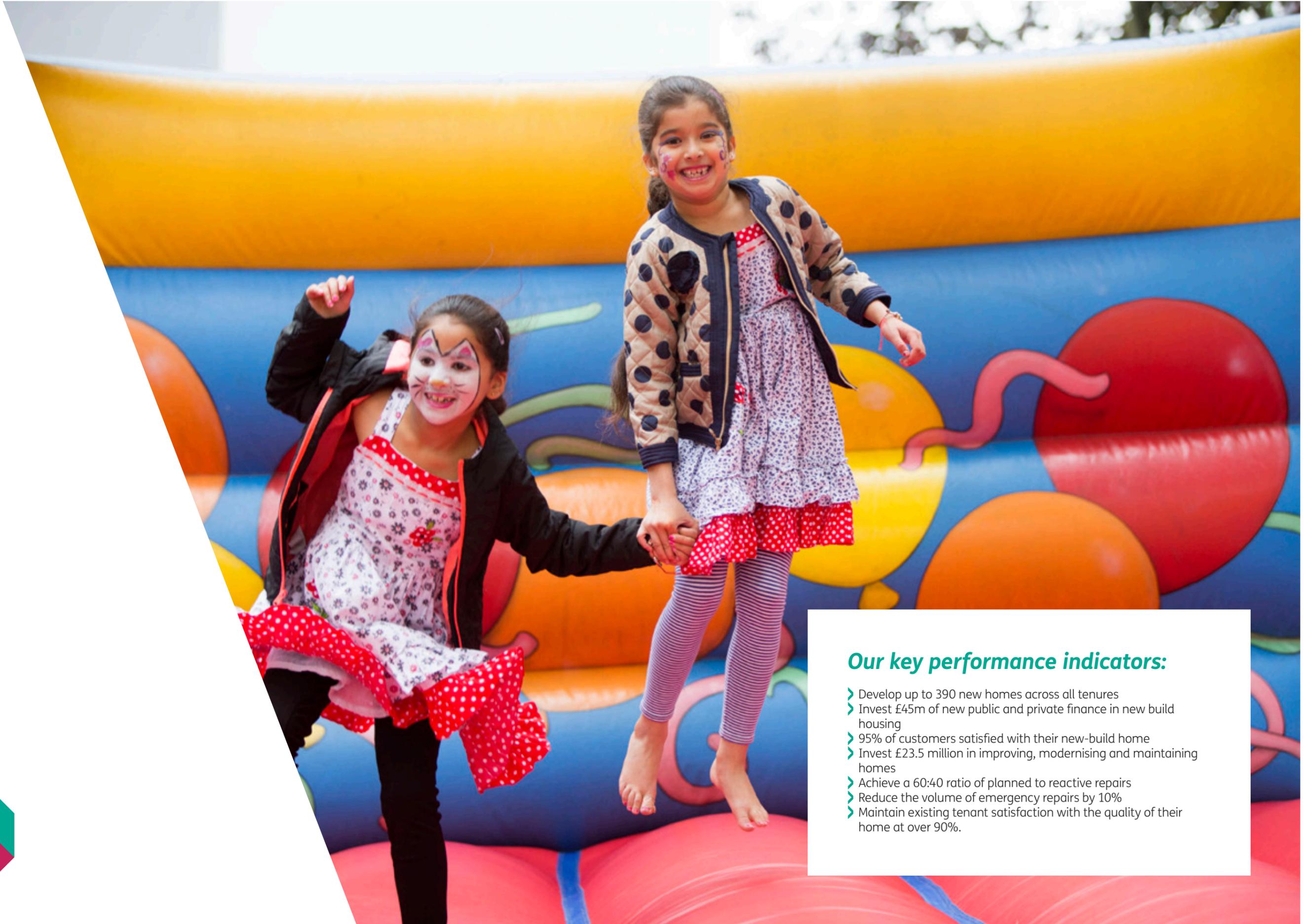
Our new engagement model **will encourage customers to help shape initial house designs** and offer opportunities to stay connected throughout the project.

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

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

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





**Our key performance indicators:**

- › Develop up to 390 new homes across all tenures
- › Invest £45m of new public and private finance in new build housing
- › 95% of customers satisfied with their new-build home
- › Invest £23.5 million in improving, modernising and maintaining homes
- › Achieve a 60:40 ratio of planned to reactive repairs
- › Reduce the volume of emergency repairs by 10%
- › Maintain existing tenant satisfaction with the quality of their home at over 90%.



## 3.

# CHANGING LIVES AND COMMUNITIES



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

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

We will create targeted learning opportunities to prevent homelessness and to support new approaches to housing those households, who are homeless, through **Rapid Rehousing and Housing First**. This will help to support the Scottish Government and our partner Local Authorities Glasgow, East & West Dunbartonshire, East Renfrewshire, North & South Lanarkshire and Renfrewshire, to deliver their 5-year plans. It will also strengthen the pathways for homeless people to ensure that they can access the different types of support they may need, easily and at the time they need it.

We will support our older tenants to be as active and independent as possible. Building on our **Livingwell model** we will work as enablers to allow people to use

their skills to support others. Our existing Group services including Care and Wheatley 360 will be maximised to deliver support to older people and also tailored for other households who need this type of support.

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

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

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

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

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

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

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

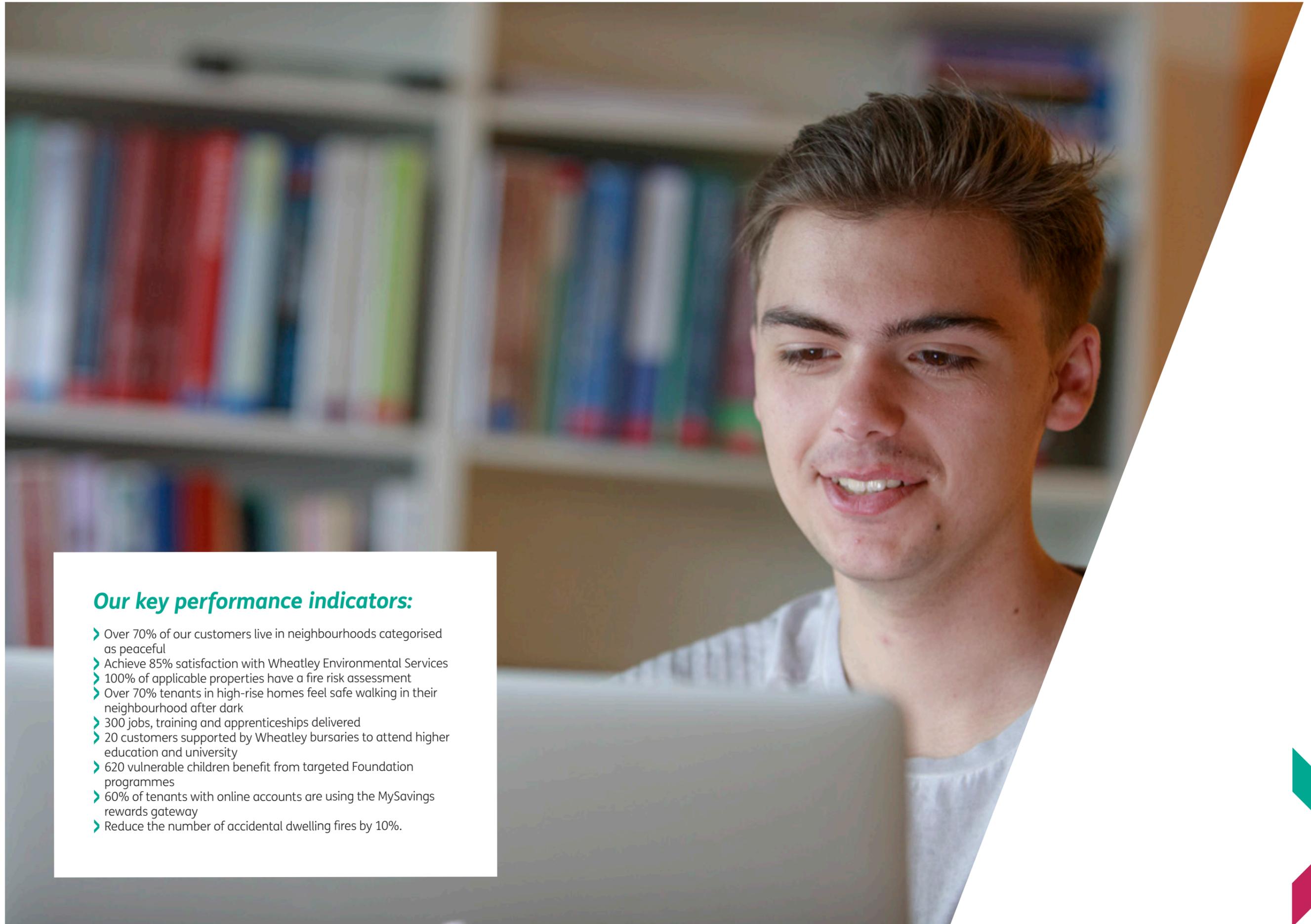
**Tenant Control of Expenditure** – we will be open and transparent about how we are spending customers' money at both an individual and a community level, providing relevant performance information for customers to hold us accountable, and enabling customers to engage more meaningfully in decision making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

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

By 2025 our unique **high-rise living experience** will be a positive choice for customers, with an established reputation for combining great homes with role model services, opportunities and exceptional standards, in vibrant and well connected communities. Linking people to each other will be a particular focus for our high-rise homes. Uniquely, in high rise blocks whole communities are brought together under one roof. As a result, a strong sense of belonging can be fostered helping to make people proud of their home and neighbourhood. To do this we will utilise both the building and its surroundings to create great storeys which allow for dynamic engagement for all of our customers and their families.

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





### **Our key performance indicators:**

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





## 4. DEVELOPING OUR SHARED CAPABILITY

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

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

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

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

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

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

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

- explore opportunities for **co-designing modern employment terms and conditions and working practices** that appeal to our evolving workforce and ensure maximum flexibility to meet changing needs
- **re-design our work roles**, rationalising and professionalising the number to reflect the creativity and agility of our staff to deliver our vision
- introduce a new **career marketplace platform**, putting staff in control of managing their own career and encouraging leaders to share talent for the benefit of the business
- value staff who are highly skilled in **building and managing relationships** and have the capacity to lead creative outcomes.

In addition, we will work to improve gender equality.

**Our Future 250** programme will provide a sought-after route for young people across Group to develop their talent, attracting an external talent pipeline for our evolving business requirements. Each year a cohort will be identified and provided with structured opportunities to move around the business to build their skills and experience portfolio, honing their talents and demonstrating their potential. At Cube we will encourage young people in our communities to engage with this programme and we will provide opportunities for those on the programme.

We will demonstrate Cube's progress towards the outcomes under **Developing our shaped capability** through the following key performance indicators.



### **Our key performance indicators:**

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

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

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



## 5. ENABLING OUR AMBITIONS

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

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

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

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

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

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

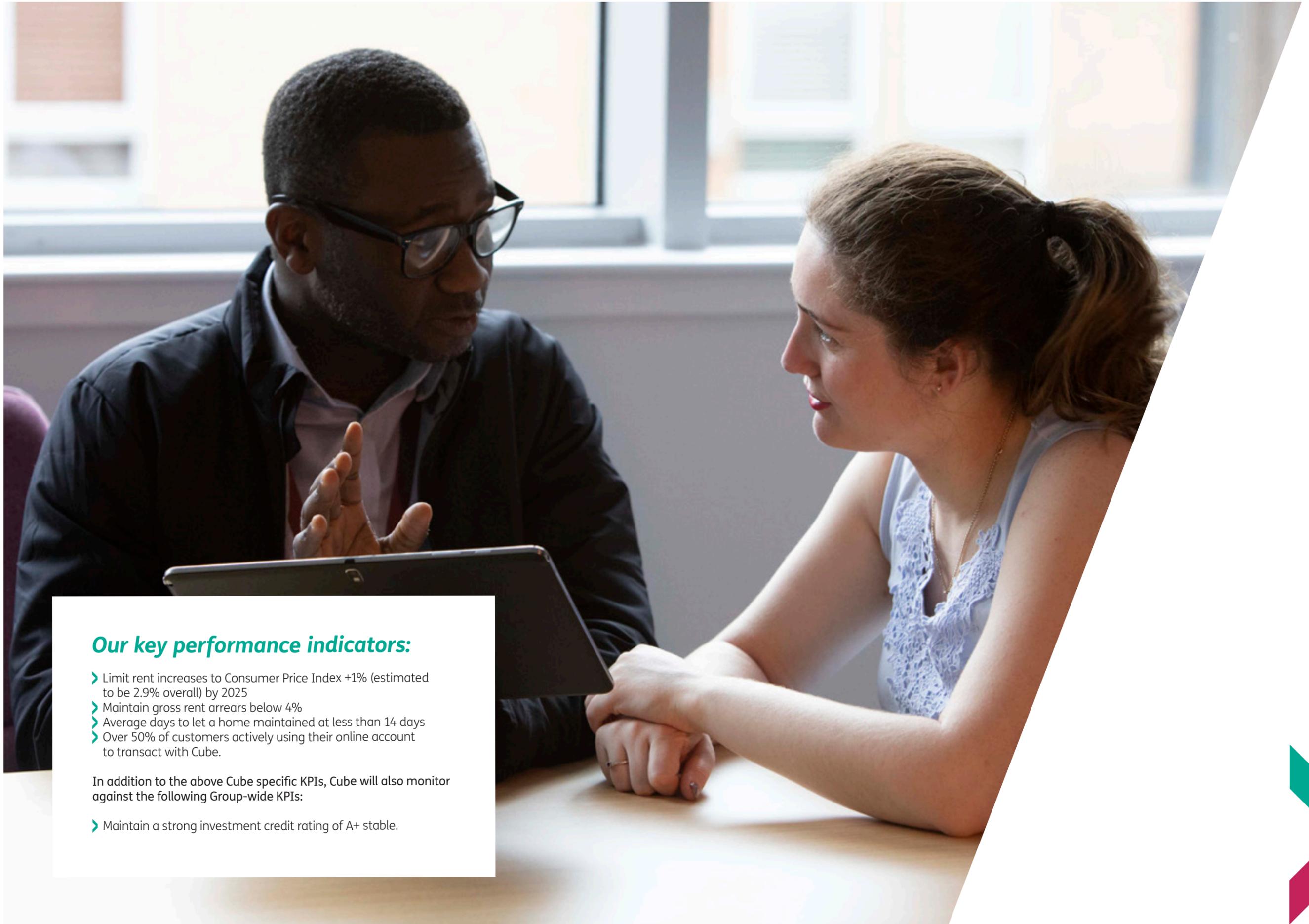
Over the next five years will also adopt an **international dimension** to our search for best practice. Identifying and exploring different ways of working and solutions developed across a broader range of contexts will stimulate and inform our thinking. This will **enhance our international profile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

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

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

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





### **Our key performance indicators:**

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

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

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





[www.cubehousing.co.uk](http://www.cubehousing.co.uk)

**Our values are what unites everyone at Wheatley**



[www.wheatley-group.com](http://www.wheatley-group.com)

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25 Cochrane street, GLASGOW G1 1HL



## Report

**To:-** Cube Housing Association Board

**By:-** Laura Henderson, Managing Director

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

**Subject:-** High Rise Living Framework – Uniqueness by Design

**Date of Meeting:-** 4 February 2020

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### 1. Purpose

- 1.1 This report provides the Board with an overview of the Group's framework to support customers living in our high rise homes from 2020-25.
- 1.2 The Board is invited to approve the High Rise Living Framework 2020-25.

### 2. Authorising context

- 2.1 Under the terms of the Group Authorising Framework we are responsible for:
  - Developing and approving our strategy;
  - Setting our strategic priorities; and
  - Overseeing the management and condition of our assets.

### 3. Risk appetite and assessment

- 3.1 Our agreed risk appetite both for responding to changing customer profile and for our operating model (modernising services, JV, repairs service, NETS and CIP) is "hungry". This level of risk tolerance is defined as "an appetite to take decisions that are likely to bring external scrutiny but where potential benefits outweigh the risks".
- 3.2 Our risk appetite relating to laws and regulations and technical compliance e.g. fire safety is "Averse" i.e. avoidance of risk and uncertainty is a key organisational objective.
- 3.3 Failure to promote our high rise homes positively as outstanding places to live and engage our current and potential customers could result in demand issues and performance issues which in turn affect our ability to deliver on key Business Plan outcomes.

## 4. Background

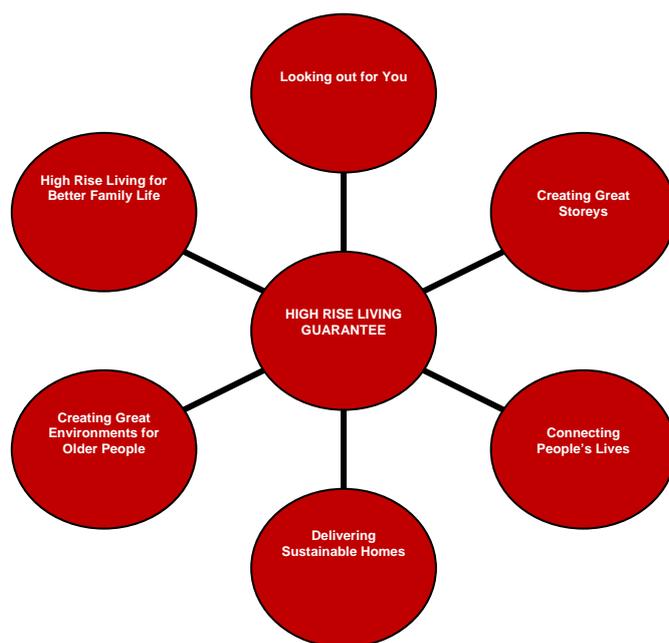
- 4.1 In 2018 we set out an ambitious programme of activity to promote High Rise Living as the preferred choice for new tenancies. Post Grenfell we prioritised fire safety related work over other priorities in the programme to maximise fire safety in all our blocks. Our achievements to-date under the headings of Customer Benefits, Home Benefits and Community Benefits.
- 4.2 We are represented on the Group's **High Rise Living Forum** to engage more effectively with our customers living in our high rise homes. The first High Rise Living Forum took place in July 2019. Feedback from our own Block Talk and Tenant Panel meetings have also informed our strategy. Our customers have helped us to understand those aspects of high rise living which are most important to them including being able to socialise with neighbours, value for money relating to rent and heating and keeping the environment round their blocks looking good.
- 4.3 Our MSF Fire Safety Programme is linked to the commitments set out in our Fire Prevention and Mitigation Framework in relation to mitigation of fire risk within our MSF blocks. We recognise that the best way to minimise the risk of fire is to identify and change risky behaviours and to ensure that we embed a robust and proactive approach to repairs, maintenance and investment.
- 4.4 We have developed an approach to **fire risk assessments** in our high rise blocks which include the recording and reporting through our asset management system. Our approach is the first in Scotland and has been implemented in advance of new government guidance on fire safety in MSF blocks which came into force in December 2019. Our programme of fire risk assessments in MSFs commenced in February 2019, following successful pilot projects undertaken in 2018.
- 4.5 Spend to date on **Fire Safety measures** is circa **£1.8m** covering the work within our high rise blocks. Projects have included servicing of fire doors, replacing common area doors, improved fire suppression within common bin stores and improving fire stopping in services cupboards. In addition to fire safety work we have completed **£200k** in statutory compliance work across Cube's high rise portfolio, including nearly 700 smoke and heat detector upgrades.
- 4.6 **Common area inspections** are carried out on a scheduled basis (including daily, weekly and monthly checks) by our NETs teams to ensure that the risk of fire is minimised in our MSF blocks. In addition, our asset staff carry out an annual inspection of each block to identify investment requirements.
- 4.7 We have created a unique **performance framework for High Rise Living** so that we can identify trends in antisocial behaviour, crime and fire related incidents. The outcomes are helping us to deploy resources more effectively, tailor interventions to specific local issues and engage more effectively with communities.

- 4.8 The success of high-rise living is vital to Cube's business as it comprises of 50% of our homes. This framework has been developed in recognition of the importance these homes have for Glasgow, for Cube, but most importantly, for the people who live in them. We have 1886 high-rise living properties within the North West of Glasgow, Maryhill Corridor. These consist of:
- 600, Wyndford 26 storeys;
  - 591, Broomhill & Collina 18 storeys;
  - 539, Wyndford, 14 storeys and below; and
  - 156, Broomhill & Gorget, 8 storeys.
- 4.9 Over the years we have had a number of successes, our investment in service and stock has been recognised in Broomhill, Gorget & Collina, with demand remaining strong in these areas and continuing to meet the needs of customers. There is a high density of high rise blocks in the Maryhill Corridor with other service providers including Maryhill Housing Association also offering similar stock types, it is therefore important that our properties are perceived by customers as the home of choice.
- 4.10 Our Asset teams have completed a site by site census of the **community facilities at each site** to inform future decision making with each community on enhanced facilities to be provided in the future. Our Asset teams have identified the amenities in and around our MSF blocks e.g. play areas, car parking, recycling areas, so that we can engage with customers on what will improve their local environments.
- 4.11 We know that many people living in our blocks are growing older and want to remain in their homes as long as possible; our framework recognises that our homes offer great level access to every floor. By utilising staff and services around our blocks we can maximise the opportunity for older people to live healthy and independent lives. Gorget & Broomhill high-rise blocks are good examples of where we have a high number of older people living within our communities.
- 4.12 We have access to **Wheatley 360 wrap around services** as a seamless service to enhance the lifestyles of our customers. This service has been successfully rolled out in our high rise communities with the aim of reducing antisocial behaviour, crime and fire related incidents.
- 4.13 We have built the capacity of **local environmental staff** to promote local presence through the environmental teams – known and trusted faces who are proven to support and deliver solutions for customers. Our new NETS model has been implemented with an enhanced service for Cube customers including, additional nightshift staff, which will allow deployment of two staff to Broomhill and Gorget between the hours of 7pm and Midnight and access to a new 10am- 10pm team operating 7 days per week.
- 4.14 During 2018/19 we have developed a clearer picture of the **distribution of temporary furnished flats (TFF) and other non-standard let services** in our communities. Through quarterly partnership meetings with Glasgow City Council and a bespoke action plan, we are monitoring where temporary furnished are distributed across our portfolio and how lets are allocated.

- 4.15 We developed a **land use agreement** with Glasgow City Council where our staff would maintain the footprint of our MSF stock. This has resulted in significant improvements to the external environmental quality of our MSF neighbourhoods and has been reflected within the Keep Scotland Beautiful assessments and our customer satisfaction results.
- 4.16 A series of audits and assessments have been completed by **Keep Scotland Beautiful** of our MSF stock and we have been awarded 8 out of 29 high rise blocks a 5\* rating for their environmental quality. Following these assessments, action plans have been produced to address any areas for improvement for the 21 sites which have not yet reached the 5\* accreditation.

## 5. Discussion

- 5.1 Our vision for 2020-25 is for existing and future customers to actively seek our unique high-rise living experience as a positive choice because it combines great homes with role model services, opportunities and exceptional standards in vibrant communities.
- 5.2 We will deliver our vision through our “High Rise Living: Uniqueness by Design” framework which will be delivered to all our customers living in our high rise homes by 2025. It includes our High Rise Guarantee which includes 6 key elements:



- 5.3 The key elements of the offer are set out in appendix 1.

### Delivering Exceptional Customer Experience

- 5.4 We will give our customers living in our high rise homes a greater sense of control by improving our methods of engagement. We will deploy a range of methods of engagement, reflecting the preferences of our customers and exploiting digital methods of engagement. They will include use of electronic information boards in foyers, introduction of Alert-a-call, use of dedicated Facebook pages on social media.

- 5.5 A programme of work with broadband service providers is being developed which will be rolled out across the portfolio over the next 3 years. We are also planning roll out of digital displays or kiosks in foyer of some of our MSFs from 2019/20. We are also exploring the potential for 5G connectivity in our blocks by 2025.
- 5.6 We have developed our approach to customer engagement under the banner **#MakeCubeOutstanding**. The approach will offer a site specific commitment to customers on the service they can expect from their landlord relating to their high rise homes. A crucial element of this is that each individual plan will be drawn up with customers who will shape exactly what goes into the **#MakeCubeOutstanding**.
- 5.7 We will provide regular access to key information about our high rise communities and the services our customers living in our high rise homes can access. We will continue to work with a range of local partners to maximise the benefit of local community events, social enterprises and voluntary organisations through the Wheatley Foundation officers.
- 5.8 We will improve the information available to prospective high rise customers so that they have information about the local community and the block, the cost of living in a high rise home and key features of their new home.

## **6. Key issues and conclusions**

- 6.1 Our High Rise Living Framework 2020-25 will help us to deliver our vision for both existing and future customers by actively promoting our unique high rise living experience as a positive choice.
- 6.2 Managing fire safety in our high rise blocks will remain our No.1 priority. Working with Scottish Fire and Rescue we will ensure that our high rise homes are safe places to live. Customers will be offered fire safety advice and a home fire safety visit to help them to stay safe in their homes. We will continue to promote fire safety through our Stay Safe campaigns. Fire Risk Assessments will be undertaken of all the common areas.
- 6.3 We will ensure that our customers have greater opportunities to make decisions about their high rise homes. Over the next 3-years customers living in our high-rise homes will benefit from additional investment funding to support our high rise living framework, with site specific investment plans designed to deliver the improvements that our customers deem to be priorities for their communities.
- 6.4 We will consider options for the future of our high rise homes within the 5-year strategy period. These reviews will include scenario modelling and sensitivity analysis to inform our understanding of the potential impact on our business plan over time and to ensure they are continuing to meet the needs of our customers and communities.

## **7. Value for money implications**

- 7.1 The aim of the High Rise Living Framework is to improve the standard of living in, and perception of, high rise living by our existing and future customers. This is anticipated to achieve improved days to let, reduction in turnover, increased customer satisfaction and improve customers' perceptions of value for money.

## **8. Impact on financial projections**

- 8.1 Customers living in our high-rise homes will benefit from investment funding to support our high rise living framework, with site specific investment plans designed to deliver the improvements that our customers deem to be priorities for their communities.
- 8.2 Our 5 year asset improvement plan supports this commitment with dedicated funding for customer driven investment priorities informed by our on-going engagement activities and locality planning process. Over the next 5 years we plan to spend £2m on domestic rewiring, £1m on window replacements and £2m on environmental improvements.
- 8.3 Our capital programme also supports work to assure compliance in all our blocks including maintenance of emergency lighting, smoke detectors, smoke vents, sprinklers in bin stores, window safety checks, door inspections and surveys of the fabric, totalling almost £2m over the next 5 years.

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

- 9.1 There are no legal, regulator or charitable implications relating to the deployment of this framework.

## **10. Partnership implications**

- 10.1 The Group approach will be applicable to Cube customers who live in high rise homes.

## **11. Implementation and deployment**

- 11.1 We have established a steering Group to maintain oversight of the range of actions identified within the framework. We will report progress to the Bard also periodically.

## **12. Equalities impact**

- 12.1 Equalities impact considerations will continue to underpin the development of the strategy. The High Rise Living Forum has been designed to be inclusive and ensure that the needs and priorities of our customers are heard.

### **13. Recommendations**

13.1 The Board is invited to:

- 1) Note the progress to date on promoting High Rise Living; and
- 2) Approve the High Rise Living Framework 2020-25.

### **List of Appendices**

Appendix 1 - Key elements of our High Rise Living Guarantee

Appendix 2 - High Rise Living Framework 2020-25

## Appendix 1 - Key elements of our High Rise Living Guarantee

### 1. Looking Out for You:

- **‘Concierge’ service** - our local environmental staff play a vital role in ensuring the site is welcoming, safe and secure. They are on the spot to deal with any issues and make sure our customers have hassle-free enjoyment of their home. Key parts of the offer that customers can expect:
  - ✓ Local presence, friendly smile and greeting by name
  - ✓ Daily ‘ok today?’ checks for older and vulnerable customers
  - ✓ Proactive reporting and updating customers on progress with communal repairs
  - ✓ 24/7 security - regular safety patrols day and night
  - ✓ Available to be contacted 24/7 if a customer needs assistance via our Glasgow based contact centre
  - ✓ Information and signposting about local activities, events and services
  
- **Trusted local repairs and maintenance service** – establishing local repairs services for each site means on-going relationships of trust and accountability can be built up.
  - ✓ Customers feel more confident letting trusted operatives into their home.
  - ✓ Option to leave keys with concierge so that emergency repairs can be done even if the customer cannot be home – no more frustrating ‘no access’
  - ✓ Faster repairs timescales for repairs relating to fire risk
  
- **Community Improvement Partnership** – targeted partnership interventions with police and fire services, designed in response to the specific requirements of each site to reduce antisocial behaviour, crime and fire related incidents.
  - ✓ Customers confident that any incidents that do occur will be dealt with swiftly and effectively
  - ✓ Local presence – known and trusted faces engage and mobilise the local community to help address issues/concerns and co-ordinate activities that will effect positive and sustainable change
  - ✓ Pro-active use of police intelligence reports trigger intensive, fast responses where they are needed and ensure we are effectively targeting CIP and other police resources
  
- **Fire Safety** – our fire safety officers will be fully embedded as part of the integrated site team and will have responsibility for carrying out fire risk assessments. An integrated package of fire prevention products is also available for customers to draw down, including enhanced packages for vulnerable customers.

- **Proactive maintenance and servicing programme** – tailored to each site, this ensures the safety and reliability of lifts, lightening conductors, electrical installations, emergency lighting. We will increasingly make use of property sensor technology to maximise the comfort of residents.
  - ✓ Appointments co-ordinated by the concierge, using their rich knowledge of the people who live there to match visits to each apartment to the most convenient time.
- **Physical security measures** – customer can expect high security multi-locking house doors, controlled entry systems and CCTV monitoring, which has recently been upgraded. The standard of our physical security measures will be kept under review to reflect advances in technology.

## 2. Creating Great Storeys:

- **5\* environment quality standard, both inside and out** – our local NETs team are a familiar face looking after both internal and external common areas, with trained and accredited staff available across all specialisms. Our partnership with **Keep Scotland Beautiful** provides an independent assessment of each site against a 5\* quality standard. Customers can expect:
  - ✓ Bright and attractive foyers, stairs and landings
  - ✓ Regular schedule of cleaning of communal areas and bin stores
  - ✓ Frequent grass cuts - with grass cuttings removed
  - ✓ Involvement in setting the standards and design of the service
  - ✓ Locally agreed environment improvement plan setting out any investment required in order to secure a 5\* KSB rating, with timescales
- **Quality outdoor space** – customers can expect access to high quality outdoor space and facilities that are appropriate to the household profile of each site.
- **Investment Programme** – we will continue to invest not only in upgrades and improvements required to common areas and the external fabric of the building, but also within our customers' homes. Customers can expect:
  - ✓ Involvement in identifying the investment priorities and shaping the investment programme for their site
  - ✓ Investment focused on what creates most value for them, such as controllable heating, upgraded landings, bike/pram stores and community facilities.

- **Total cost of running a home** – we are committed to ensuring living comfortably in our homes remains affordable. Cube MSF customers already benefit from access to an energy efficient District Heating and hot water system. Customers can continue to expect support to reduce their fuel costs through a targeted programme of energy advice and interventions, including smart metering wherever feasible.

### 3. Connecting Peoples' Lives:

- **Community space** – every site will have access to community space that provides opportunities for activities that *bring people together*. The activities will vary depending on what the community want, but some examples include, Toy Library, After School Clubs, Parent and Toddler groups, One Parent Family support groups, English as a Second Language classes (ESOL), art classes, music groups, children's parties, drop in cafes.
- **Engagement** – the unique nature of high-rise living allows the local team to engage with customers every day. A bespoke engagement programme will be co-created for each site, but as a minimum customers can expect:
  - ✓ Welcome for new tenants through the Housing Officer to meet the team and their neighbours
  - ✓ Vibrant programme of activities and events in the community space, designed with customers to reflect their needs and interests
  - ✓ Site specific customer surveys
  - ✓ Access to easy and convenient ways to get their voice heard, including digital real-time feedback and specific social media content such as a Facebook page for each site
- **Community Engagement Budget** – we will set aside an annual engagement budget for each site, to support a programme of activities and events which bring people together and connect with each other.
- **Better lives** – our promise of *'more than just a home'* includes access to a wide spectrum of wrap-around services designed to help our customers and their family realise their aspirations. Our '360' model ensures these services are joined up and integrated with the local team, so customers can be confident they will get the help they need, when they need it. Customers can expect:
  - ✓ Employment fairs, with information about apprenticeships, work placements, training and other employment opportunities
  - ✓ Regular Welfare Benefits and fuel advice clinics on site
  - ✓ Personally tailored support designed to achieve the outcomes and aspirations that are important to each customer

- **Community Connectors** – we will work with relevant partners in the statutory, third and voluntary sectors, to help them identify how they can re-design their services for the high-rise context, in order to create additional value for customers. Building on our track record with CIP and GCC grounds maintenance, we will continue to influence statutory organisations to use their resources differently and to integrate with the local staff team to deliver seamless services with greater impact. Customers can expect:
  - ✓ ‘Safe play zones’ close to every site
  - ✓ Regular on-site staff presence, such as drop-in clinics
  - ✓ Support groups using the communal space
  - ✓ Promotion of opportunities, such as volunteering

#### 4. Delivering Sustainable Homes

- **Sustainable Heating Systems-** we will reduce maintenance requirements by adopting a compliance team approach, offer specific fuel advice relating to our high rise blocks; secure funding for sustainability measures; and deliver digital connectivity to all our high rise blocks. Customers can expect:
  - Dedicated fuel advisors
  - Compliance with EESSH standard
  - Digital connectivity linked to affordable broadband packages
- **Waste and recycling** – our aim is to establish a consistent approach to deliver accessible recycling points at all our blocks. Local Recycling champions will encourage customers to recycle their rubbish so that we achieve the Keep Scotland Beautiful waste and recycling standard for every site. Customers can expect:
  - Designated recycling points at every site
  - Local Recycling Champions
- **Transport and Active Lives** – we will deliver membership of an electric car club and charging points at high rise sites. Customers can expect:
  - Access to an electric car club
  - Local electric car charging points
  - Secure local cycle storage

#### 5. Creating Great Environments For Older People

- **Tackling Loneliness and isolation** – we are committed to creating more opportunities for older customers to meet and socialise with each other. In addition, we will deliver “How are you today?” technology to older customers living in a high rise home. With partners we will deliver a programme of health and well-being in blocks where older people live. Part of our offer will be delivered through the provision of digital connectivity.

- **Providing safe, secure, affordable and warm homes** – in addition to our core services we will focus our provision of better heating controls on blocks where older people live to reduce consumption and increase flexibility of use.

## 6. High Rise Living for Better Family Life

- **Outstanding accommodation and amenities** – to support families living in high rise homes we will provide affordable digital connectivity in every home. We will promote active play and healthy living by providing storage for bikes in addition to providing good quality outdoor and indoor play spaces. Inside the block we will provide modern, a family friendly digital library. Customers can expect:
  - Digital connectivity
  - Outdoor and indoor play space
- **Increasing demand for family homes** – we will identify blocks that are most suitable for family living based on proximity to schools and nurseries and apartment size (e.g. 2 bedroom flats, typically a couple with one or two children). In addition, to maximise the attraction of high rise homes for families we will use marketing tools to promote blocks and high rise homes, tailor allocations and investment plans to help cluster families around good quality dedicated community facilities.
- **Family friendly services** – we will deploy a wide range of targeted employability, digital, wellbeing training and services through our network of community connectors, supported by affordable childcare. By engaging with local schools we will explore the potential to provide local tutors and homework clubs to help pupils reach their potential. For young people we will develop a partnership with a local college to further support their journey into further education and work.

# High-Rise Living; uniqueness by design



# 2020-2025

Our Group framework for a new High-Rise Living Experience

# High-Rise Living



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### Building on our success

Over 50% of our customers live in high-rise apartments. Our current customers tell us they feel safe and satisfied with the quality of their home and the services they receive, reflecting the quality of service and investment to date. Our buildings benchmark with the best in terms of the standards to which they are maintained, the specification of foyers, entrance ways and surroundings, the level of safety, and the range of services our customers can access. This is a strong position from which to build this framework, which sets out our ambition to shift our focus away from seeing these buildings as individual assets and towards realising the potential for us to co-create a unique living experience and ensure a continued positive perception of these homes by our customers and our communities moving forward.

Our customers can – and should – expect us to recognise and celebrate what differentiates this product and experience from living in a more traditional house-type. Each site has its own unique characteristics and opportunities, but they all have whole communities brought together under one roof.

The success of high-rise living is vital to our business; comprising 50% of our homes, their valuation of £43m provides massive potential through leveraging our assets to attract funding whilst also providing Cube with £8.7m of rental income every single year. Reflecting their importance not only to the people who call them home, but also to our business, we have invested over £32.5m in the last five years in these buildings so far.

We have developed and expanded our framework for an enhanced high-rise living experience in recognition of the importance these homes have for Glasgow and for Cube, but most importantly, for the people who live in them. In particular we have considered the needs of older people and families to provide bespoke, tailored services to meet their aspirations and their ability to remain in their high-rise homes long term. We will deliver a unique menu of services at each block which is unique to the customer mix and local needs.

We recognise that all our properties need to be better used to help us mitigate the impact of climate change. Our high-rise blocks have a unique contribution to make to balancing our use of energy because of the way homes are clustered together on a site and because we can use their height to harness renewable energy sources such as wind and solar power.

We also know that many people living in our blocks are growing older and want to stay in their own homes for as long as possible. High-rise homes can offer great level access to every floor. By utilising the staff and services around our blocks we can maximise the opportunity for older people to live healthy and independent lives.

Our high-rise blocks are not always perceived by families as an attractive home and yet many homes offer good apartment sizes and numbers to suit the needs of growing families. By using suitable blocks to offer a wide range of additional services our high-rise homes can offer the opportunity of a better family life.

Our aim is to ensure that we have a flexible framework that will both deliver consistent excellence across Cube and recognise that the diversity of high-rise living requires approaches to be tailored appropriately to each local context. It will enable local teams to work with their customers and communities to create exceptional, attractive and desirable living experiences that meet their aspirations and foster viable sustainable communities over the long term.

### Uniqueness by design

The purpose of this Framework is to build on what is already a strong and successful product to ensure we maximise the full potential to create an exceptional living experience for customers who live in high-rise apartments going forward.

By virtue of proximity, the lives of our high-rise customers are more closely connected than those of neighbours in a traditional street. They are far more likely to cross paths with each other and their potential to impact on the lives of other households, for better or worse, is significantly higher because they share landings, lifts and communal spaces. This Framework sets out how we will exploit this differential to engage in new ways and foster neighbourliness and vibrant communities.

# High-Rise Living (cont)

All Cube tenants, whatever their house type, benefit from our award winning Think Yes empowerment model and have access to a range of wraparound services designed to maximise their life chances. However, having so many people together in one place makes high-rise living unique and presents us with the extra opportunity to design services differently for these customers and to provide additional services and commitments that are specific to this product.

Examples of opportunities to do things differently include:

- › Connecting people with each other
- › Harnessing daily contact to build relationships, trust and confidence
- › Improving life chances by bringing more services and opportunities onto the sites
- › Dynamic engagement using technology
- › Designing accommodation and services to meet needs of specific customer segments (older people and families)
- › Using the on-site presence of concierge staff to enhance the service offer.

## Our vision

Existing and future customers actively seek our unique high-rise living experience as a positive choice because it combines great homes with role model services, opportunities and exceptional standards in vibrant communities.

Delivering this vision requires us to be clear about the aspirational unique high-rise living experience we are committing to deliver, and also that we make this service offering explicit to customers and potential customers.

## Defining our unique high-rise living experience

With Cube, high-rise living is more than just a home. Uniquely, it includes a comprehensive package of seamless services and opportunities delivered by an integrated local team, working together to deliver a first class experience that complements and enhances the lifestyles of our customers.

Our enhanced operating model ensures a consistent and familiar staff team for each site, enabling stronger and more intimate relationships to be built up. Customers will know the staff and feel the staff know and care about them.

We will co-design community connector services with partners which work differently in the high-rise context. Our ambition is to create new and exciting services that provide added value and help to forge long term sustainable links between us and our customers. This includes making use of communal space to bring partner services on site.

The emphasis will be on helping customers to grow their skills, knowledge and confidence to take control of drawing down appropriate services themselves, enabling them to lead resilient, independent lives within strong communities.

Local staff will play a leading role in customer engagement, promoting a sense of community and partnership working within the locality.

The principles of the model will be consistently applied, but it will be adjusted locally to meet the unique circumstances of each site.

# High-rise lifestyle ‘guarantee’ to our customers

We want our customers, and potential customers, to know what they can expect from their high-rise living experience. We will therefore be explicit about our aspirational role model ‘guarantee’ and expect our customers to actively hold us to account for delivering against this. These enhanced commitments define the benefits and added value of living in our high-rise homes, differentiating it from our other housing types and from other housing providers.

Our guarantee covers six essential principles or themes that together define our high-rise offer:

## 1. Looking out for you

- customers can live peaceful lives, safe from fire and untroubled by concerns about crime and anti-social behaviour.

## 2. Creating great storeys

- great homes in modern feeling buildings set within 5-star attractive environments.

## 3. Connecting people’s lives

- better lives in places with a sense of belonging and strong community spirit that people are proud to call home.

## 4. Delivering sustainable homes

- providing high-rise homes which are sustainable and contribute towards a greener, cleaner Glasgow.

## 5. Creating great environments for older people

- homes and services designed to meet the needs of our older customers.

## 6. High-rise living for better family life

- delivering family friendly high-rise living.

# Looking out for you

*Customers can live peaceful lives, safe from fire and untroubled by concerns about crime and anti-social behaviour*

## **'Concierge' service**

– our local environmental staff play a vital role in ensuring the site is welcoming, safe and secure. They are on the spot to deal with any issues and make sure our customers have hassle-free enjoyment of their home. Customers can expect:

- › Local presence, friendly smile and greeting by name
- › Daily 'ok today?' checks for older and vulnerable customers
- › Take parcels and deliveries
- › Proactive reporting and updating customers on progress with communal repairs
- › Remind people about their repair appointments
- › Let repairs staff into your apartment to do emergency work if the customer cannot be there (only by customer's request)
- › 24/7 security – regular safety patrols day and night
- › Available to be contacted 24/7 if a customer needs assistance through a Glasgow call centre
- › Information and signposting about local activities, events and services
- › Introduce new customers to their neighbours
- › Proactively promote volunteering/ work experience/ apprenticeship opportunities to potentially eligible households
- › Tailored training to meet the needs of vulnerable people.

## **Trusted local repairs and maintenance service**

– establishing local repairs services for each site means on-going relationships of trust and accountability can be built up.

- › Customers feel more confident letting trusted operatives into their home
- › Option to leave keys with concierge so that emergency repairs can be done even if the customer cannot be home – no more frustrating 'no access'
- › Faster repairs timescales for repairs relating to fire risk
- › Prompt 'on the spot' response, driving shorter waiting time for repairs.

## **Community Improvement Partnership**

– targeted partnership interventions with police and fire services, designed in response to the specific requirements of each site to reduce anti-social behaviour, crime and fire related incidents.

- › Customers confident that any incidents that do occur will be dealt with swiftly and effectively
- › Local presence – known and trusted faces engage and mobilise the local community to help address issues/concerns and co-ordinate activities that will effect positive and sustainable change
- › Pro-active use of police intelligence reports trigger intensive, fast responses where they are needed and ensure we are effectively targeting CIP and other police resources
- › Integrated working with onsite Concierge and night patrol security.

## **Fire safety**

– our fire safety officers will be fully embedded as part of the integrated site team and will have responsibility for carrying out fire risk assessments. An integrated package of fire prevention products is also available for customers to draw down, including enhanced packages for vulnerable customers.

## **Proactive maintenance and servicing programme**

– tailored to each site, this ensures the safety and reliability of lifts, lightning conductors, electrical installations, emergency lighting. We will increasingly make use of property sensor technology to maximise the comfort of residents.

- › Appointments co-ordinated by the concierge, using their rich knowledge of the people who live there to match visits to each apartment to the most convenient time.

## **Physical security measures**

– customer can expect high security multi-locking house doors, controlled entry systems and CCTV monitoring. The standard of our physical security measures will be kept under review to reflect advances in technology.

# Creating great storeys

*Great homes in modern feeling buildings set within 5-star attractive environments*

## **5-star environment quality standard, both inside and out**

– our local NETs team are a familiar face looking after both internal and external common areas, with trained and accredited staff available across all specialisms. We will treat the front entrance at the bottom of each block as if it was the front door to each customer's home – each foyer will be unique, vibrant and welcoming. Our partnership with Keep Scotland Beautiful (KSB) provides an independent assessment of each site against a 5-star quality standard.

Customers can expect:

- › Bright and attractive foyers, stairs and landings
- › Regular schedule of cleaning of communal areas and bin stores
- › Frequent grass cuts – with grass cuttings removed
- › Maintenance of planted areas
- › Path maintenance, including moss and weed removal, leaf and snow clearance and gritting
- › Litter free environment, with swift bulk and rubbish uplift
- › Involvement in setting the standards and design of the service
- › Seamless solutions from close partnership working with statutory, third sector and voluntary organisations
- › Locally agreed environment improvement plan setting out any investment required in order to secure a 5-star KSB rating, with timescales.

## **Quality outdoor space**

– customers can expect access to high quality outdoor space and facilities that are appropriate to the household profile of each site. This could include a play park, Multi Use Games Area, community garden, allotments and picnic benches.

## **Investment programme**

– we will continue to invest not only in upgrades and improvements required to common areas and the external fabric of the building, but also within our customers' homes. Customers can expect:

- › Involvement in identifying the investment priorities and shaping the investment programme for their site
- › Investment focused on what creates most value for them, such as controllable heating, upgraded landings, storage space, bike/pram stores and community facilities.

## **Total cost of running a home**

– we are committed to ensuring living comfortably in our homes remains affordable. Customers can expect support to reduce their fuel costs through a targeted programme of energy advice and interventions, including smart metering and utilisation of renewable heat sources (e.g. wind) to offset the cost of heating wherever feasible.

# Connecting people's lives

*Better lives in places with a sense of belonging and strong community spirit that people are proud to call home*

## Community space

– sites will have access to community space that provides opportunities for activities that bring people together. The activities will vary depending on what the community want, but some examples include, toy libraries, libraries, after school clubs, parent and toddler groups, one parent family support groups, English as a Second Language classes (ESOL), art classes, music groups, children's parties, drop in cafes.

## Engagement

– the unique nature of high-rise living allows the local team to engage with customers every day. A bespoke engagement programme will be co-created for each site, but as a minimum customers can expect:

- › Welcome for new tenants through the housing officer to meet the team and their neighbours
- › Settling-in support, including linking them with local GP, support/activity groups and introducing them to their neighbours
- › Support and encouragement to arrange social events and make maximum use of the community space
- › Vibrant programme of activities and events in the community space, designed with customers to reflect their needs and interests
- › Local groups on social media which support engagement, participation and capacity building within high-rise communities
- › Daily interactions with team members who work seamlessly together so customer only have to tell their story once
- › Proactive invitation for a Housing Options consultation, triggered by any change in household circumstances
- › Site specific customer surveys
- › Access to easy and convenient ways to get their voice heard, including digital real-time feedback, and specific social media content such as a Facebook page for each site
- › Opportunities to volunteer, including helping to hold us accountable for the commitments and standards we have agreed.

## Community engagement budget

– we will set aside an annual engagement budget for each site, to support a programme of activities and events which bring people together and connect with each other.

## Better lives

– our promise of 'more than just a home' includes access to a wide spectrum of wrap-around services designed to help our customers and their family realise their aspirations. Our '360' model ensures these services are joined up and integrated with the local team, so customers can be confident they will get the help they need, when they need it. Customers can expect:

- › Employment fairs, with information about apprenticeships, work placements, training and other employment opportunities
- › Regular Welfare Benefits and fuel advice clinics on site
- › Personally tailored support designed to achieve the outcomes and aspirations that are important to each customer
- › Access to good quality affordable furniture through 'Home comforts' and furniture packages
- › Volunteering opportunities
- › Access to low cost loans and budgeting advice.

## Community connectors

– our staff working in our high-rise blocks will be our key community connectors. In addition we will work with relevant partners in the statutory, third and voluntary sectors, to help them identify how they can re-design their services for the high-rise context, in order to create additional value for customers.

Building on our track record with CIP and GCC grounds maintenance, we will continue to challenge statutory organisations to use their resources differently and to integrate with the local staff team to deliver seamless services with greater impact. Customers can expect:

- › 'Safe play zones' close to every site
- › Regular on-site staff presence, such as drop-in clinics
- › Support groups using the communal space
- › Promotion of opportunities, such as employment fairs, health screening, volunteering.

# Delivering sustainable homes

*Providing high-rise homes which are sustainable and contribute towards a greener, cleaner Glasgow*

## Sustainable heating systems

– we will exploit the unique benefits that this house type provides by delivering new heating controls and systems, including biomass renewable heating system. We will reduce maintenance requirements by adopting a compliance team approach, offer specific fuel advice relating to our high rise blocks; secure funding for sustainability measures; and deliver digital connectivity to all our high rise blocks. Customers can expect:

- › Dedicated fuel advisors
- › Compliance with EESSH standard
- › Digital connectivity linked to affordable broadband packages.

## Our MySavings programme

To help customers to meet the costs of living well in our high rise homes we will offer discounted energy tariffs through energy suppliers, affordable broadband, discounts on highly energy efficient white goods (cookers, washing machines, fridge-freezers), discounted transport and better access to financial services (credit unions, insurance), all contributing to lower household costs. We will leverage savings and discounts from key suppliers through the Group Procurement team. Customers will see:

- › Discounts on shopping and high street stores
- › Exclusive offers on affordable broadband
- › Access to financial services products.

## Waste and recycling

– our aim is to establish a consistent approach to deliver accessible recycling points at all our blocks. Local Recycling champions will encourage customers to recycle their rubbish so that we achieve the Keep Scotland Beautiful waste and recycling standard for every site. Customers can expect:

- › Designated recycling points at every site
- › Local Recycling Champions.

## Transport and active lives

– we will deliver membership of an electric car club and charging points at high-rise sites and provide more secure cycling racks to promote sustainable and healthy transport options. We will provide better, real-time information about local public transport from our high-rise sites. Customers can expect:

- › Access to an electric car club
- › Local electric car charging points
- › Secure local cycle storage.

# Creating great environments for older people

## Tackling loneliness and isolation

– we are committed to creating more opportunities for older customers to meet and socialise with each other. In addition we will deliver “How are you today?” technology to every older customer living in a high-rise home. With partners we will provide opportunities to access a programme of health and well-being in blocks where older people live. Part of our offer will be delivered through the provision of digital connectivity. Local groups on social media will be promoted to encourage social interaction and participation in local events co-created with older people.

## Providing suitable homes and facilities

– we will deliver the hub for older people in three additional locations across Group, upgrade common areas to be more dementia friendly and deliver high quality outdoor amenity space. Housing officers and concierge staff working with older people will be specially trained to help support their needs.

## Providing safe, secure, affordable and warm homes

– in addition to our core services we will focus our provision of better heating controls on blocks where older people live to reduce consumption and increase flexibility of use.

# High-Rise Living for better family life

*Creating great places where families want to live*

## Outstanding accommodation and amenities

– to support families living in high-rise homes we will provide affordable digital connectivity in every home. We will promote active play and healthy living by providing storage for bikes, prams and play equipment in addition to providing good quality outdoor and indoor play spaces. Inside the block we will provide a family friendly digital library and encourage the use of space by community entrepreneurs. Customers can expect:

- › Digital connectivity
- › Outdoor play space
- › Digital library
- › Space for community entrepreneurs.

## Increasing demand for family homes

– we will identify blocks that are most suitable for family living based on proximity to schools and nurseries and apartment size (e.g. 2 bedroom flats, typically a couple with one or two children). In addition, to maximise the attraction of high-rise homes for families, we will introduce a new rent model, use marketing tools to promote blocks and high-rise homes, tailor allocations and investment plans to help cluster families around good quality dedicated community facilities.

## Family friendly services

– we will deploy a wide range of targeted employability, digital, wellbeing training and services through our network of community connectors, supported by affordable childcare. By engaging with local schools we will explore the potential to provide local tutors and homework clubs to help pupils reach their potential. For young people we will develop a partnership with a local college to further support their journey into further education and work.

# Dynamic engagement to create vibrant communities

We recognise the impact that a sense of belonging to a strong and supportive community has on people's wellbeing and pride of place. The lives of our high-rise customers are more closely connected than those of neighbours in a traditional street because they share foyers, lifts, landings and communal spaces. In a world where loneliness is growing problem this presents great opportunities to foster community spirit and generate passion for our high-rise living experience through inspiring multi-stranded engagement and daily interactions.

We are therefore determined to seize the opportunity to re-define how we do customer engagement in this specific context. Our annual community engagement budget for each site will support a programme of activities and events which bring people together and provide a wide range of opportunities to connect with each other. Local staff will work with customers on each site to design their own programme that reflects their needs and interests. The programme will include events and activities run and hosted by members of the staff team, by volunteers and by third sector organisations.

We will make sure we hear the voices of the people who live in our high-rise homes. Their experience is very different from that of customers in other property types so we need to ensure we understand their particular issues and what is important to them. We will hold an annual High-rise Living Conference, clearly demonstrating to customers that we understand their experience is different. We will also establish Cube Block Talks and a Tenant's Forum, to provide customers from different sites with a regular opportunity to come together to discuss and shape the way services are delivered to them.

Moving forward, our ambition is to go even further – to challenge the norm, harness technology and explore new ways to empower our customers. Our thinking has been informed by the 'Future of Engagement' research carried out for Wheatley Group by the Democratic Society, which included investigating international examples of successful approaches and innovative techniques. Our future engagement approaches will include:

- › **'Connect'** – Regular opportunities for customers to share their views both with each other and with us
- › **'Create'** – Involvement in designing solutions, shaping services and setting standards and targets
- › **'Choose'** – Letting customers decide – giving customers a say in decisions about priorities and budgets.

We will explore new opportunities for dynamic engagement through technology. Examples include:

- › **Electronic information boards** installed in every foyer, which can be updated by local staff. This would replace static notice boards to bring residents up to date information, including activities onsite, maintenance work, investment, social events, cleaning schedule, volunteering opportunities, bus times and other local information.
- › **Alert-a-Call** – we will explore the potential that this technology could offer if re-imagined in the high-rise context.

# Our marketing strategy

Delivering our exceptional high-rise living experience is not the end of the story – we also need to ensure people know about, believe and trust in the unique lifestyle it offers.

Genuine voices of current customers sharing their lived experiences will be a powerful tool in driving public perceptions. We will support customers to showcase what they like about high-rise living and their community in particular. We will help them to tell their story, for example through video, social media and newsletters.

Our range of real-life stories will give a voice to a rich diversity of people, conveying the high-rise living experience from a host of different perspectives, including families with young children, teenagers, young people establishing their first home, older people, new Scots, working families and professionals with hectic lifestyles.

The MyHousing platform gives us tremendous scope to re-imagine how we convey our high-rise offer to potential customers. It provides the opportunity for greater dialogue with potential customers right from the point they first start to explore their housing options, allowing us to help people get a clear picture of what high-rise living has to offer them. On-going dialogue throughout the MyHousing journey will support and guide people to identify when high-rise living really is the right choice for them.

MyHousing will also enable the introduction of 'virtual viewings', allowing us to move from the current generic short advert with limited words and one photograph, to using videos that bring the specific context and whole package alive and help people picture themselves living there. The way we market apartments will set the tone of expectation and reflect the quality of the product, mirroring the best private sector letting agency.

As we explore and develop a range of local lettings initiatives we will be able to use the MyHousing portal to target marketing to relevant customer segments.

We will be explicit about our aspirational high-rise living guarantee on our websites, MyHousing, the Key and other publicity materials to ensure potential customers know what they can expect from a high-rise living experience with Cube.

## #Make [Name] Outstanding Plans

Our high-rise apartments are home to a rich diversity of customers. The distribution of customer segments varies – but households include families with children as well as couples and single people of all ages. Our approach is designed to celebrate and support diversity to create vibrant and integrated communities, recognising that each site has its own character requiring its own tailored solutions.

We will involve customers in co-creating site specific #Make [name of site] Outstanding Plans, to ensure the desirability and sustainability of their particular community. These plans will refine and dovetail with our existing Locality Planning approach.

Our High-Rise Living Matrix will be completed for each site so that management and investment decisions about each site are informed by insight that triangulates:

- › Views and priorities of customers and potential customers
- › Management insight, including service draw down patterns, performance and local team knowledge
- › Investment needs from structural/asset survey data.

The High-Rise Living Matrix will provide a detailed profile for each site which will highlight any challenges in meeting our high-rise living guarantee and support informed decisions as we work with local communities to identify how we best refresh and renew the feeling of the building and surrounding environment through refocused maintenance and investment programmes. It will also feed into option appraisals for new build sites, ensuring the potential impact of new build on high-rise sites in the proximity is understood and taken into account.

# Our marketing strategy (cont)

In summary, each #Make [name of site] Outstanding Plan, will include:

- › customer engagement plan, including schedule of social activities, events and opportunities to bring people together, to help foster neighbourly relations and build vibrant communities
- › schedule of investment works to be delivered
- › site specific maintenance programmes
- › local environmental programme
- › partnership plus plan, setting out who the key partners are and how we will work with them differently in the high-rise context to create real impact and added value for customers
- › fire safety plan
- › appropriately tailored management model
- › clear action plan and targeted resources to address specific challenges in delivering any of the three principles of our high-rise living guarantee
- › locally agreed targets and measures.

## Clear strategic oversight

Whilst we are committed to co-creating local solutions with local people, it is also important that there is an overall coherent Cube approach, that learning is shared and solutions are consistently embedded.

We will therefore identify a senior Housing Management champion with responsibility for our high-rise living product across the piece. This lead will have oversight and 'read across' all our sites. They will be responsible for:

- › Drawing out the links between the #Make [name of site] Outstanding Plans, and wider Cube/Group strategies: both so that bottom-up insight informs strategy review and development, but also to ensure operational managers can translate our strategies into what it means for their high-rise sites
- › Identifying pockets of innovative practice and solutions that work
- › Sharing learning to embed what works consistently across Cube
- › Identifying appropriate resources and support that can be drawn down from Group
- › Overseeing and co-ordinating the implementation of the approach outlined in this framework
- › Reporting progress.

The strategic lead for high-rise living will ensure there are golden threads between site specific plans and our wider strategies and commitments, including our Asset Strategy, Fire Prevention and Mitigation

Framework, Protecting People, Anti Social Behaviour, Environmental Quality Standard, Value For Money and Homelessness, to name but a few.

Homelessness is a good illustration of this need to consider the wider strategic context and that some issues will be more effectively tackled at a Cube level rather than at a site by site level. Cube plays an important role in tackling homelessness in Glasgow and a significant proportion of homeless people are housed in temporary furnished flats within our high-rise sites. It is important therefore that any local management decisions are consistent with Cube's commitments.

## Long-term sustainability

Whilst we have made significant investment and provide fantastic services, we also recognise that as we move forward we may have to replace some of our high-rise buildings. We will review the viability of our high-rise blocks every five years and / or before high level investment. Our viability reviews will include scenario modelling and sensitivity analysis to inform our understanding of the potential impact on our business plan over time using a range of potential reductions in our high-rise portfolio over the next 30 years. The criteria used in our viability modelling to inform our decision making include:

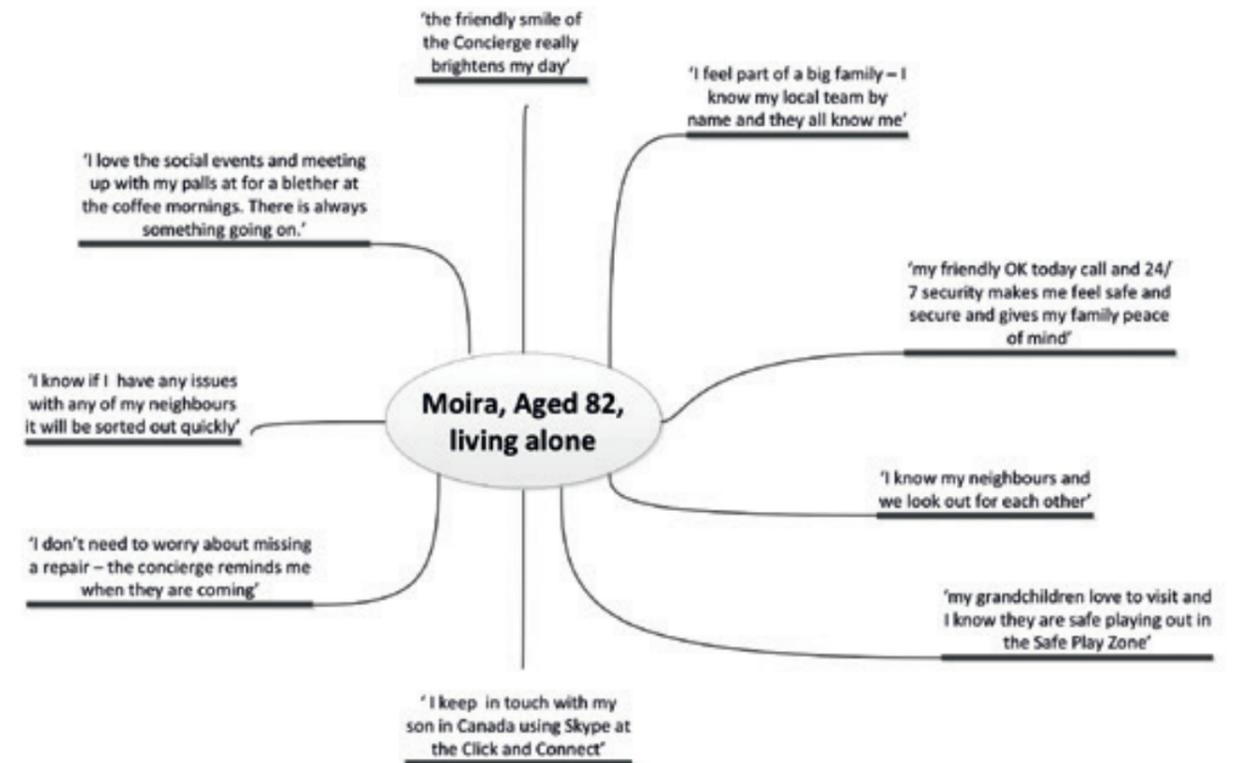
- › Turnover of properties
- › Days to let
- › Levels of anti-social behaviour and fire incidents
- › Levels of arrears
- › Customer age profile
- › Number of repairs
- › Capital investment requirements.

The High-Rise Living Matrix will help identify sites that may potentially fall into this category and which would therefore require more in depth appraisal to better understand the overall implications for our business plan and overarching Asset Strategy as part of the decision making process. Where 75% of the criteria fall below an agreed threshold, we will conduct an options appraisal to consider the wider future of the block. This will involve local tenants and the wider community before reaching an agreed outcome.

# Unique added value for our customers

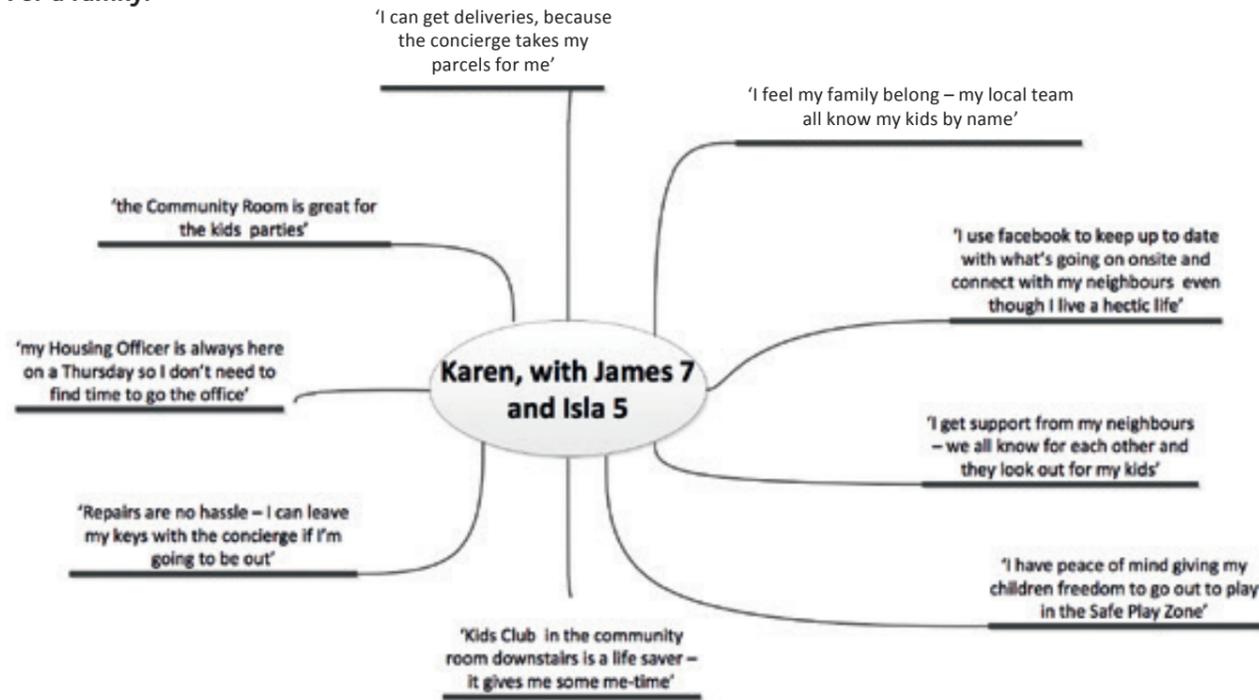
The things that create value for customers differ depending on their life-stage, household composition and circumstances. The diagrams below help illustrate some of the ways in which our high-rise living experience will be different from other tenures, with particular emphasis on how it will feel different to customers from a range of household types.

## For an older person:

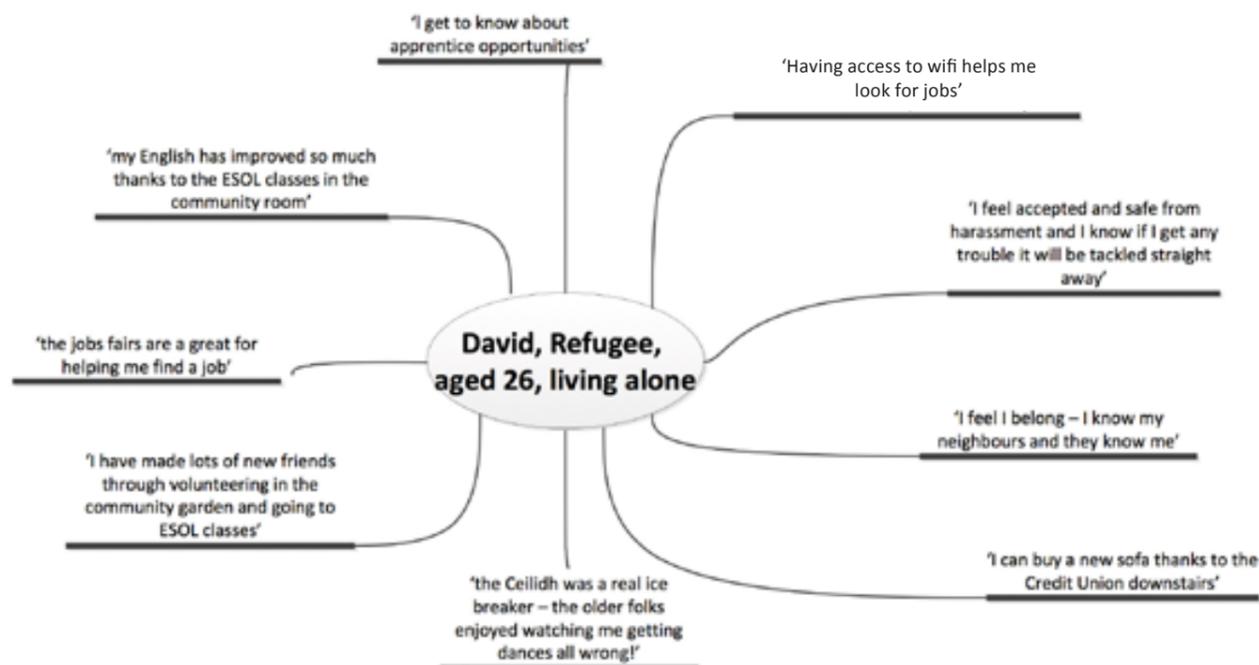


# Unique added value for our customers (cont)

## For a family:



## For a young single person:



# Message of success

We will track our success through:

- > **Tenant attitude survey results** – asking our customers living in our high-rise homes what they think about the services we provide every year and analysing the results to identify the issues which matter most to older people and families. We will provide results for the different customer segments living in our blocks.
- > **Site specific customer surveys**, including new questions that measure sense of belonging and connectedness – identifying the site-specific issues which impact on customer satisfaction and reflecting the needs of the customers who live in each block.
- > **Satisfaction with repairs** – providing local feedback on the quality of repairs, right first time and timescales to complete work.
- > **Mood monitoring** using real-time feedback through a “rate my repair” app when an operative visits a high-rise home.
- > **Increased demand** when homes become vacant – monitoring days to let and number of voids across the high-rise portfolio.

# Our strategic outcomes

Outcomes this framework will deliver are:

Outcome	Success measures
<b>Looking out for you:</b> customers can live peaceful lives, safe from fire and untroubled by concerns about crime and anti-social behaviour	<ul style="list-style-type: none"> <li>› Over 90% tenants feel safe in their home</li> <li>› Over 70% tenants feel safe walking in their neighbourhood after dark</li> <li>› 100% of applicable properties have a fire risk assesment.</li> </ul>
<b>Creating great storeys:</b> great homes, in modern feeling buildings set within attractive environments	<ul style="list-style-type: none"> <li>› Over 90% satisfied with environmental service</li> <li>› over 90% of tenants satisfied with the quality of their home when moving in</li> <li>› over 90% of existing tenants are satisfied with the quality of their home.</li> </ul>
<b>Connecting people's lives:</b> places with a sense of belonging and strong community spirit that people are proud to call home	<ul style="list-style-type: none"> <li>› over 87% of tenants satisfied with opportunities given to participate in decision making</li> <li>› 85% tenants feel rent represents good VFM</li> <li>› Number of bids for apartments increased by an average of 10% over the next three years</li> <li>› Local performance targets developed and reported.</li> </ul>
<b>Delivering sustainable homes:</b> providing high-rise homes which are sustainable and contribute to a greener, cleaner Glasgow	<ul style="list-style-type: none"> <li>› Reduce maintenance requirement by 10% by 2025</li> <li>› Provide dedicated fuel advice by 2021</li> <li>› All blocks to meet EESSH standard by 2032</li> <li>› Deliver digital connectivity in every high-rise block by 2025</li> <li>› All blocks to achieve Keep Scotland Beautiful waste and recycling standard by 2021.</li> </ul>
<b>Creating great environments for older people</b>	<ul style="list-style-type: none"> <li>› 90% of customers feel their block provides a welcoming environment</li> <li>› Deliver How are you Today by 2021</li> <li>› Decrease the number of customers who describe themselves as lonely.</li> </ul>
<b>High-rise living for better family life</b>	<ul style="list-style-type: none"> <li>› Introduce a new rent model by 2025</li> <li>› over 90% of households with children are satisfied with the service</li> <li>› Increase 10 percentage points in families who agree that the neighbourhood where they live is a place where neighbours look after each other.</li> </ul>

To deliver these outcomes, we will:

- › Be explicit about our new high-rise living guarantee so customers can hold us to account
- › Re-define customer engagement as part of the high-rise living experience, establishing new ways to involve customers in local decision-making and the design of services, including introducing real-time digital feedback and exploring opportunities for interactive terminals, specific web/facebook pages by March 2021. Co-create site specific #Make [name of site] Outstanding Plans with customers – in place by March 2021 based on the evaluation of the pilot site
- › Tell customers how we perform against the local targets and commitments we have agreed with them
- › Create community space at older people and family friendly sites, providing scope to bring people together, unlock potential wellbeing opportunities and expand the type and range of services and activities available on site
- › Use our High-Rise Matrix which allows live analysis to be undertaken to inform decision making for each site based on a clear understanding of customer priorities, management challenges and investment needs
- › Introduce 'Virtual Viewing' for vacant high-rise apartments as a priority, harnessing opportunities from MyHousing to embed a re-imagined approach to marketing
- › Investigate new technology including smart metering, property sensors, CCTV, video controlled entry, thumb-print activated entry systems and digital services to make our high-rise living experience more peaceful, safer, and attractive
- › Reduce fuel costs and improve heating controllability for customers through a targeted programme of energy advice and interventions, including smart metering, and heating upgrades including consideration of micro renewables
- › Review, over the longer term, the potential to use high-rise living to develop new innovative, tailored packages that meet the emerging housing need in Glasgow for older people and families
- › In partnership with City Building Glasgow, continue to regularly review of repairs and maintenance with increased focus on cyclical and planned repairs so that every site has a tailored approach that meets their needs
- › Ensure that we sustain strong, integrated and peaceful communities and continue to support those most in need through a review of temporary accommodation across the high-rise living portfolio
- › Explore options for a new rent model so high-rise homes across all sites remain affordable for our customers
- › Utilise the performance framework for high-rise living by ensuring that trends and changing patterns of demand are identified early and ensure our customers can hold us accountable for meeting our high-rise guarantee
- › Working with Group Communities of Excellence, continue to benchmark and learn from the wider sector and global best practice in the management of high-rise buildings
- › Develop Community Connectors by working with relevant partners in the statutory, third and voluntary sectors, to help them identify how they can re-design their services for the high-rise context, in order to create additional value for customers.

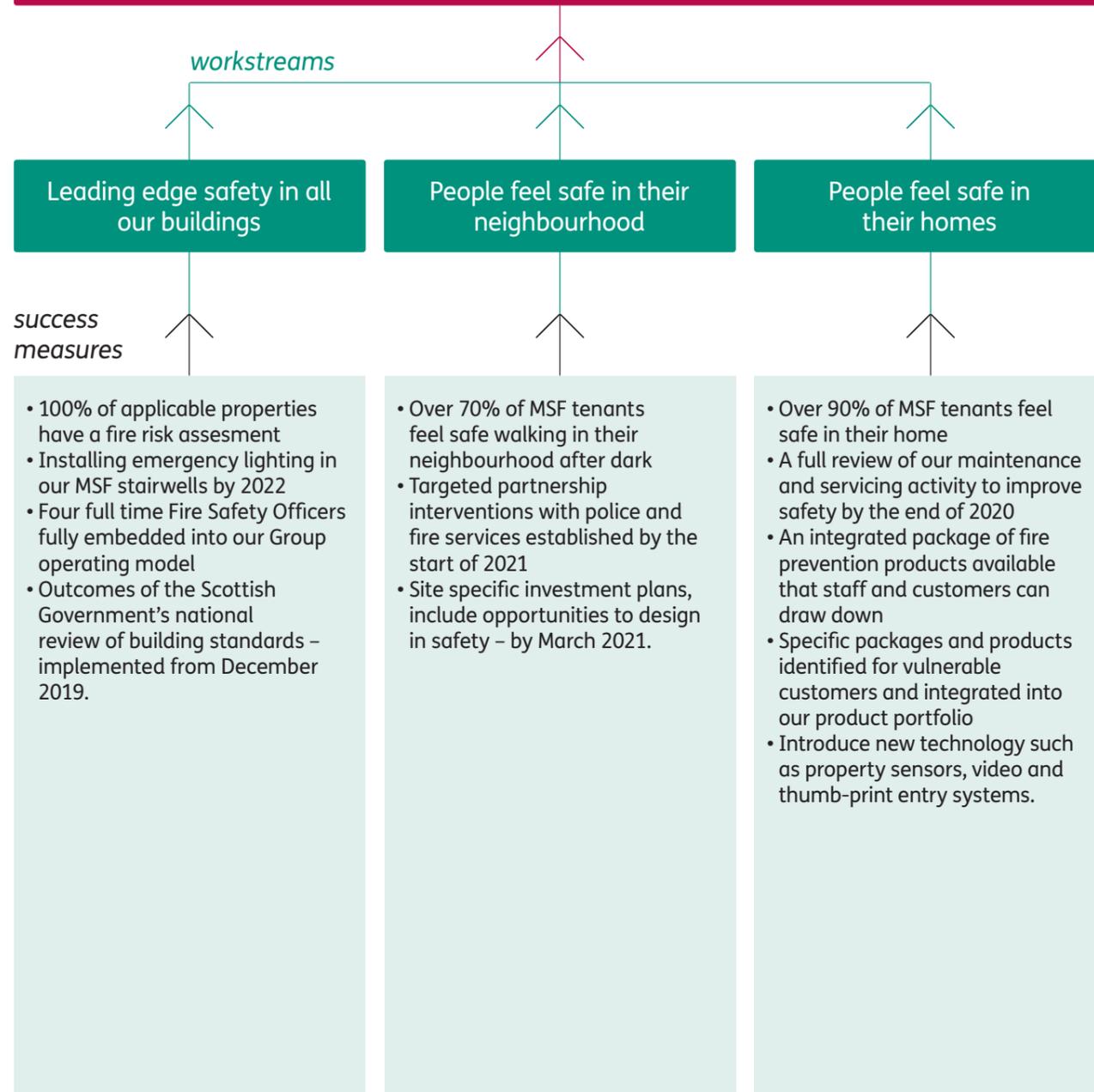
This framework provides our vision to deliver a unique product with aspirational standards. Transforming our way of thinking in this way will enable us to realise the potential to co-create a unique and enviable high-rise living experience that customers and future customers see as more than just as home.

# Looking out for you

Customers can live peaceful lives, safe from fire and untroubled by concerns about crime and anti-social behaviour

outcome

## Creating peaceful places where people feel safe and secure

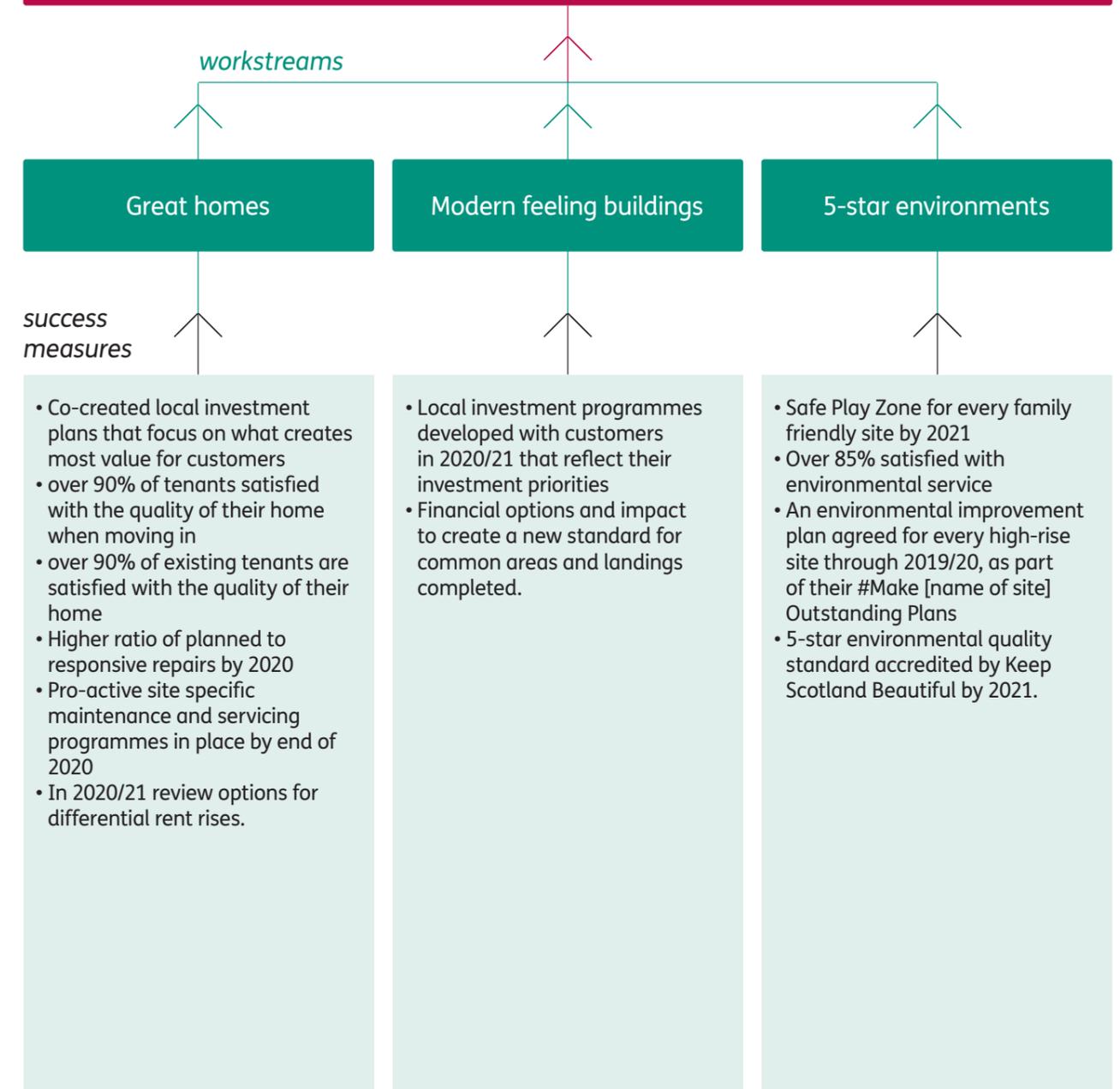


# Creating great storeys

Great homes in modern feeling buildings set within 5-star attractive environments

outcome

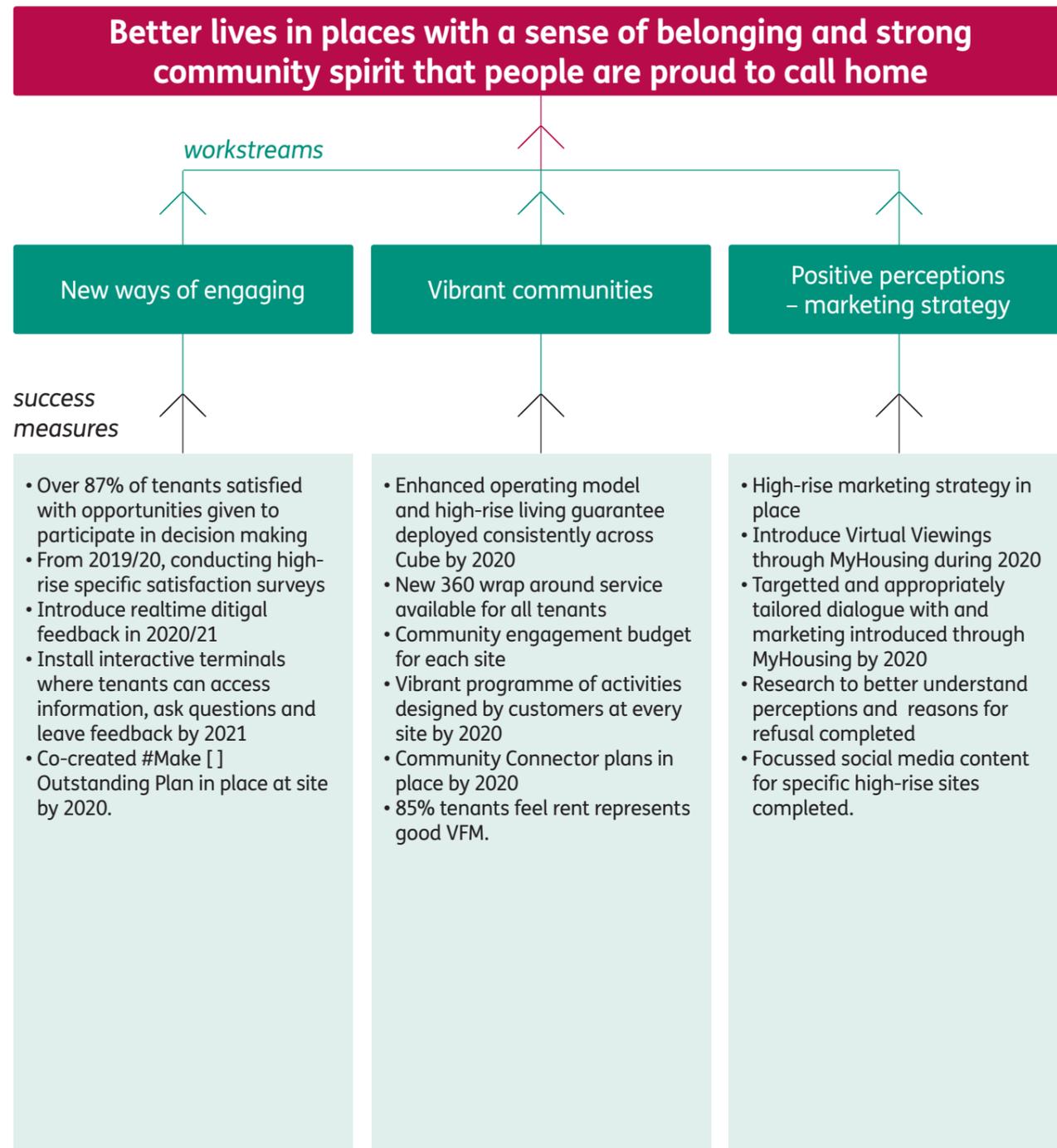
## Great homes, in modern feeling buildings set within 5-star attractive environments



# Connecting people's lives

Better lives in places with a sense of belonging and strong community spirit that people are proud to call home

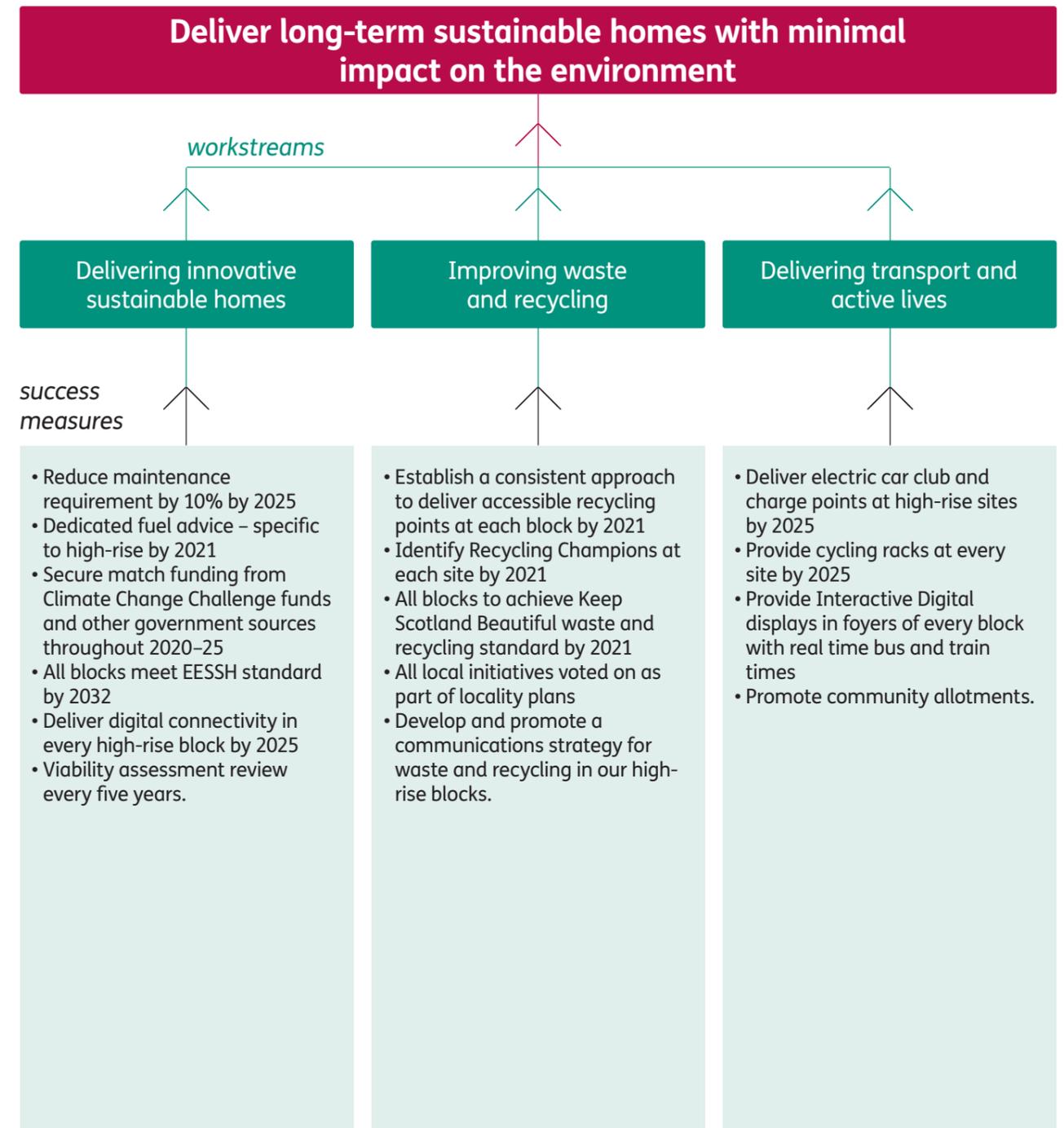
outcome



# Delivering sustainable homes

Providing high-rise homes which are sustainable and contribute towards a greener, cleaner Glasgow

outcome

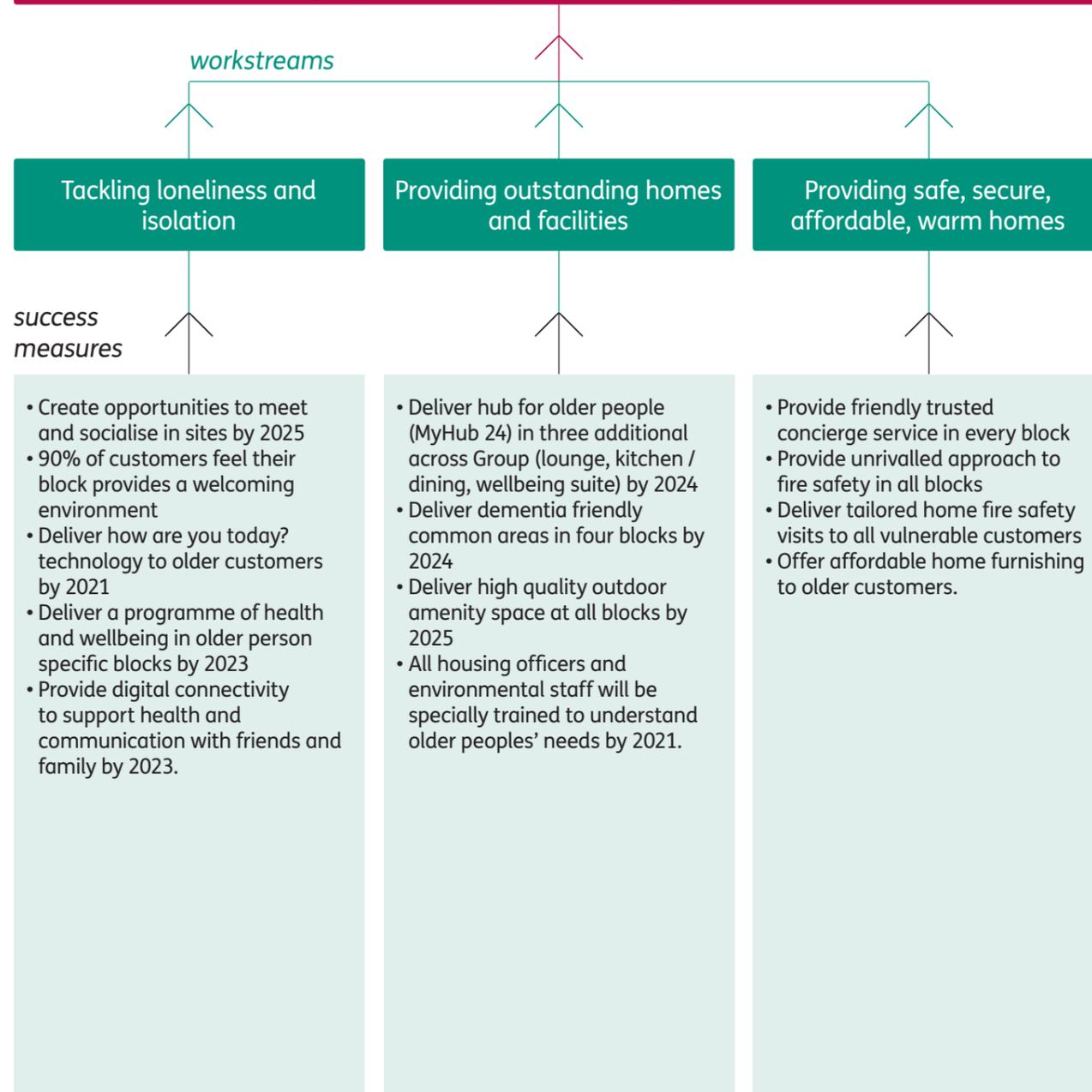


# Creating great environments for older people

As our customers are living longer we will provide excellent, tailored high-rise homes and communities to support healthy, independent living for our older customers

outcome

**Better lives in places with a sense of belonging and strong community spirit that people are proud to call home**

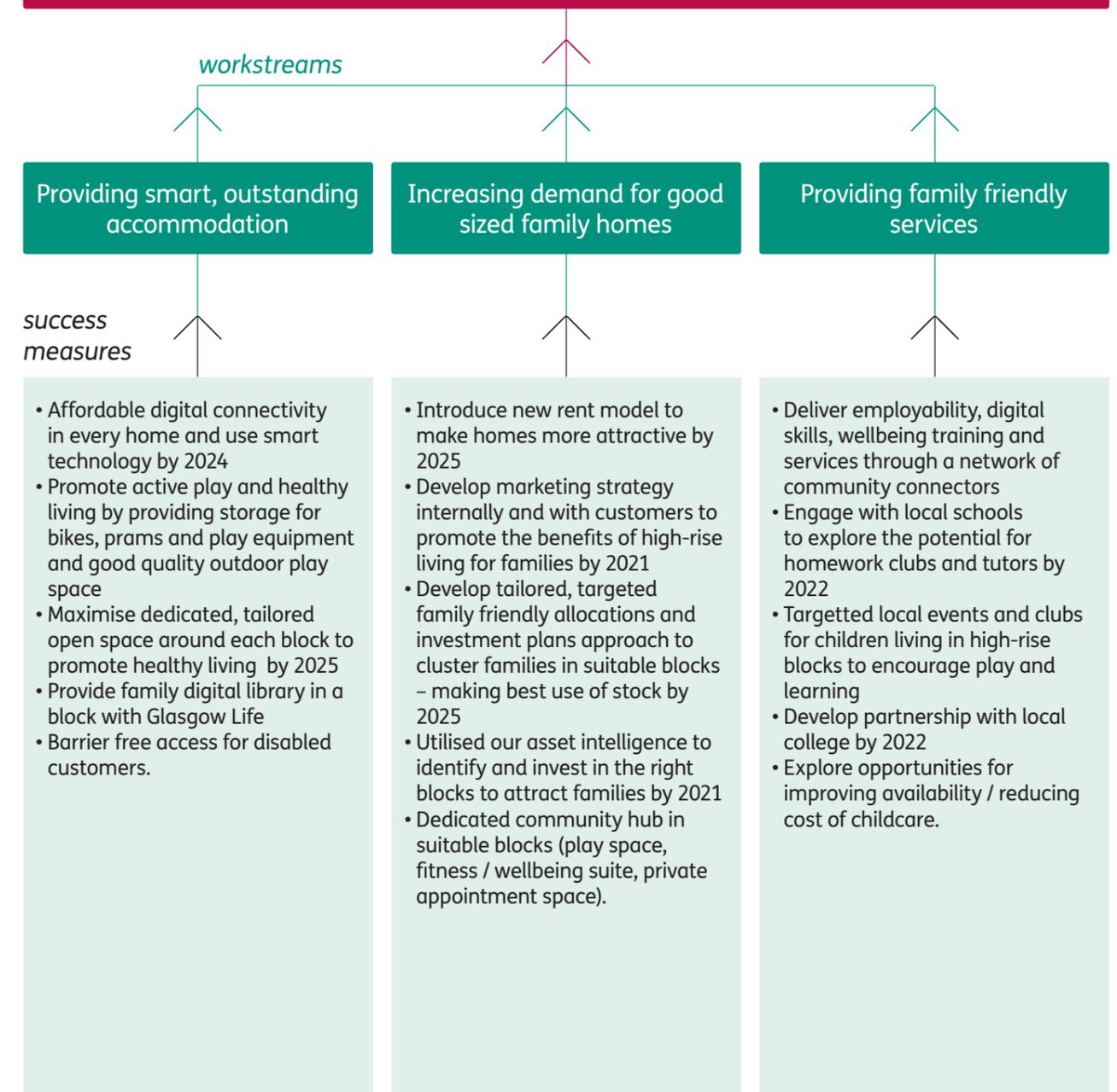


# High-Rise Living for better family life

Creating great places where families want to live

outcome

**Creating family friendly high-rise living environment**



# Appendix

## High-Rise Living Matrix

Our new framework will ensure we make the best service and investment decisions for every community. Our approach will deliver for our customers, communities and our business by understanding and combining the insight and priorities of all three to shape our decisions.

We already collect a range of information across Cube. We will extend and refresh the information we gather from each location and how we analyse it, to ensure that we deliver customer focused solutions and adapt these solutions as our customers' needs change. The Matrix collects and brings together in one place information from three perspectives:

**1) Customer views and priorities** – including data from the proposed new high-rise living specific surveys

**2) Management insight**, including service draw down patterns, performance and local staff knowledge

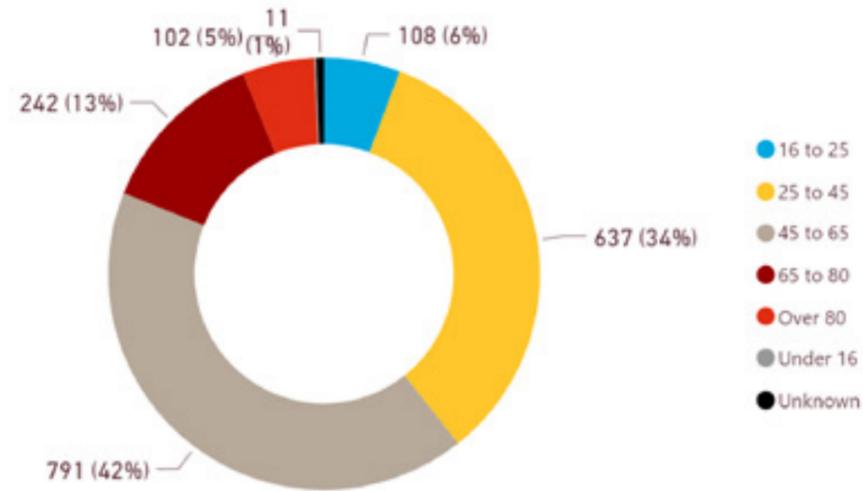
**3) Investment needs** from structural/asset survey data.

The purpose is to provide a detailed profile of each site to inform the co-creation of the Site Specific Plan. It will highlight any challenges in meeting our high-rise living guarantee and support informed decisions as we work with local communities to identify how we best refresh and renew the feeling of the building and surrounding environment through refocused maintenance and investment programmes.

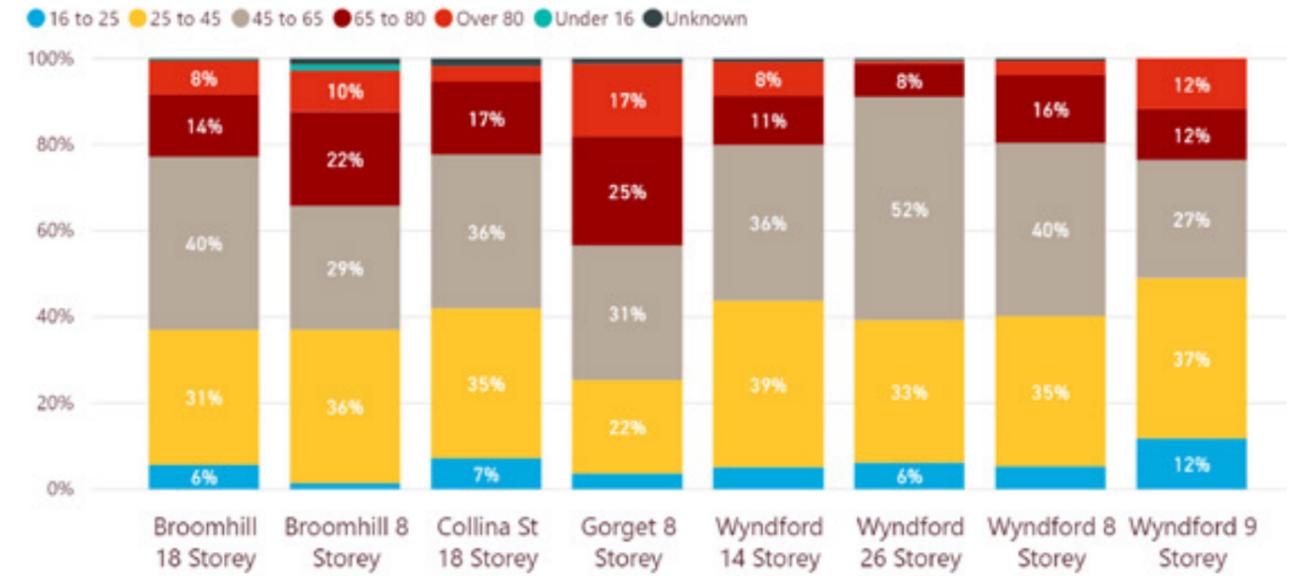
Local customer satisfaction		Other feedback		Local community priorities			
% satisfied with the overall service % satisfied with the landlord's contribution to the management of the neighbourhood they live in % satisfied with the quality of their home % satisfied with repairs and maintenance % feel safe in their home % feel safe walking in neighbourhood after dark % satisfied with opportunities to them to participate in decision making processes % feel that their rent represents good value for money		Reasons for give-ups and refusals What's great about living here? What's not so great? % income spent on fuel costs % satisfied with environmental services % satisfied with cleaning services Most important services Complaints		Priorities identified from engagement activities Priorities identified from individual customer conversations Draw down of wrap-around services			
Location		Income and arrears		Demographics		Vulnerability	
No. of Blocks No. of Properties No. of Storeys per block House Size(s) Area of Site		Annual Rental Income Rent Arrears Employment Status (Tenant) Tenants in receipt of Welfare Benefits		Main Tenant Age Profile Gender Ethnicity Dependant Children Non Dependant(s) Occupancy Status		Mobility Elderly Young Children Mental Health Issue Addiction issue Hoarding Language Barrier Visual/Hearing Impairment	
Repairs and maintenance		Investment		Crime/Fire and Anti-Social Behaviour		Allocations and Tenancies	
Spend Volume Cost Per Block Cost per Dwelling		Spend Work Types Last Done / Next Due		Recorded Incidents Top Categories		Lets / Voids Turnover Abandonment Bids	
Facilities and services		Community Connectivity		<i>Establishing a clear understanding of our existing and changing customer base is essential to deliver services which meet customer needs and sustain tenancies in the long term.</i>			
Community Facilities Other Services Play Areas		Schools GP Surgeries/Hospitals Pharmacies Bus Routes / Bus Stops Train / Underground Supermarkets Library					

# Stock profile data

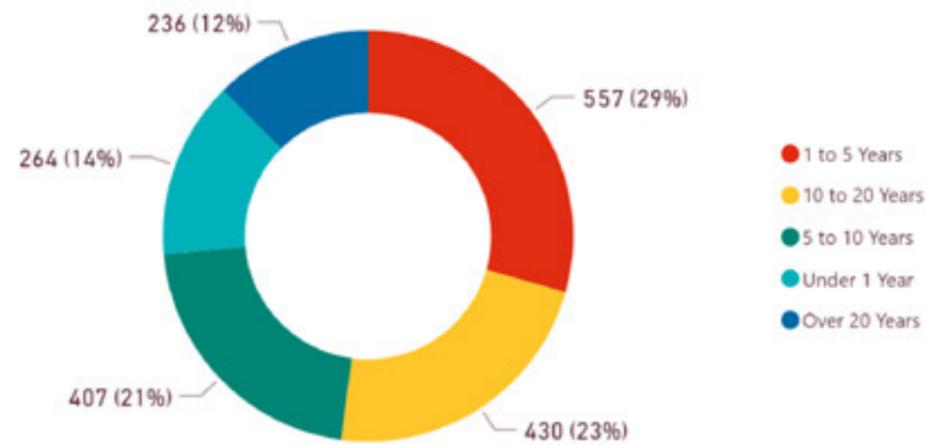
Tenant Age Group



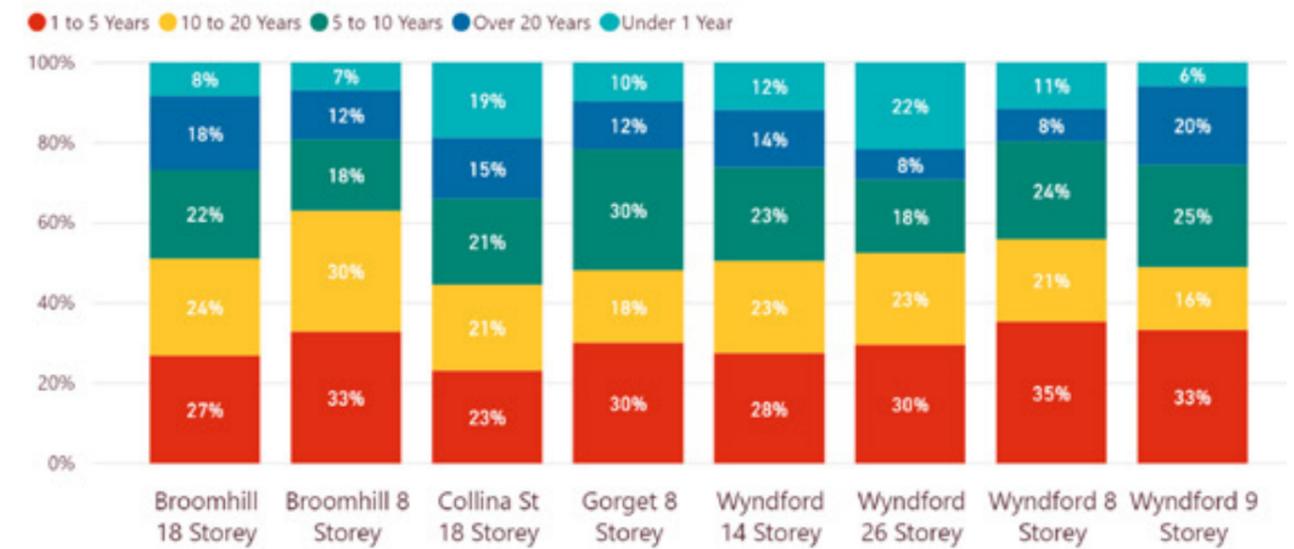
Tenant Age Group By Patch



Tenancy Length

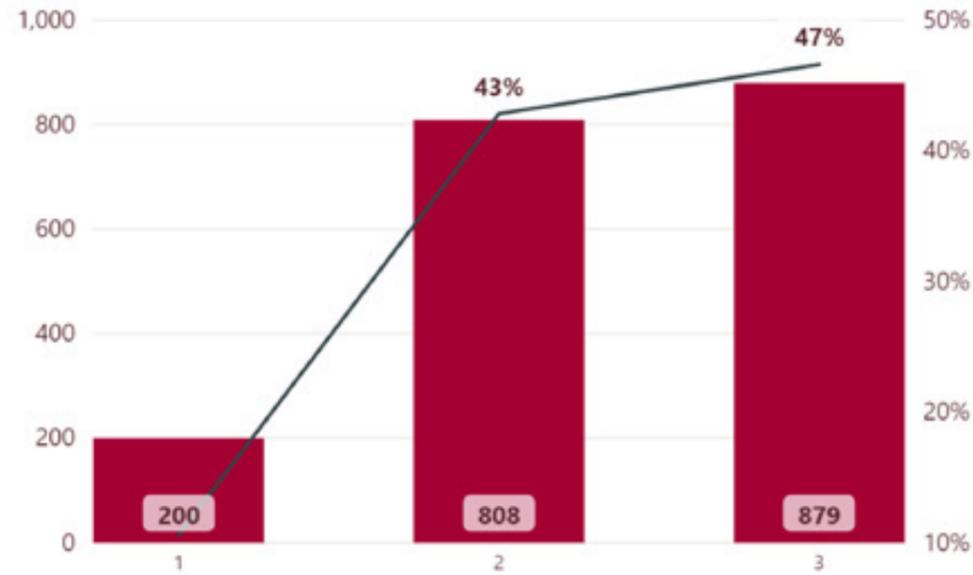


Tenancy Length By Patch

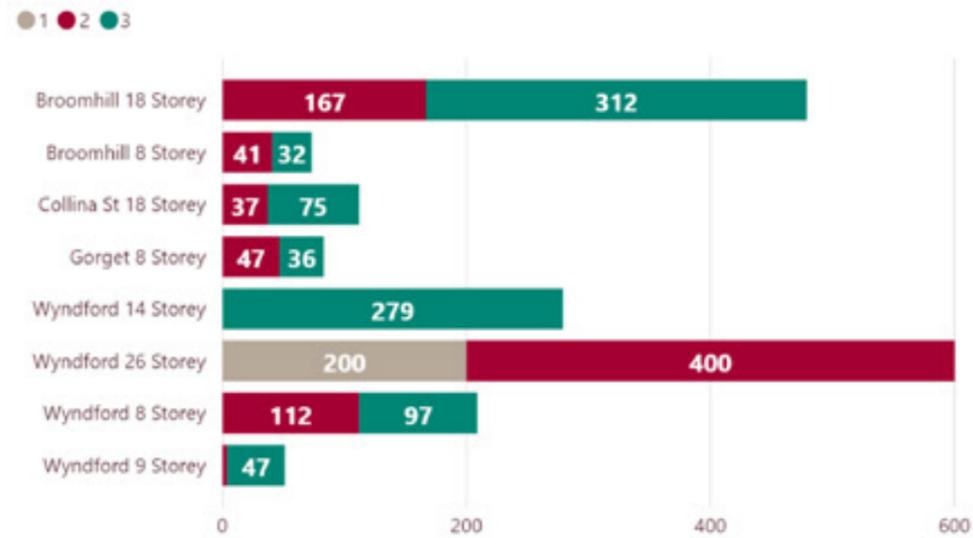


# Stock profile data (cont)

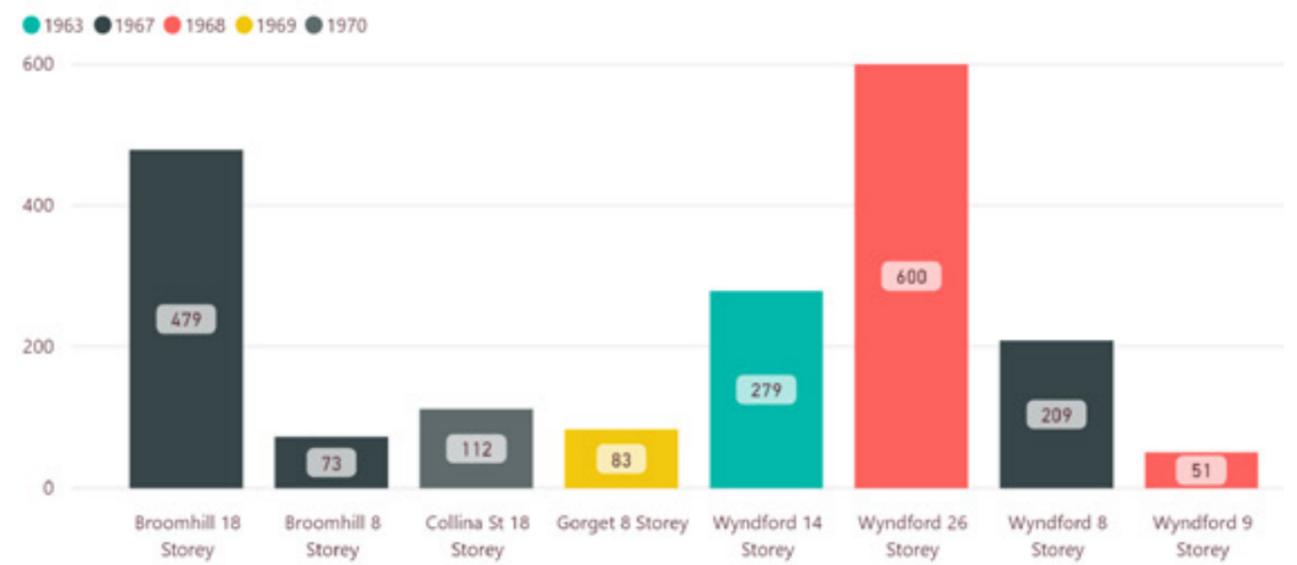
### Stock by Apartment Size



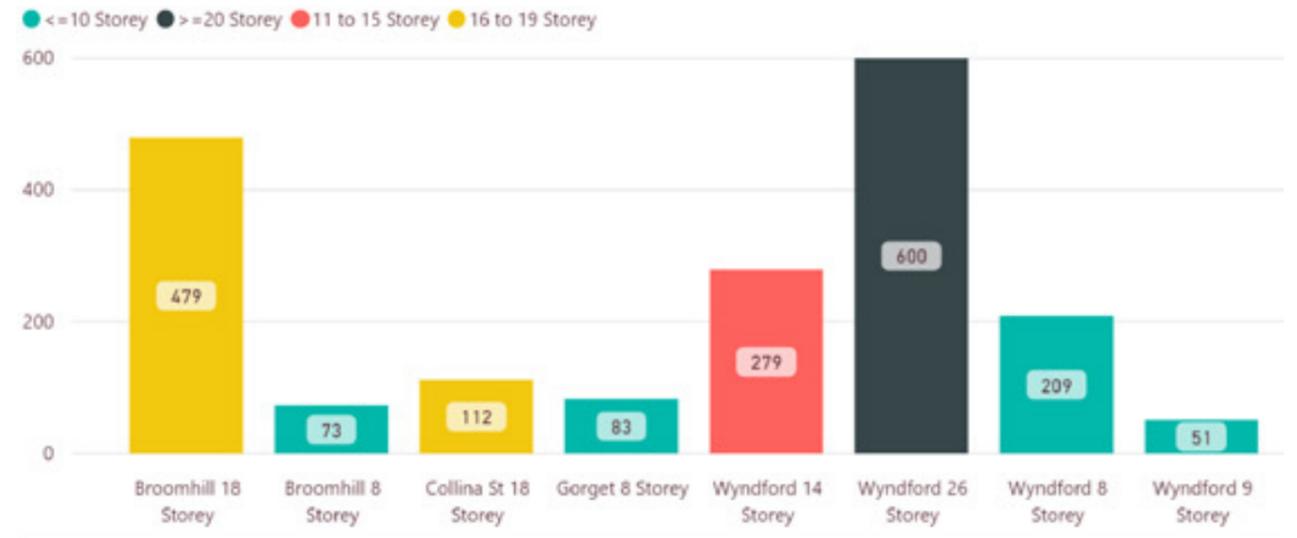
### Stock By Apartment Size



### Stock By Build Year



### Stock By Build Year



Wheatley Group, Wheatley House,  
25 Cochrane Street, Glasgow, G1 1HL  
[www.wheatley-group.com](http://www.wheatley-group.com)





## Report

**To:** Cube Housing Association Board

**By:** Stuart Johnstone, Development Manager

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

**Subject:** Five Year Development Programme

**Date of Meeting:** 4 February 2020

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### 1. Purpose

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

### 2. Authorising context

- 2.1 The overall strategic direction and associated priorities of the Group are reserved to the Wheatley Housing Group Board. In relation to the development programme, this includes the geographical areas in which we operate.
- 2.2 Under the Group Standing Orders the Board is responsible for approving our five year development strategy with the Group Development Committee having responsibility for individual project approvals within agreed parameters and for overseeing the Group-s development activity.
- 2.3 A copy of our five year development programme will be presented to the Wheatley Housing Group Board in February 2020.

### 3. Risk appetite and assessment

- 3.1 The Board's risk appetite in respect of the new build development programme is "open", which is defined as "*willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward*".
- 3.2 Our future strategic direction envisages a development programme of 241 new homes. Our development programme represents a significant element of our expenditure, in the form of borrowing to fund construction.

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

#### 4. Background

- 4.1 Since joining Wheatley Group, Cube has completed 539 new affordable homes with a further 46 units currently on site. Our current Group business plan assumes Cube complete over 241 units of affordable housing new supply units over the five financial years from 2020/21.
- 4.2 Table 1 below sets out the Cube programme by year.

**Table 1 – Cube Programme by Year**

RSL	20/21	21/22	22/23	23/24	24/25	Total
Cube	0	75	107	59	0	241

#### 5. Discussion

##### Development Footprint

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

5.3 In total our footprint covers the local authority areas the Board agreed in May 2019, namely:

- East Dunbartonshire;
- West Dunbartonshire;
- Glasgow (no longer developing in this area);
- North Lanarkshire;
- South Lanarkshire;
- Argyll and Bute;
- Renfrewshire; and
- East Renfrewshire.

5.4 The planning of Cube’s development programme involves discussions with the respective local authorities in their role as strategic housing and planning authorities and the Scottish Government as grant funders. This is in addition to our work with a network of private sector developer contacts.

Development appraisal criteria

5.5 In May 2019 the Board approved the criteria that forms the basis for assessing new development opportunities for inclusion in our five year development programme.

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

- 5.6 Where any of these criteria are not met the project may be referred by the Group Development Committee, where it considers there to be an exceptional reason for proceeding, to the Cube Board for consideration. If new opportunities arise in year that do not feature in the Cube approved five year development programme then those proposed projects will in the first instance be presented to the Cube Board for consideration.

#### 5 Year Development Programme

- 5.7 Attached at Appendix 1 is Cube's draft five year Development Programme which the Board is asked to consider in February 2020.
- 5.8 80 of the units in the five year programme come from the Queen's Quay project in West Dunbartonshire, a project that has been reported to the Board on previous occasions. The remaining 161 units are all partnership projects with private developers who are looking to Cube to own and manage an affordable housing element required by their respective projects. All of the projects are located in Cube's current footprint. The programme timing is indicative and may be further influenced by a number of factors such as:
- levels of Scottish Government grant;
  - statutory consents processes;
  - partners acquiring sites; and
  - new opportunities arising.

### **6. Key issues and conclusions**

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

### **7. Value for money implications**

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

## 8. Impact on financial projections

8.1 Our business plan assumes £44.8m gross development spend over the next five years, with our spend for 2019/20 projected to be c£6m. The successful delivery of the development programme helps us realise the wider assumptions within our financial projections. The summary of development costs and grant over the next five years is presented in the below table:

New Build Programme	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Development Costs	10,908	17,319	10,765	1,381	4,453	44,826
Grant Income (cash received)	9,688	8,570	3,441	57	2,635	24,391
<b>Net Cost</b>	<b>1,220</b>	<b>8,749</b>	<b>7,323</b>	<b>1,324</b>	<b>1,818</b>	<b>20,435</b>
Completed Units	0	75	107	59	0	241

## 9. Legal, regulatory and charitable implications

9.1 Details of our development programme are shared with the Scottish Housing Regulator on a regular basis.

9.2 Legal advice on projects included in the five year development programme is taken as required. Typically, this involves advice and guidance on title due diligence, land acquisition and construction contracts.

## 10. Partnership implications

10.1 We have a number of key strategic partners in the delivery of the development programme: Scottish Government More Homes Division and the local authorities in our operating areas. Regular programming meetings take place with Scottish Government and the local authorities to assist with future programming and monitoring. In addition, we have a number of important relationships with developers, housebuilders and various land agents.

10.2 For some of our newer geographies we continue to build relationships with local authorities and identify potential opportunities to increase the number of tangible opportunities we can consider for our future programme.

## 11. Equalities impact

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

## **12. Recommendations**

12.1 The Board is asked to:

- 1) approve Cube's five year development programme as summarised in this report;
- 2) note that the five year development programme will be reviewed annually and presented for approval to the Board, in conjunction with the presentation of the Group Business Plan; and
- 3) note that authority for individual project approvals will continue to be delegated to the Group Development Committee.

### **List of Appendices**

Appendix 1 – Draft five year development programme



# Five Year Development Programme

**Cube Board**  
**04 February 2020**

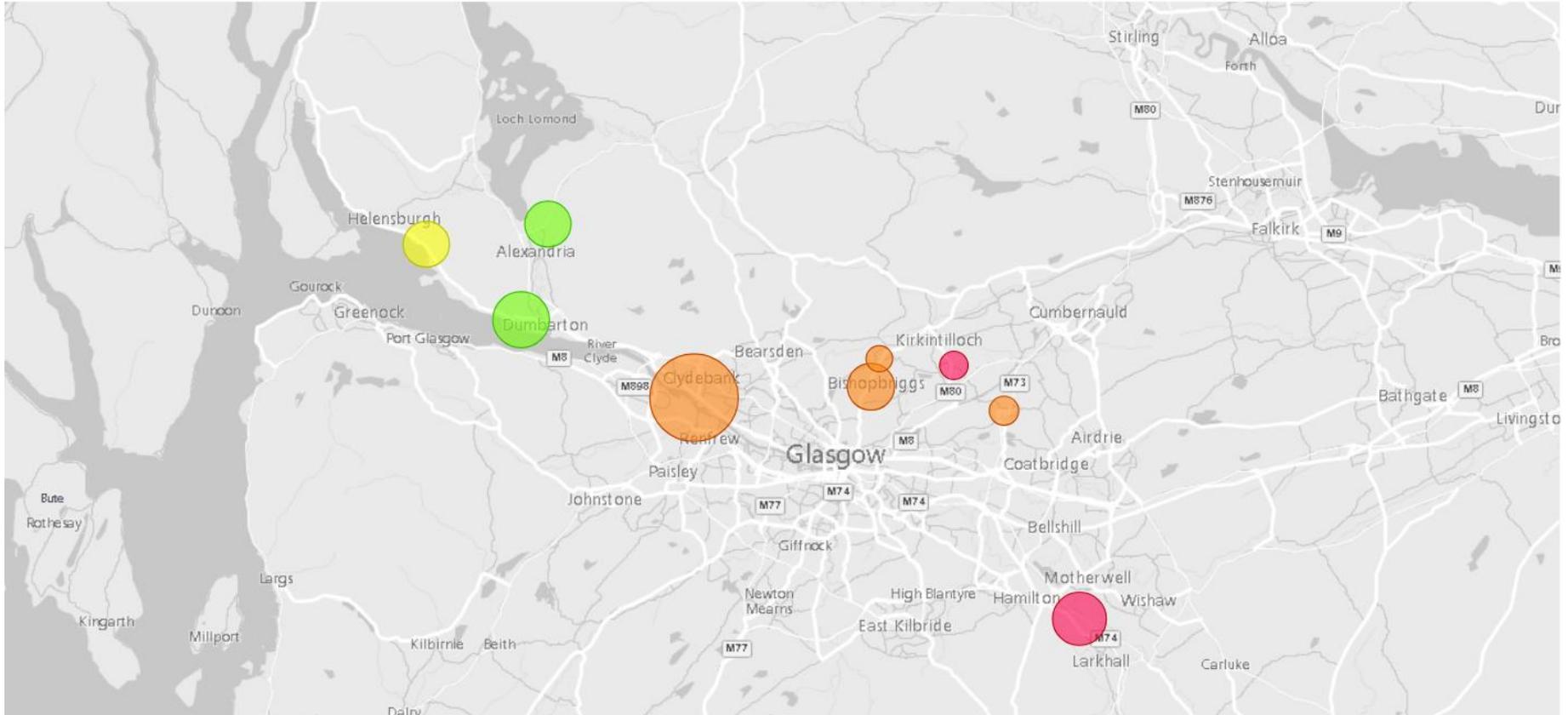
# External Authorising Environment



- **Strategic Housing Authorities** – must show fairness to all developing RSLs
- **Developing Councils** can however favour their own programme over RSLs
- **Development Funding Plans** from RSLs inform **Strategic Housing Investment Plans**
- Sites/projects must meet **Local Housing Strategy priorities**
- Strategic Housing Investment Plans are **bidding documents** for Local Authorities to maximise budget allocation for their area

LA	Project	19/20	20/21	21/22	22/23	23/24	24/25	Units
WDC	Dumbain / Carrochan	35						35
WDC	Westcliff	46						46
A&B	Sawmill Field			35				35
WDC	Queens Quay			40	40			80
EDC	Crofthead				14			14
EDC	South Crosshill Rd				36			36
NLC	Gartcosh				17			17
SLC	Ferniegair					43		43
EDC	Lenzie					16		16
		<b>81</b>		<b>75</b>	<b>107</b>	<b>59</b>		<b>322</b>
					<b>241</b>			

● 19/20 ● 21/22 ● 22/23 ● 23/24



# Sawmill Field, Helensburgh



SR35	MMR
35	
35	

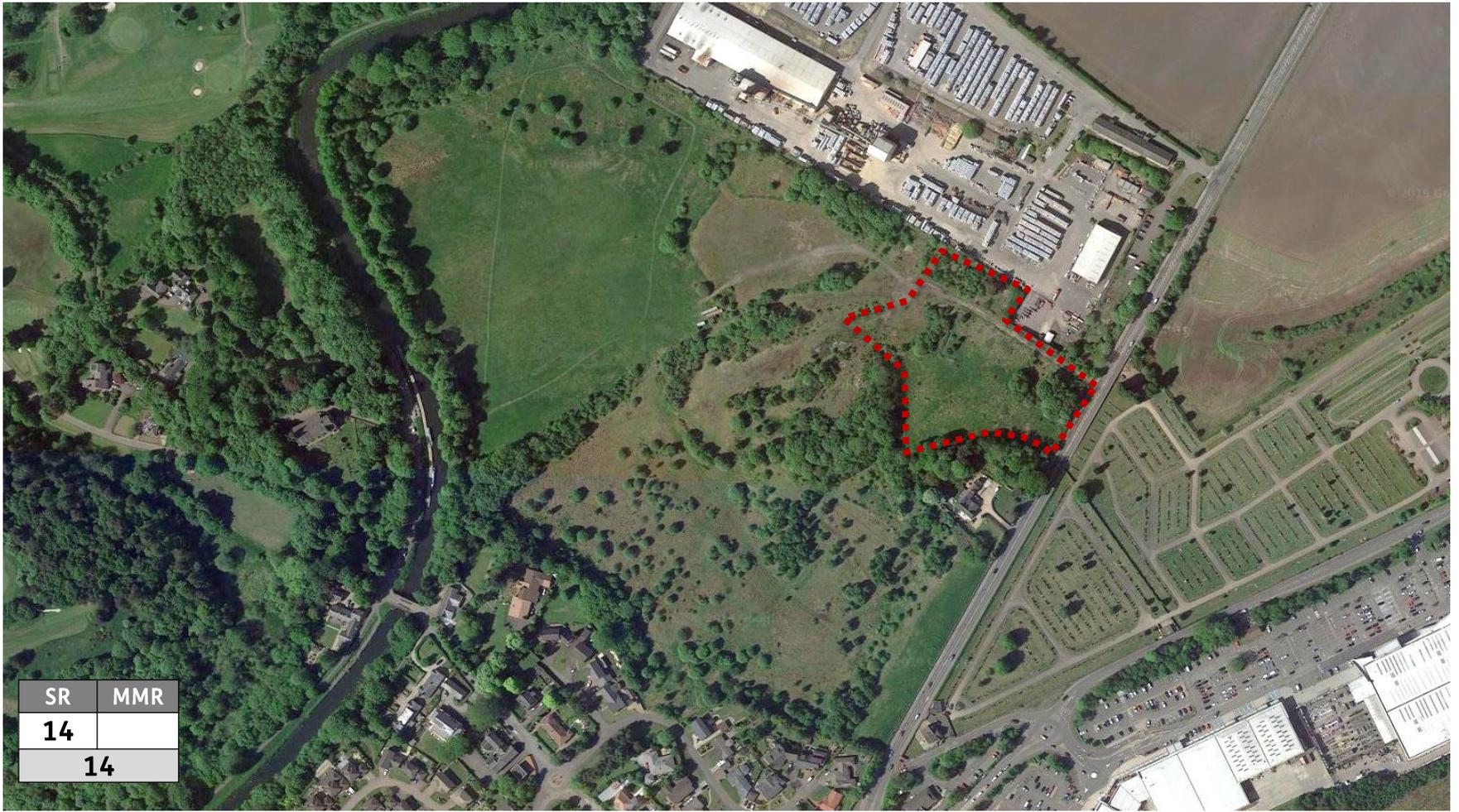
# Queens Quay, Clydebank



SR	MMR
80	
80	

# Queens Quay, Clydebank





# South Crosshill Road, Bishopbriggs



SR	MMR
36	
36	





SR	MMR
17	
17	

# Ferniegair, South Lanarkshire



SR	MMR
43	
43	

# Lenzie, East Dunbartonshire



SR	MMR
16	
16	





## Report

**To:** Cube Housing Association Board

**By:** Tom Barclay, Group Director of Property and Development

**Approved by:** Martin Armstrong, Group Chief Executive

**Subject:** Cube Queens Quay: New Build Project

**Date of Meeting:** 4 February 2020

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### 1. Purpose

- 1.1 The purpose of this report is to update the Cube Board on the Queen's Quay project in Clydebank.
- 1.2 A report on Queen's Quay is being presented to a special meeting of the Group Board on 31 January 2020. The report is seeking approval that Cube now execute the building contract with **CCG (Scotland) Limited** for the construction of 146 units of social rent housing and four commercial units at Queen's Quay, Clydebank at a construction cost of **£23,920,372** and a total development cost of **£27,106,831**, inclusive of land acquisition, subject to the prior conclusion of the missives described at paragraph 5.4 of this report.
- 1.3 A short presentation on the project will be made at the meeting.

### 2. Authorising context

- 2.1 The Group Authorising Framework provides that each member of the Group is responsible for their own new build development programme. This must be within the parameters of Cube's approved business plan and subject to Cube financial authority under the Group Scheme of Financial Delegation.
- 2.2 The Wheatley Group Board approved the Queen's Quay project on 17 April 2019. The Cube Board approved the project on 28 May 2019. A presentation to update on Queen's Quay was also made to the Group Development Committee on 17 December 2019 and to the Group Board on 18 December 2019. The Group Board agreed to convene a special meeting in January 2020 to confirm Cube's role in this project, following further consideration by the Group Development Committee.
- 2.3 The Group Development Committee on 23 January 2020 considered the further update on the Queen's Quay project and agreed to recommend to the Group Board that Cube now proceed to execute the building contract.

- 2.4 A total of 80 social rented units will be developed for Cube who will manage and maintain the properties. The balance of units in the development will be apportioned as follows: West Dunbartonshire Council 29 units and Clydebank Housing Association 37 units. Four commercial units are also being developed as part of the wider residential development. This was a key condition of the sale of the land and on completion ownership will transfer to Clydeside Regeneration Limited (CRL), the developer of Queen’s Quay and partner of West Dunbartonshire Council.
- 2.5 Since the initial Board approvals in 2019 there has been significant work with WDC, Clydebank HA and CRL, to support our diligence required in order to enter into the building contract. This work has now completed.

### 3. Risk appetite and assessment

- 3.1 The headline risks associated with the Queen’s Quay project are set out in the Table 1 below.

**Table 1**

	<b>Risk</b>	<b>Mitigation</b>
1	No agreed form contracts with WDC (DHN and land acquisition)	<ul style="list-style-type: none"> <li>• Development Agreements – WDC/CHA</li> <li>• Heat Supply Agreement – WDC</li> <li>• Novation Agreement – WDC/CRL (joint)</li> </ul>
2	DHN not operational	<ul style="list-style-type: none"> <li>• Heat Supply Agreement contains Cube protections on:</li> <li>• Construction programme</li> <li>• performance (including alternative heat &amp; hot water supply)</li> <li>• customer pricing.</li> </ul>
3	Delay in contracting with contractor cost increase	<ul style="list-style-type: none"> <li>• Wheatley standard form Design &amp; Build contract</li> <li>• Cost review with contractor post tender expiry</li> </ul>
4	Scottish Government Grant position & potential withdrawal of Grant	<p>Further engagement with Scottish Government that secured:</p> <ul style="list-style-type: none"> <li>• additional Grant funding post tender movement</li> <li>• environmental indemnity insurance for all three landlords</li> </ul>
5	Build Secure	Opinion letter from Brodies LLP in positive terms in relation to funder protections available on DHN
6	Aggregated approach to risk across project	Opinion letter from Shepherd+ Wedderburn LLP, in positive terms in relation to the contracts & protections governing the project

- 3.2 The risk appetite for the new build development programme is defined as open; “willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc.)”.
- 3.3 CCG (Scotland) Limited is our proposed contractor for this project. The building contract has not yet been executed. The Design and Build form of contract to be adopted replicates the risk profile of Group’s new build framework arrangements and has been used on various projects with CCG.

- 3.4 On 14 January 2020 we undertook an 'Equifax' credit check of CCG (Scotland) Limited. The organisation is 'A' rated and can be considered for all contracts.
- 3.5 The respective Development Agreements with both WDC and Clydebank HA make provision for monthly recharging in-line with interim certificates for their respective proportion of costs, during the construction phase of the development. We have confirmed that Clydebank HA has a strong financial position including the year-end cash in bank of £7M and we have received written confirmation of their private finance facility required beyond their Grant award.

#### 4. Background

- 4.1 The Queens Quay project is the flagship development in West Dunbartonshire, comprising a £250m mixed use development located on the site of the former John Brown's shipbuilding yard in Clydebank. The site extends to 23 hectares and is in a prominent location within Clydebank. The only remaining structure on the site is the Titan Crane which is 'A' listed and is operated as a visitor attraction.
- 4.2 The development comprises 146 units of social housing and four commercial units. Cube are the developer of the project and we are also developing housing for both West Dunbartonshire Council (29 units) and Clydebank Housing Association (37 units). The construction cost of **£23,920,372** and a total development cost of **£27,106,831** inclusive of land costs. The total development cost to Cube is **£14,307,892** for the 80 units of social rent housing.
- 4.3 Plans showing the development site in the context of the wider Queen's Quay masterplan are attached at **Appendix 1**. The development site was identified in conjunction with WDC as part of the wider housing development programme Cube is delivering in West Dunbartonshire.
- 4.4 Planning Permission in Principle was granted by WDC in March 2016 for a masterplan for a mixed use development including: up to 1,056 new homes, retail, financial services, office, hotel, care home, health centre and leisure uses along with car-parking and landscaping. Priority infrastructure works were also to be undertaken by CRL.
- 4.5 An agreement was concluded in July 2015 between WDC and CRL to develop Queen's Quay. We understand that under the terms of the agreement WDC will invest up to £15.62M in core infrastructure and associated public realm in return for a share of: (a) future land sale receipts arising from the disposal of plots for development, and (b) income arising from the District Heating Network. WDC and CRL entered into a re-negotiated agreement for Queen's Quay in late October 2019 that we understand resulted in increased financial support from WDC.
- 4.6 Over the last six months we have been engaged in detailed delivery discussions with WDC and other key partners. This relates to the diligence issues as outlined to the Board in May 2019 when the project was initially considered and approved.
- 4.7 The headline risks that were identified at that stage focussed on the contractual package which is available from WDC and CRL in relation to: (a) the site, (b)

the infrastructure works carried out on behalf of CRL, and (c) the planned District Heating Network. There has also been a significant focus on the overall costs of the project, both since the expiry of the construction works tender in September 2019 and following more information becoming available in late December 2019 from WDC on costs related to the District Heating Network. This has culminated in an intensive period of diligence and negotiation with WDC's senior client and legal team, Clydebank HA, CRL and with the Scottish Government in December 2019 and January 2020.

## **5. Discussion**

- 5.1 WDC acquired the affordable housing sites at Queen's Quay from CRL in March 2017. The acquisition was fully grant funded by the Scottish Government. The Development and Sale Agreement under which WDC purchased the sites from CRL included a number of conditions that assign to the developing RSL, including the provision, at nil cost to CRL, of four commercial units for CRL.
- 5.2 In line with our due diligence, there are a number of issues on which Cube required to be satisfied (in terms of timing, programming and reliance) before it will be possible to accept the assigned conditions. These are discussed further within this report.
- 5.3 The Planning consent for Queen's Quay was approved in March 2019. The Building Warrant is expected imminently.
- 5.4 Summarised below are the key contracts that mitigate risk for Cube in the delivery of this project.

### 1. Missives

To capture the fuel poverty agenda underpinning the DHN and simplify conditions precedent, three missives will be entered into as follows:

- Cube and WDC in respect of the Cube/ WDC Development Agreement and Heat Supply Agreement;
- Cube and Clydebank Housing Association in respect of the Cube/ CHA Development Agreement; and
- Cube, CRL and WDC in respect of the Novation Agreement and licences to facilitate the access of construction traffic to facilitate build out and siting of the compound.

Once missives are concluded the parties will be contractually committed to enter into the agreements listed above by a settlement date occurring 4-6 weeks after conclusion of missives. This will enable:

- Cube to enter into the building contract with CCG on the date of conclusion of missives, and
- Land transfer to Cube and CCG site possession to take place on the settlement date.

### 2. Heat Supply Agreement (HSA) – between Cube and WDC

Under the Heat Supply Agreement WDC:

- agrees to a number of principles associated with the construction, installation, cost/price and performance of the DHN. The principal undertaking commits WDC to provide heat and hot water for a continuous initial period of 20 years (from heat on date for the first Cube unit);
- agrees to a requirement for alternate provision of heat and hot water, at no cost to Cube, if no energy is available from the DHN by a specified heat on date for Cube's units; and
- is unable to terminate the contract for the first five years on the grounds of uneconomic supply. After five years, if the provision of heat and hot water is uneconomic, WDC are entitled to provide two years notice of a switch to an alternative source, provided at WDC's expense, subject to Cube's approval and consultation with Cube customers.

### 3. Development Agreement(s) – WDC/Cube and Clydebank HA/Cube

Under the Development Agreements the terms on which Cube will procure the delivery of the social housing units for each of WDC and Clydebank HA are captured. These agreements follow principles of delivery which we have previously used in Group in development agency scenarios.

An Environmental Insurance Policy for the benefit of Cube (and Clydebank HA) will be procured by WDC. This will support the securitisation commentary later in this report. The insurance policy will cover clean-up and 3<sup>rd</sup> party liability costs from: (a) pre-existing pollution conditions at or migrating from the site; and (b) new pollution conditions caused by development works to an aggregate limit across both RSLs of £20m. The policy will be 100% grant funded by the Scottish Government.

### 4. Novation Agreement

The Novation Agreement details the conditions of WDC's land sale agreement with CRL which require to be discharged by Cube as successor in ownership to WDC for Site A (certain of these obligations will be passed down to Clydebank HA as appropriate).

### District Heating Network

- 5.5 A key component of Queen's Quay is the water source district heating project. With assistance from a £6m grant from the Scottish Government Low Carbon Infrastructure Transition Programme (LCITP), WDC plan that the Queen's Quay development and neighbouring facilities (including Titan Business Centre, the Town Hall and Clydebank Library) will receive heat and hot water by extracting heat from the River Clyde at the basin adjacent to the Titan Crane. A new Energy centre and district heating network is being constructed by WDC. This is scheduled to be operational by June 2020.
- 5.6 WDC has advised that: (a) the financial model for the district heating network is strongly supported by the sale of heat for public and commercial sector buildings; and (b) the heat sale for the social housing properties is a small

component of the overall financial model, therefore WDC have emphasised this enables flexibility within their operating plan to provide a 'fuel poverty' tariff specifically for the social housing units that will be less than the owner/occupier dwellings.

- 5.7 The district heating network will be owned by an energy supply company (ESCO) which will be an entity wholly owned by WDC and managed and operated on their behalf by Vital Energi. WDC will apply for registration with the Heat Trust which is the leading customer protection organisation for the district heating sector. Launched in 2015, the Heat Trust has a common standard in the quality and level of customer service that is provided to domestic customers by their heat energy supplier. We believe that utilising Heat Trust membership will future proof the DHN with regard to the UK Government's intended statutory regulation of the market place.
- 5.8 Notwithstanding the benefit of consumer protection afforded by the Heat Trust, we have included within the WDC Heat Agreement that where any Cube Housing Association service levels or timescales for customers service are better than allowed for in the Heat Trust model, that the enhanced (Cube HA) default will apply.
- 5.9 WDC has confirmed that they will set the customer tariff in accordance with the Heat Trust code of conduct to ensure best affordability. This 'social housing tariff' will be based on an average of the lowest six gas suppliers in the G81 post code area.
- 5.10 The tariff figure proposed by WDC at the commencement of the district heating operation, will be 3.7p/kWh inclusive of VAT and with no standing charge applied to the customer. This is comparable to a domestic gas supply retail price of around 4p/kWh to 6p/kWh and daily standing charge of around 20p to 30p dependant on supplier and fixed term agreements. This represents a positive starting point for space and water heating affordability. WDC reserves the right through the ESCO to adjust their tariff and introduce a standing charge as may be subsequently required.
- 5.11 The undertakings associated with the DHN secured from WDC include detailed performance requirements in respect of:
- Construction/Installation – WDC to: (a) provide all the necessary information/equipment in time to enable the progress of the DHN works, and (b) require the co-operation and co-ordination of Vital Energi, to ensure no disruption to our contractor's programme of works;
  - Performance – WDC commitment to minimum heat load temperatures and operational heat output on a plot by plot basis, assuming peak load/usage across Cube's units;
  - Heat On date – WDC commitment to prescribed dates set out on a plot by plot basis (dates derived from our contractor's programme);
  - Alternative heat source – In the event of any unforeseen delay to Heat On, WDC commitment to ensure an alternative solution (all at no cost to Cube) is in place until such time as the permanent heat on solution is operational;

- Customer Experience – WDC commitment to: (a) operate the DHN in accordance with the Heat Trust Scheme of 2019 as set out above, and (b) ensure heat and hot water is supplied in accordance with the Scottish Government’s Right to Repair and all current legislation applicable to Cube;
- Pricing:
  - Connection charge – a one off capital cost that is contained within our contractor’s tender price.
  - Service Charge – a per unit monthly charge levied to the respective landlord for the provision of the district heating network services. The indicative charge as stated has been tested against our Business Plan assumptions and the scope of work currently undertaken for our traditional gas boiler installations and is favourable to that assessment.
  - Tariff – WDC commit to providing a social tariff at a cost of heat for customers at the average of the six lowest gas suppliers in the G81 area. As outlined earlier in this report the tariff will be at a competitive rate.
- WDC Step Out powers: WDC are committed to a continuity of supply of heat and hot water over an initial 20-year term. The 20-year term is driven by the Renewable Heat Incentive Scheme that governs projects of this nature. WDC cannot terminate the contract for the first five years on the grounds of uneconomic supply. Thereafter, if the provision of heat and hot water is uneconomic, WDC are entitled to provide two years notice of a switch to an alternative source, provided at WDC’s expense, subject to Cube’s approval and consultation with Cube customers.

5.12 As set out in the previous Board report, Vital Energi would provide re-active maintenance to the heating systems and pipework up to our properties and provide direct billing services to our customers. The same approach is proposed for WDC and Clydebank HA. The details of the management arrangements and customer engagement will be concluded in a Customer Supply Agreement that WDC have committed to concluding with us by 31 January 2020.

5.13 WDC has advised that the ESCO will be established by Summer 2020. The first Queen’s Quay development to draw heat from the system will be WDC’s Elderly Care facility that is due to complete in June 2020. The ESCO will have a Board comprising: elected members of the Council, community representatives (arrangements to be determined) and appointed non-executive directors with appropriate technical/market expertise. The Board will be supported by officers of WDC.

#### Affordable Housing Project Costs

5.14 Due to the significant design requirements of the project, when taken together with the site acquisition costs, the overall development costs are in excess of grant benchmark.

5.15 Total development costs, as now further reviewed and confirmed over December and January 2020, for each partner have been calculated for their share of the development. The total development cost is **£27,106,831**. Site A total costs are **£22,272,350** inclusive of commercial unit costs, whilst site B total costs are **£4,834,481**. As the sole landlord within site B, WDC will pay for all these costs.

5.16 We have been in detailed discussions with the Scottish Government with a view to securing additional grant funding for the project. This funding is in respect of a number of identified post tender revisions.

5.17 The Scottish Government has confirmed additional grant funding to fully cover costs associated with Environmental Indemnity Insurance. The insurance product which has been sourced by Gallagher's (who act as insurance brokers for both WDC and Wheatley Group) will cover:

- the risk of historic contamination;
- development pollution liability - contamination that could be disturbed through the construction works; and
- premises pollution liability cover for a period of 10 years post completion.

The total costs for the Insurance policy is £167,762. The policy has been reviewed on our behalf by the Group's insurance broker.

5.18 As outlined earlier in this report, we have reviewed with partners the total development costs, construction works costs and Grant requirements for the project over recent weeks. The update on project costs and grant funding is shown in Table 2 below. The total costs include the costs for the commercial units, which will be funded by WDC.

**Table 2**

<b>Total Project Development Costs</b>				
		<b>Total</b>	<b>Site A</b>	<b>Site B</b>
<b>Construction</b>	<b>Construction</b>	<b>£23,920,372</b>	<b>£19,735,130</b>	<b>£4,185,242</b>
		<b>£23,920,372</b>	<b>£19,735,130</b>	<b>£4,185,242</b>
<b>Other</b>	<b>Site Acquisition</b>	£993,425	£757,884	£235,541
	<b>Vat</b>	£428,199	£372,939	£55,260
	<b>Fees</b>	£1,764,835	£1,406,397	£358,438
		<b>£3,186,459</b>	<b>£2,537,220</b>	<b>£649,239</b>
<b>Total Development Cost</b>		<b>£27,106,831</b>	<b>£22,272,350</b>	<b>£4,834,481</b>

5.19 Table 3 shows the costs for site A, apportioned by square metres between Cube and Clydebank HA, and the funding requirement for Cube for our share of the total development costs of the social housing units. It also identifies WDC costs associated with Site A.

**Table 3**

Site A Project Costs					Cube HA Site A Funding			
		Total	Cube	Clydebank HA	WDC			
Construction	Construction	£19,735,130	£12,775,686	£6,001,042	£958,402	Grant	£9,270,021	
		<b>£19,735,130</b>	<b>£12,775,686</b>	<b>£6,001,042</b>	<b>£958,402</b>			<b>£9,270,021</b>
Other	Site Acquisition	£757,884	£483,951	£227,323	£46,610	Private Finance		
	Vat	£372,939	£135,191	£63,501	£174,247			£5,037,871
	Fees	£1,406,397	£913,064	£428,888	£64,445			
		<b>£2,537,220</b>	<b>£1,532,206</b>	<b>£719,712</b>	<b>£285,302</b>			<b>£5,037,871</b>
<b>Total Development Cost</b>		<b>£22,272,350</b>	<b>£14,307,892</b>	<b>£6,720,754</b>	<b>£1,243,704</b>	<b>Total Funding</b>	<b>£14,307,892</b>	

### Commercial Units Costs

5.20 As highlighted at paragraph 5.1 above, a key condition of the commercial deal between WDC and CRL is the provision of four ground floor commercial units for CRL. Three of the units will be under properties owned by Cube. On practical completion of the Cube blocks the property interest in these commercial units will be transferred by Cube to CRL. Delivery of the commercial units by Cube to CRL will be secured by way of a standard security which will be discharged on transfer of the units to CRL.

## 6. Strategic context

6.1 The Queen's Quay project will make a contribution to West Dunbartonshire Council's Housing Strategy Objectives. The Council has 5 key outcomes:

- That people have access to affordable housing of all tenures which is in the right location and is suitable to their needs;
- All residents live in good quality housing regardless of tenure;
- Homelessness is minimised through prevention and early intervention measures;
- We provide good quality neighbourhoods and housing services where people feel safe and secure; and
- People with particular needs have access to suitable housing with any necessary support to optimise their independence and wellbeing.

6.2 This project responds to those outcomes by:

- Increasing the supply of social rent houses overall;
- Increasing the supply of small and large houses in particular; and

- Meeting ‘Secured by Design’ Standard to improve security and helping reduce crime through overlooking and lighting of open spaces and the provision of good locks and window fastenings.

6.3 In addition, the project would meet West Dunbartonshire Council’s Housing Design Standard which requires projects to meet the Scottish Government’s “Greener Homes Standard”.

## **7. Key issues and conclusions**

7.1 This project represents a further contribution by Cube in meeting the Group’s Asset Growth plans. The project will also help meet the strategic housing objectives of West Dunbartonshire Council and the Scottish Governments’ ‘More Homes Scotland’ target of 50,000 new homes. Given the delayed site start this project cannot complete by March 2021. The Scottish Government have been advised and have requested that we do all we can to complete a proportion of handovers by March 2021. We will be considering this further with the contractor to establish what may be possible.

7.2 The key agreements as set out at 5.4 above will be finalised with both WDC and Clydebank HA covering project delivery.

7.3 Queens Quay is of a scale that is of national significance, and was recently quoted as an exemplar project by the Scottish Government in a recent Glasgow City Region City Deal event that had highlighted waterfront regeneration along the River Clyde. The project is of major strategic importance to West Dunbartonshire Council. The planned investment of circa £250M to deliver the mixed use, mixed tenure regeneration project reflects the scale and ambition for this project.

7.4 This is the largest development project ever undertaken by Cube. The new supply social housing is a critical component of the wider vision and ambition for Queens Quay. We plan a high level of engagement throughout the construction period with our contractor and both Clydebank HA and West Dunbartonshire Council.

7.5 We intend to agree with both Clydebank HA and West Dunbartonshire Council a Communications Plan for engagement with the local community. The final form this takes will be informed by local residents but it is envisaged will include:

- local events to present the wider vision for Queen’s Quay;
- details of the social housing project being presented at open days by ourselves, the other landlords and the project design team;
- use of social media and local press e.g. Clydebank Post, to promote our development plans; and
- promotion through our contractor of community benefit opportunities for employment and training for our customers.

## **8. Value for money implications**

8.1 A value for money assessment of the Queen’s Quay project was contained in the report approved by Board in April 2019. As the Board are aware this is a

high cost project, supported by exceptional grant funding, that is of significant strategic importance to both WDC and the Scottish Government.

- 8.2 As a reminder to Board, the value for money comparison in April 2019 made against other approved Cube tendered projects is summarised in the table below.

Project	Unit No	Mix	Total Cost	Cost/ Unit	Cost / Sq M	Date of tender
Queens Quay	80	Flats (80)	£14,308k	£178,848	£1,747	2020
Westcliff / Talisman (Cube)	46	Houses (18) Flats (28)	£6,954k	£151,174	£1,699	2018
Lang Loan (Dunedin Canmore)	45	Houses (41) Flats (4)	£6,205k	£137,904	£1,710	2018
Inglefield St (GHA)	49	Flats (49)	£5,812k	£118,623	£1,853	2017

- 8.3 Although the costs per unit on this project are high, relative to other recent projects undertaken by the Group, the costs per square metre is competitive in the current market. The project costs are also supported by very significant levels of Grant funding.

## 9. Consultation

- 9.1 There has been extensive discussion with a range of partners throughout this project to date. The housing mix has been discussed and agreed with WDC Housing Strategy Team. Cube agreed with Clydebank HA a housing mix that meets the requirements of both organisations.

## 10. Impact on financial projections

- 10.1 The total cost of the scheme is now **£27,106,831**. Site A costs will be split between Cube and Clydebank Housing Association and site B costs will be met solely by WDC. In addition, WDC are responsible for funding the commercial units.
- 10.2 The total cost of the Cube share of the project is **£14,307,892**. We are receiving grant of **£9,270,021** resulting in a private finance requirement of **£5,037,871**.
- 10.3 In line with the updated methodology approved by the Wheatley Housing Group Board on 31 August 2016 for the appraisal of new build schemes, a forecast cash-flow has been prepared based on the cost of development, and our assessment of the development's future income, management, maintenance and lifecycle costs.
- 10.4 This cash-flow is used to calculate certain key indicators including net present value (NPV) and internal rate of return (IRR) to ensure it generates sufficient

return to cover cost of funds plus a margin for risk. The minimum requirement for social rented schemes is 6.2%.

- 10.5 Following our assessment of management costs, repairs, and lifecycle of components, the table below summarises the NPV per unit and IRR for this development based upon the costs.

Scheme	Units	NPV	NPV Per Unit	IRR	Payback Period
Queens Quay	80	£99K	£1,236	6.4%	30 Years

- 10.6 This project is included in the approved 2019/20 Group Business Plan, and funded within Cube's new build allocation from WFL1.
- 10.7 The 2019/20 Business Plan assumes a private finance requirement of £5.4m. The actual private finance requirement of £5.04m represents a £0.36m saving on the debt requirement, and will reduce interest costs.
- 10.8 Grant receivable of £9.27m compares with assumed grant in the Business Plan of £7.2m. This higher grant amount will impact surplus. Grant being recognised in the year of completion will increase surplus in that year by almost £2m compared to what is currently assumed.
- 10.9 The annual cash operating surplus generated by the development of £307k is in line with the 2019/20 Business Plan. This surplus is sufficient to cover funding costs associated with the scheme, and contribute to meeting Group targets.

## 11. Legal, regulatory and charitable implications

- 11.1 The Scottish Housing Regulator seeks regular updates on our new build programme and funding position. There are no consents required for this project from the Scottish Housing Regulator however, Cube will require to notify the SHR in respect of the standard security requirement highlighted at paragraph 5.18 of this report.
- 11.2 The provision of housing for those in need is within Cube's permitted aims and meets the charity test contained in the Charity and Trustee Investment (Scotland) Act 2005. In support of this, Cube's constitution also permits provision of housing for those in need. Specific advice has been sought from Brodies LLP (Group's external advisers on charity law matters) on the transfer by Cube to CRL of the commercial units.
- 11.3 The basis on which the Queens Quay DHN will operate is in line with current guidance from the Heat Trust. This sets out minimum standards.
- 11.4 This development opportunity has arisen through our strategic partnership with West Dunbartonshire Council. Taking this opportunity forward is considered to be in the best interests of the Group and contributes to our strategic growth plans. The engagement with CCG (Scotland) Limited is under the direct award mechanic of the Scottish Procurement Alliance new build framework which applied in 2018.

11.5 Legal advice on the core elements of this project is being provided by the Property Legal Team and Shepherd + Wedderburn LLP. The primary contract suite which will be put in place consists of:

- three missives with WDC, Clydebank HA and CRL/ WDC;
- the Heat Supply Agreement with WDC;
- the Development Agreements with WDC and Clydebank Housing Association;
- the Novation Agreement with WDC and Clydeside Regeneration Limited;
- the building contract with CCG (Scotland) Limited; and
- In addition, we will agree the terms of the Customer Supply Agreement to be entered into between WDC/ESCO and Cube's customers.

11.6 In terms of this proposal:

- the building contract will only be executed with our contractor following Group Board approval to proceed; and
- all statutory consents have been obtained by Cube.

## **12. Partnership implications**

12.1 Delivery will contribute to the Group's Asset Growth plans by providing a further 80 Cube new social rented homes.

12.2 The project demonstrates our on-going partnership with WDC to address derelict sites and delivering affordable housing in areas of demand.

12.3 The project has been developed with WDC who have included it within the current Strategic Housing Investment Plan and Strategic Local Programme. The Scottish Government has confirmed the Strategic Local Programme and made provision for the initial grant awards to each landlord and has indicated a willingness to provide additional grant funding for environmental indemnity insurance.

12.4 Cube and Clydebank HA have worked collaboratively on the project over the last three years. An excellent working relationship has developed.

## **13. Implementation and deployment**

13.1 The Group Development Team will manage the delivery of the project. The intention would be to target a site start in March 2020 with a view to project completion in March 2022.

## **14. Equalities impact**

14.1 The properties have been designed to meet requirements of Part 1 of Housing for Varying Need.

## **15. Recommendations**

## 15.1 The Board is invited to:

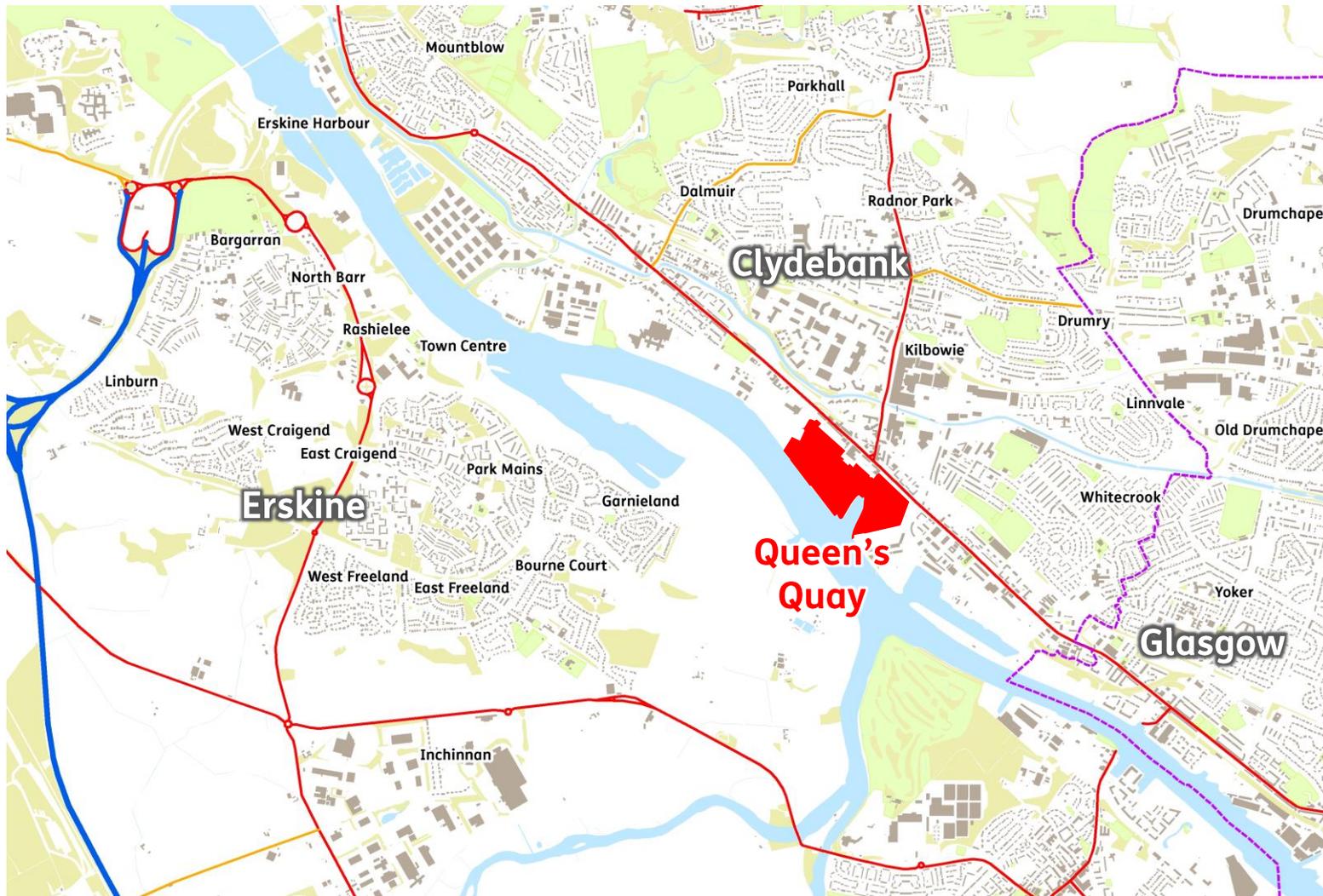
- 1) note the update on Cube's Queen's Quay project, as outlined in this report;
- 2) note that a report is scheduled to be presented to a special meeting of the Group Board on 31 January 2020 seeking approval that Cube now execute the building contract with **CCG (Scotland) Limited** for the construction of 146 units of social rent housing and four commercial units at Queen's Quay, Clydebank at a construction cost of **£23,920,372** and a total development cost of **£27,106,831**, inclusive of land acquisition, subject to the prior conclusion of the missives described at paragraph 5.4 of this report;
- 3) note the total development cost to Cube Housing Association of the 80 units of social housing of **£14,307,892**; and
- 4) note that additional grant funding of **£118,500** from the Scottish Government has been sought (and verbally agreed) to cover the cost of post tender costs and environmental indemnity insurance and that execution of the building contract by Cube would be conditional on receipt of a satisfactory offer of additional Grant funding.

## List of Appendices

Appendix 1 - Location plan and project layout for sites A and B

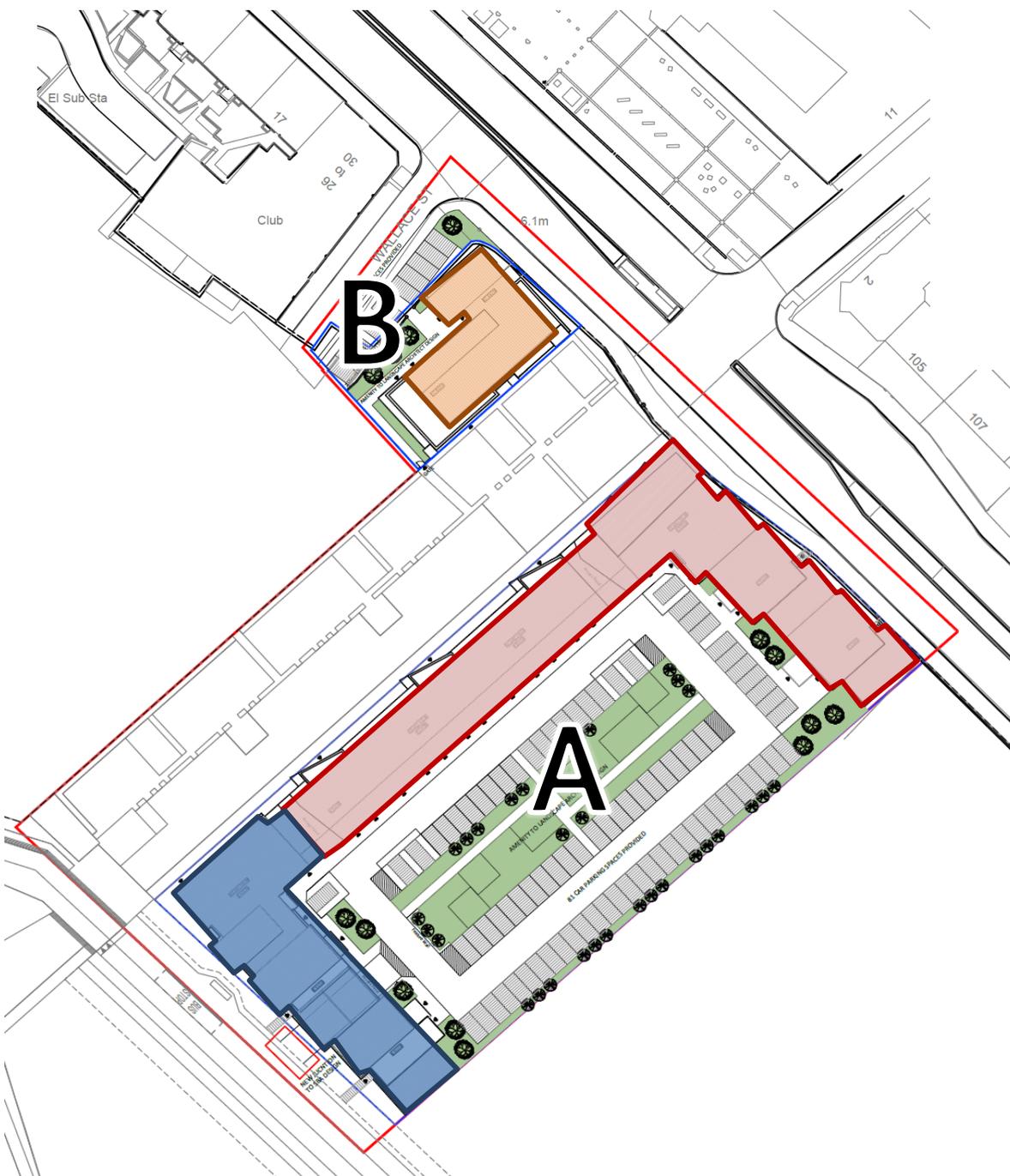
## **Appendix 1**

- **context map**
- **site layouts**
- **artists impressions**





**Queen's Quay, Clydebank**



## Sites A and B

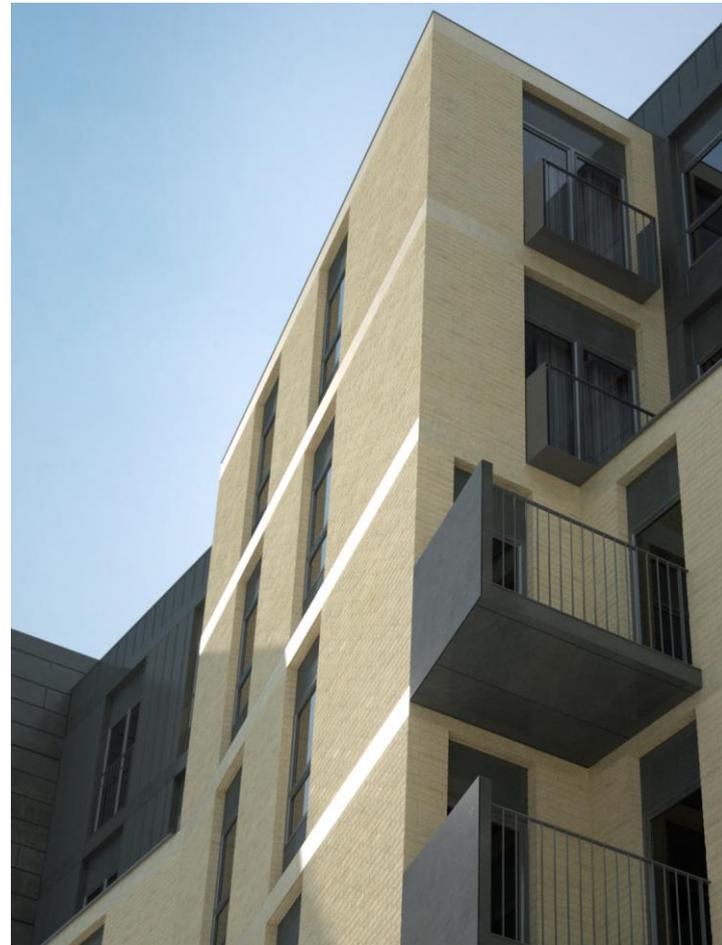
-  Cube share
-  Clydebank share
-  WDC share





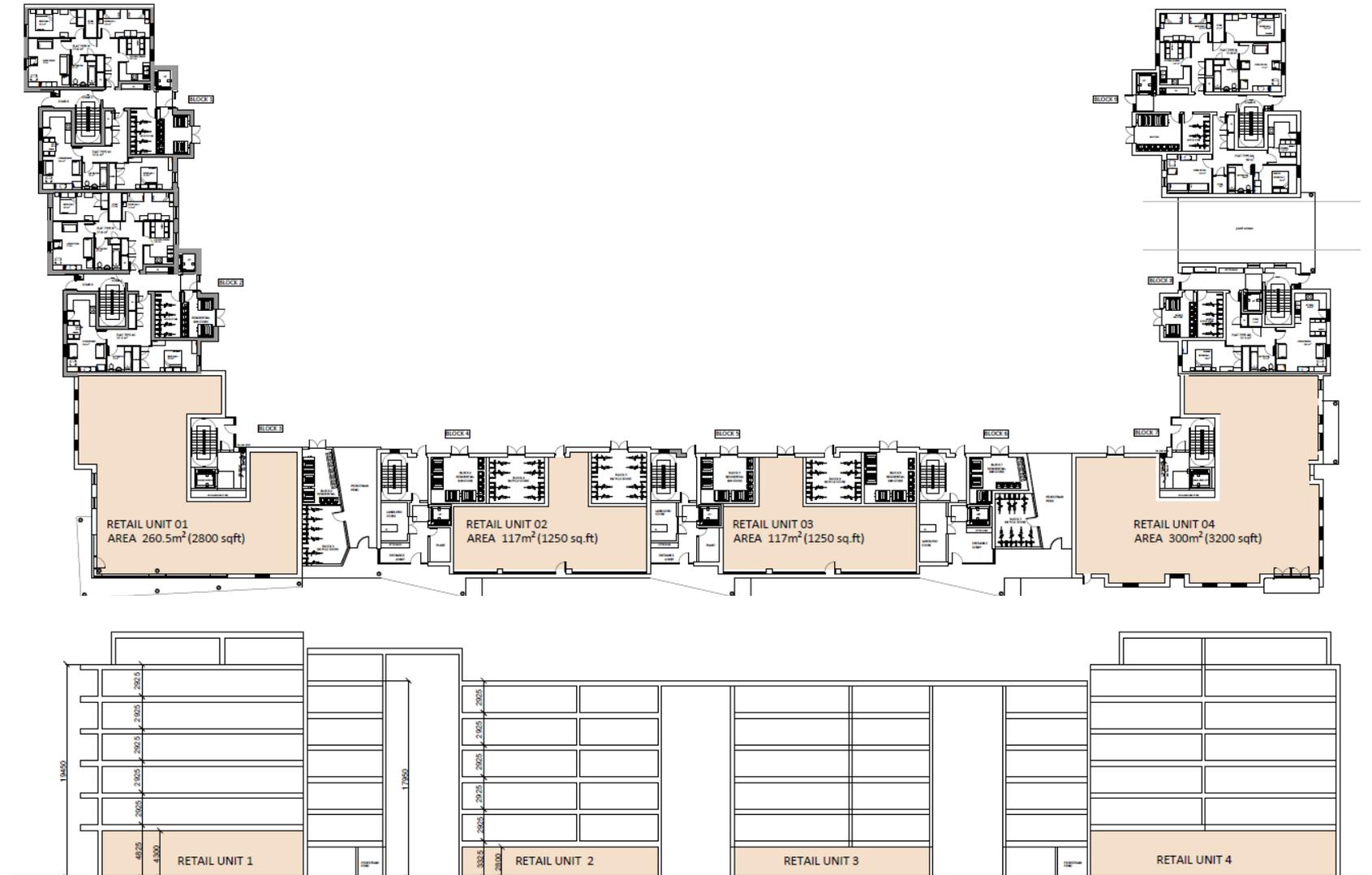
**Queen's Quay, Clydebank**

# Site A Elevations



Queen's Quay, Clydebank

# Commercial Units







## Report

**To: -**                   **Cube Housing Association Board**

**By: -**                   **Laura Henderson, Managing Director**

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

**Subject: -**           **Fire Safety update**

**Date of Meeting: -**   **4 February 2020**

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### 1. Purpose

1.1 The purpose of this report is

- to present Board with a progress update on the on-going implementation of our Fire Prevention & Mitigation Framework (The Framework); and
- To provide the Board with an update on our proposed approach to undertaking Fire Risk Assessments (FRAs) in all Multi Storey Flat (MSF) blocks and Living Well sites across Group;

The paper will be supported by a presentation setting out Cube specific fire safety activity in more detail.

### 2. Authorising context

2.1 The Group Authorise/Monitor/Manage (AMM) matrix sets out what matters are reserved to Boards/Committees and what is delegated to the Group Chief Executive. This report relates to strategy implementation, as such the proposals within the report fall within the powers that are delegated to the Group Chief Executive which are exercised via the Group Executive.

### 3. Risk appetite and assessment

3.1 Our risk appetite in relation to issues of technical compliance is averse, defined as avoidance of risk and uncertainty is a key organisational objective.

3.2 In recognition of this, in 2017 we created a fire prevention framework, "Delivering Safer Communities: Our Fire Prevention and Mitigation Framework".

3.3 This report provides Board with assurance in relation to the on-going implementation of the Framework and our ability to respond to new guidance and legislation.

## 4. Background

- 4.1 Investing in our Futures acknowledges that feeling safe and secure in their homes is of paramount importance to our customers and, in recognition of this, commits to a shared vision and passion for improving the homes and lives of those in our communities.
- 4.2 Over the last five years this high level strategic commitment has translated into the development and implementation of sector leading fire safety services that allow us to evidence an outstanding record of preventing and mitigating the risk of fires.
- 4.3 Our (CIP) Fire Safety Operating Model has been recognised as a Fire Prevention Exemplar by the Scottish Government's, Building Safer Communities, and Unintentional Harm Hub. However, fire safety, and keeping our customers and communities as safe as they possibly can be, will always be of paramount importance to us; we therefore continuously strive to innovate and set new standards for excellence in this extremely important area of work. This commitment to delivering unrivalled fire prevention and mitigation services has been carried over into our new 2020-2025 Strategy: Inspiring Ambition, Unleashing Potential, in which we clearly state that fire safety will remain a top priority.
- 4.4 Our commitment to excellence in this area is further evidenced by our unique partnership approach with the Scottish Fire and Rescue Service (SFRS.) Developing ground-breaking partnerships such as this allowed us to jointly draft and agree our Fire Prevention Charter. The Charter, **the first of its kind in Scotland**, sets out our joint approach to further improving community safety, fire prevention and home safety, while also addressing inequality and enhancing the wellbeing of our customers.
- 4.5 The Framework was implemented in 2017. The Framework has a particular focus on Multi-Storey Flats (MSFs) which make up approximately 50% of our stock. Following the 14<sup>th</sup> June 2017 Grenfell tragedy the Board has previously been provided with reassurance that the materials and systems used in our multi-storey investment programmes meet, and in many cases exceed, building standards and regulations for this type of property. None of our MSFs have the same cladding material used in Grenfell and the MSF compartmentalisation design has been extremely successful in containing fires and ensuring, when they do occur, they do not spread to neighbouring apartments.
- 4.6 We, as part of Wheatley Group, are nationally and internationally recognised for defining excellence and have an outstanding record in delivering sector leading levels of service and innovation in all fields in which we operate. The development and implementation of our Framework was yet another highly visible example of this and, importantly, it clearly demonstrated to our tenants, staff and partners the importance we place on ensuring our homes are constructed, managed and maintained in a way which maximises fire safety for our customers.

- 4.7 The Framework clearly sets out the range of ways in which we will take this forward and, by doing so; further improve the safety of tenants and customers whilst also continuing to protect our assets. These interventions have been set out against four 'P's or Pillars': *Preventing and Protecting, People and Communities, Partnership and Collaboration and Pioneering Products and Services.*



- 4.8 On the 04<sup>th</sup> December 2019 the Scottish Government formally launched their Practical Fire Safety Guidance for Existing High Rise Domestic Buildings document. The Guidance is for those responsible for fire safety in high rise domestic buildings; this includes landlords, owners, managers, property factors, property advisors, managing agents, enforcing authorities and those assessing fire risk in high rise domestic buildings. It provides practical fire safety advice on how to prevent fires and reduce the risks from fires in high rise domestic buildings. It aims to assist the assessment of fire risk and the adequacy of existing fire safety measures. Its focus is on communal areas and aspects of building design in private accommodation which could affect the safety of others. The Guidance applies only to Scotland and is not mandatory.
- 4.9 The Guidance also makes reference to The Grenfell Tower Inquiry, set up to examine the circumstances leading up to and surrounding the fire at Grenfell Tower. The Phase 1 report of the Grenfell Inquiry was published on 30 October 2019. Within the Guidance the Scottish Government commits to studying the findings of the Phase 1 report and assessing if there are lessons to learn to further strengthen safety in buildings and then, if appropriate, to update their guidance accordingly.
- 4.10 In addition to the Guidance mentioned above the Scottish Government also launched their High Rise Fire Safety Campaign Leaflet (see appendix 1) – ***'Keeping yourself and others safe from fire in your high rise building'*** on the 04<sup>th</sup> December. This has been delivered to the occupiers of all high rise flats across Scotland during the December/January. Additional leaflets will also be available in libraries and community centres in the local authorities across Scotland which have been identified as containing high rise domestic property. **Importantly, both the leaflet and guidance strongly advocate the continued use of the Stay Put Policy in Scotland.**

## 5. Discussion

### Delivering on our Fire Prevention and Mitigation Framework Commitments

- 5.1 When approved in August 2017 the Framework was supported by a work plan that consisted of 12 work streams and 39 individual success measures that were aligned to the 4 pillars. Board has previously been provided with an update on the hugely successful delivery of the original action plan.

5.2 Detailed below is a summary of just some of the high level successes that were delivered as part of this initial work:

- We recruited four CIP Fire Safety Officers (FSOs) – they have subsequently developed and piloted a Fire Risk Assessment (FRA) process for our multi storey flats, a Fire Information Note for sharing learning from significant fires and a Vulnerable Household intervention process for supporting those most at risk of fire;
- In partnership with SFRS, we have renewed and strengthened the existing Home Fire Safety Visit (HFSV) referral process;
- We created a ‘Stay Safe’ campaign which reinforced the benefits of having a HFSV;
- We jointly developed and created a Fire Prevention Charter with SFRS; and
- We reviewed our use of our fire prevention budget which enabled our FSO’s to provide ‘Pioneering Products and Services’ to our most vulnerable customers.

5.3 To ensure that we continued to drive forward new and innovative ways of preventing and mitigating fires within our communities a new work plan was developed. Detailed below is a summary of progress to date.

#### Preventing and Protecting

5.4 We know that the best way to prevent fires is to identify and change risky behaviours and ensure that we embed a robust and proactive approach to repairs, maintenance and investment. To deliver the best outcomes for our tenants and customers both of these work-streams must be informed by real time customer segmentation and data analysis. Detailed below are examples of the progress delivered to date against the previously identified success measures:

- Serviced 1,200 fire doors and replaced in excess of 800 across our MSF stock portfolio;
- Upgraded our MSF bin chute hoppers with new smoke sealed units;
- Installed new fire safety signage in accordance with BS 5499;
- 800 service cupboards have been environmentally cleaned and fire stopped;
- Developed a long term plan for the replacement of fire doors as part of our asset improvement plans;
- Procured mobile sprinkler systems as part of our risk based targeted approach to managing high risk individuals in our communities; and
- Commenced a smoke and heat detector upgrade programme to comply with new legislation, with 700 properties completed to date.

5.5 Spend to date on fire safety measures is circa £2m covering the work within MSFs and smoke/heat detection. Over the next 5 years we plan to spend a further £1.5m on fire safety covering smoke/heat detection, fire door servicing and additional fire safety measures for particularly vulnerable customers.

5.6 In addition to the asset based approach to mitigating the risk of fire we also recognise the importance of identifying, and working with, those households who are vulnerable or at a higher risk of experiencing a fire. This may be due to, for example, their lifestyle or a physical disability. Since 01<sup>st</sup> April 2019 our CIP Fire Safety Officers have visited 21 of these households and jointly agreed a bespoke intervention plan. This approach is, without doubt, a major contributory factor to our 33% reduction in accidental dwelling fires last year.

### People and Communities

5.7 The development of this Pillar recognised the importance of designing and delivering services that are informed by a real understanding of the factors that put our tenants, customers and properties at risk of fire. Further, we also acknowledge the importance of all frontline staff having the skills and knowledge to identify risk and make the appropriate referrals. Detailed below are examples of the recent progress delivered within this work-stream:

- Fire Risk Assessment training and qualifications for all Fire Safety Officers and Health & Safety Officers;
- The continued delivery of our mandatory Fire Safety Awareness training for all staff, with this being refreshed every 3 years; and
- Specialist training in fire door examination/maintenance for all our Fire Risk Assessors and a selection of City Building managers, asset officers, trades operatives and managers.

5.8 Our CIP, Fire Safety Officers continue to work closely with our Housing Officers and other frontline staff to identify vulnerable customers and provide sector leading fire safety products and services.

5.9 To further increase our HFSV's we have developed 'Fire Safety Days of Action' this involves our SFRS Watch Manager, Fire Safety Officers and local SFRS Community Action Team visiting a location and offering every tenant a HFSV that day.

5.10 Our 'Stay Safe' fire safety campaign to raise awareness amongst our customers continues to be very successful. Our websites now have dedicated sections on fire safety and prevention. Our 'Stay Safe' content regularly appears on our Facebook and Twitter channels encouraging people to sign up for a home first safety visit and pushing people to the Stay Safe sections on our websites. Information on the following issues has been covered in our newsletters and tenant magazines:



## Partnership and Collaboration

- 5.11 The development of the draft **Fire Prevention Charter** with SFRS is a sector leading example of our approach to developing unique partnerships that enhance our ability to deliver fire prevention services. The Charter sets out our joint approach to further improving community safety, fire prevention and home safety, whilst addressing inequality and enhancing the wellbeing of our customers. Detailed below are examples of the recent progress delivered within this work-stream:
- Meetings with the SFRS Operational Intelligence Manager have taken place with a view to creating 3D maps of our MSF sites. This will ensure SFRS staff have the most up to date information and intelligence available in every fire appliance if they have to attend a fire incident at one of our MSF blocks;
  - Our SFRS Watch manager now has access to our fire incident data; this is updated onto PIMMS (our Asset Management database) twice weekly and is made available to all relevant staff;
  - A meeting has been organised with the SFRS Deputy Assistant Chief Officer (Strategic Planning and Performance) to discuss the potential for creating a fire incident Business Intelligence Toolkit. This approach, similar to the one we previously developed with Police Scotland, will significantly improve our ability to map and analyse our data; and
  - We recently teamed up with SFRS Glasgow to deliver their Fireworks and Bonfire Initiative. This saw the sharing of information and intelligence between our organisations. Our CIP Police Team and NETs operated in areas identified by SFRS intelligence where previous years had seen unwanted bonfires.

## Pioneering Products and Services

- 5.12 We continually drive innovation in all that we do; developing pioneering fire safety products and services is no exception. Our approach to identifying and investing in new and innovative products and services is informed by a detailed and on-going analysis of the comprehensive data and intelligence sets that are now available to us.
- 5.13 We are continuing to invest in our Microsoft Power BI platform that enables us to extract fire incident and vulnerable household intelligence rapidly and accurately. Our partners at SFRS have also invested in this platform and meetings with their strategic planning team will ensure that we can provide them with our maps and data and, by doing so, influencing the deployment of their Community Action Team resources. This approach will be used to jointly agree our future 'Fire Safety Days of Action'.
- 5.14 We know from our fire incident data that 79% of all accidental dwelling fires are cooking related; this has resulted in us sourcing and purchasing a number of Air Fryers. These are now available to our FSOs to replace traditional chip pans that are being used by some of our most vulnerable and high risk customers.

## Our Proposed Approach to Undertaking Fire Risk Assessments (FRAs)

- 5.15 Whilst not a legal requirement under Part 3 of the Fire (Scotland) Act 2005, FRAs for the common areas of domestic premises, it is a strong recommendation within the Scottish Government Guidance that those organisations responsible for the management of high rise blocks carry out an assessment of fire risk in their buildings as part of their corporate responsibility. The guidance further states that a new FRA should be undertaken every 3-years and this should be supplemented with an annual review.
- 5.16 The key points in relation to high rise FRAs detailed within the Guidance are noted below for Board information:
- The purpose of assessing risk is to evaluate the risk to people from fire and determine appropriate fire safety measures;
  - The assessment of risk will normally only consider the common areas and limited, specified parts of flats only;
  - Concerns regarding risk to individual residents in their own flat should be referred to the SFRS for a Home Safety Visit;
  - Fire spread potential on the external facade and roof of the building should be considered;
  - Intrusive checks (involving exposure of construction) will only be necessary where there is justifiable concern regarding structural fire precautions;
  - Risk assessors must be competent. Where external specialists are chosen, certification or registration schemes can provide some assurance;
  - The findings of risk assessments need to be actioned; and
  - Fire safety risk assessments should be reviewed regularly, when circumstances change or after a fire or near miss.
- 5.17 A key commitment within our Framework is the development of a FRA Methodology that reflects current UK best practice. Best practice defines a robust FRA as a process involving the systematic evaluation of the factors that determine the hazard from fire, the likelihood that there will be a fire and the consequences if one were to occur. Building on these basic principles our Fire Safety Officers have developed a FRA methodology. This methodology was created by one of the expert witnesses to the on-going Grenfell Enquiry and we are confident that it not only meets, but exceeds, the recommendations detailed with the Scottish Government Guidance. From an assurance perspective The Local Government Association (England & Wales) “Fire Safety in Purpose-Built Blocks of Flats” manual endorses our proposed methodology and the Chief Fire Officers’ Association also deems it to be suitable.
- 5.18 We will shortly commence with a detailed 3-yearly cycle of FRAs across all of our MSF stock. This will be supplemented, as per the Scottish Government Guidance with an annual review.

- 5.19 Prior to the re-designation of our Sheltered and Very Sheltered stock to Living Well accommodation (and subsequent de-regulation with the Care Inspectorate) the FRA practice was that Group Health & Safety Officers would undertake a three-yearly FRA of these sites as they were deemed to be 'relevant premises'. We propose to align the FRA process to our MSF stock and the Scottish Government Guidance and continue our 3-yearly cycle supplemented by an annual review.

Scottish Government Practical Fire Safety Guidance for Existing High Rise Domestic Buildings (published on the 4<sup>th</sup> December 2019)

- 5.20 This Guidance provides practical fire safety advice on how to prevent fires and reduce the risks from fires in high rise domestic buildings. It aims to assist the assessment of fire risk and the adequacy of existing fire safety measures. The focus is on communal areas and aspects of building design in private accommodation which could affect the safety of others.

- 5.21 The primary aim of the Guidance, is to reduce the risk to life from fire. As such, the focus is on life safety rather than the protection of property. It applies to existing multi-storey high rise blocks and tenemental buildings with a storey in excess of 18 m above the ground – generally more than 6 floors – but no storey above 60 m – generally more than 20 floors. It states that specialist advice should be sought for buildings above this height. **We have 4 MSF blocks above 20 floors.** The focus of the Guidance is on communal areas and aspects of building design in private accommodation which could affect the safety of others. There are 34 key points covered in the following six chapters:

- **Purpose and Scope of the Guidance** - This chapter explains what the Guidance is about, who it is aimed at, what buildings are included, what is the fire risk in high rise domestic buildings and the 'Stay Put Policy.'
- **Fire Safety in High Rise Buildings** - This chapter explains fire safety measures in high rise domestic property. It covers fire resistant construction, escape routes, fire detection and warning, evacuation strategies and facilities for use by SFRS.
- **Risk Management – Assessing the Risk to Persons** - This chapter sets out the purpose, practicalities and a proposed method for undertaking fire safety risk assessments. This will assist those responsible for fire safety to establish whether existing fire safety measures are adequate, or if improvements are required.
- **Risk Management – Fire prevention** - This chapter focuses on preventing fires and reducing their impact. It sets out the common causes and measures to control or eliminate them. There is consideration to different approaches to fire safety measures in communal areas, stairways and landings.
- **Risk Management – Physical Fire Safety Measures** - This chapter discusses how these can be used and offers benchmarks for measures such as fire separation, escape routes, smoke control, stairways and travel distance. There are also specifications for fire resisting doors and fire detection systems, facilities and assistance of firefighters.

- **Risk management – Ongoing control** - This chapter covers the responsibility for fire safety in the building and the fire safety messages for residents. There are important reminders of controlling building work and alterations (including resident's DIY) and on-going inspection, testing and maintenance of fire safety systems and equipment.

- 5.22 The content of the Guidance is predicated on a number of key points. These are: each flat being a fire resisting 'box' designed on the 'stay put' principles; fire resisting construction is provided to stair enclosures, service risers, lobbies and ancillary areas; escape from a fire should not rely on external rescue by the fire service, fire detection systems give early warning of a fire and facilities are provided to assist fire fighters. The Guidance also states that high rise blocks do not normally require a communal fire alarm system.
- 5.23 We are reviewing the Guidance, which was published on the 4<sup>th</sup> December 2019. There have however already been a number of cross service meetings held to discuss the content of the previously published draft guidance document which isn't significantly different from the final version. These meetings did not flag up any major concerns, or issues, that have not already been addressed or, alternatively, have not been included within our on-going capital works programme. We are currently engaging with SFRS partners on appropriate 'specialist advice' for our MSF blocks that are more than twenty storeys.

Scottish Government Practical fire safety guidance for existing specialised housing and other supported domestic accommodation

- 5.24 This guidance, currently at draft stage, has been designed to meet the needs of all individuals that may need additional support in terms of fire safety in domestic accommodation which is not already covered by the 'relevant premise' regime set out in the Fire Safety Regulations. It will cover homes of people who are vulnerable to the risk of fire by virtue of characteristics / conditions or behaviours which require an element of care / support e.g. sheltered housing, supported housing, domestic care homes, other supported domestic accommodation.
- 5.25 It includes a two pillar approach which includes risk assessment of the individual and the building where they live. We are currently assessing the implications for our customers but expect to utilise our experience of undertaking fire safety risk assessments in homes of multiple occupation (HMOs) and undertaking home fire safety visits to meet the new requirements. The guidance is expected to be published by Scottish Government early in 2020.

## **6. Key issues and conclusions**

- 6.1 The safety of our tenants and customers is of paramount concern to us. We already have an outstanding track record of fire prevention delivered through a range of proactive approaches.
- 6.2 The continued implementation of our Framework and proposed approach to FRAs further builds on this, and clearly demonstrates to tenants and stakeholders our commitment to improving fire safety.

6.3 Our Framework commits us to substantial investment, particularly in MSFs, which is funded from our investment and cyclical maintenance programmes. This physical investment is complimented by a range of awareness raising and behaviour changing programmes with staff, tenants and customers supported by the use of assistive technology to promote behaviour change.

6.4 We will continue to review and action, where appropriate, all relevant guidance that is issued by the Scottish Government.

## **7. Value for money implications**

7.1 Two of the three key value drivers identified in our VFM framework were the repairs service offered to tenants and home improvements. The delivery of our Fire Prevention and Mitigation programme is directly linked to this as we continue to demonstrate to customers, through our maintenance and compliance works in relation to fire safety, our commitment to the safety of our tenants and the protection of their homes.

## **8. Finance implications**

8.1 All current identified costs will be paid from existing investment and repairs budgets.

8.2 Should they become a legislative requirement, or part of the Scottish Government Guidance, implementing some of the recommendations would have a significant financial impact.

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

9.1 Our Framework ensures that our practice is far beyond what is required in current legislation.

## **10. Partnership implications**

10.1 Our Framework and Fire Safety Charter will ensure that we maintain and develop strong relationships with our partners across all the areas in which we operate, setting out our shared aims and priorities.

## **11. Implementation and deployment**

11.1 Our CIP operating model has introduced four fire safety officers. This wider CIP team coordinates activities across our group drawing on resources from subsidiaries and Wheatley Solutions to deliver key elements, particularly around training, communications and raising awareness. This is further supplemented by the mandatory Fire Safety Management Training delivered by the Group Health & Safety team specifically for managers; our Asset Team within the JV also undertake annual common inspections. This will provide further knowledge and understanding with respect to roles, responsibilities and expectations.

## **12. Equalities impact**

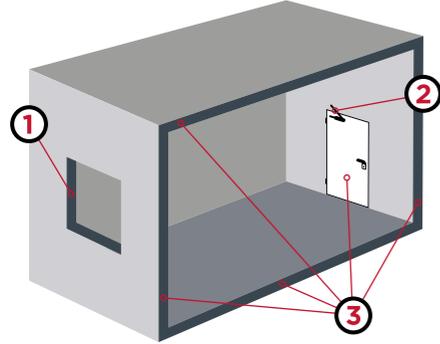
12.1 No negative equalities impacts have been identified.

## **13. Recommendation**

13.1 The Board is asked to note the annual update of the implementation of the Framework and the FRA methodology including assurance reporting to the Audit Committee.

## **Appendix 1 – Scottish Government Fire Safety leaflet**

# WHAT TO DO IF THERE IS A FIRE IN YOUR BUILDING



- 1 Fire resisting cavity barriers around windows
- 2 Self closing device (various kinds)
- 3 Fire resisting door, walls and floors

## STAY PUT, STAY SAFE

Most high rise domestic buildings are built with the principle of 'stay put' in mind. This means that flats will be designed to resist the spread of fire. Because of this, a fire is not likely to spread from one flat to another.

If there is a fire in your building - but not in your flat - you should stay in your home and keep the front door closed **unless**:

- you are directly affected by heat, smoke or fire
- or the Fire and Rescue Service or Police tells you to get out

If you have any questions, you should speak to the person responsible for fire safety in your building.

## IF YOU ARE TRAPPED

It is rare for people to be trapped by fire. If you are:

- Go to a 'safe room' which should have a window and a phone and gather everyone there.
- Call the Fire and Rescue Service and pack bedding or towels around the door to keep out smoke.
- Open the window to breathe clean air and try attracting attention by waving a sheet if it is safe to do so.

## FOR MORE ADVICE



Visit [www.firescotland.gov.uk](http://www.firescotland.gov.uk), or talk to your local firefighters. You'll find contact details on our website, in your local library and in the phone book.

TO BOOK A FREE HOME SAFETY VISIT  
Call 0800 0731 999, Text 'FIRE' to 80800  
or visit [www.firescotland.gov.uk](http://www.firescotland.gov.uk)



## IN AN EMERGENCY CALL 999



### USE AND KEEP THIS LEAFLET

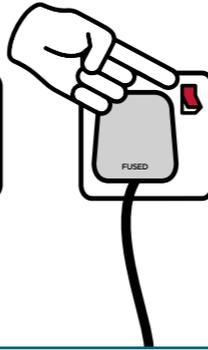


Make sure everyone in your home is clear on these actions. Put it somewhere handy to remind you - pinned to the wall or the fridge door.

# Keeping yourself and others safe from fire in your high rise building



## ACTIONS TO STOP FIRES HAPPENING



### AT HOME

#### IN THE KITCHEN

- Never leave cooking unattended - keep an eye on your cooker when it is on.
- Deep fat fryers or oven chips are much safer than using open chip pans.
- If you use a chip pan do not fill it up too much (no more than 1/3 full).

#### SMOKING

- Make sure cigarettes are put out properly in a sturdy ashtray.
- Don't smoke in a chair if you have been drinking alcohol or feel sleepy.
- Do not smoke when sleepy or in bed.
- Keep lighters and matches away from children.

#### ELECTRICS

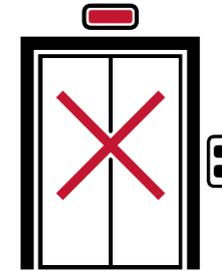
- Do not overload sockets by plugging in too many electrical appliances.
- Turn electrical appliances off at the wall, this is safer than leaving them on standby.
- Don't leave appliances on when sleeping or out of the house - this includes washing machines, dishwashers and tumble dryers.

### COMMON AREAS

#### STAIRS, HALLS AND CORRIDORS

- Make sure stairs, landings and corridors are clear for escape. Remove bikes, prams and other objects that could get in the way.
- If you have arranged for items to be taken away, do not leave these in common areas.
- Make sure all rubbish is disposed of properly using the communal bins provided.
- If you have questions about common areas, contact the person that manages your building.

## PREPARE FOR ESCAPE AND GET EARLY WARNING



### AT HOME

#### IF YOU HAVE TO LEAVE

- Close all doors when you go to bed - especially the doors to the lounge and kitchen.
- Plan an escape route out of your home and keep it clear so you can leave quickly if you have to.
- Make sure everyone knows the escape plan.
- Make sure you've got working smoke and heat alarms, and test them weekly.

#### IF YOU HAVE TO LEAVE

- Get out as quickly as you can, closing doors behind you to stop smoke and fire spread.
- Use the stairs to get down to the ground floor - never take the lift.
- Once you get out, call the Fire and Rescue Service and stay out.

#### TO RAISE THE ALARM

If the fire is where you are - in your home or in a common area - leave the building immediately if it is safe to do so and **call the Fire and Rescue Service on 999**. Tell other residents if you can, but don't put yourself at risk.



## Report

**To:** Cube Housing Association Board

**By:** Gillian Ogilvie, Finance Manager

**Approved by:** Steven Henderson, Group Director of Finance

**Subject:** Finance Report for the period to 31 December 2019

**Date of Meeting:** 4 February 2020

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### 1. Purpose

1.1 The purpose of this report is to provide the Cube Board with an overview of the management accounts for the period to 31 December 2019.

### 2. Authorising context

2.1 Under the terms of the Intra-Group Agreement between Cube Housing and the Wheatley Group, as well as the Group Authorise, Manage, Monitor Matrix, the Cube Board is responsible for the on-going monitoring of performance, including financial performance, against agreed targets.

### 3. Risk appetite and assessment

3.1 Our agreed risk appetite for performance is "Open". This level of risk tolerance is defined as "Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level".

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

### 4. Background

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

4.2 The full year budget has a statutory surplus of £2,031k, which is driven by the recognition, upon completion, of £5,083k of grant income for new build properties in the operating statement. Surpluses and deficits reported are extremely sensitive to the timing of grant recognition.

4.3 Appendix 1 provides more detail on the financial results.

## 5. Discussion

### Finance Report for Period to 31 December 2019

5.1 Cube has reported a statutory surplus of £3,863k for the 9-month period to 31 December 2019, which is £5,051k favourable to budget. When interest payable, depreciation and grants are removed to show our underlying operating position, the reported surplus is £450k favourable to budget.

Key points to note:

- The completion of new build units at Bonhill and Dumbain in this financial year, and release of related grant to the operating statement, is the main reason for the favourable variance to budget. It was assumed that both of these sites would complete in 2018/19.
- Repairs and maintenance spend to 31 December reports a variance £151k favourable to budget and this relates in the main to cyclical compliance and property maintenance spend. The Q3 forecast reports a positive variance of £150k which is reflective of the underspend to date.
- Bad debts are currently £303k favourable to budget. The full impact of Universal Credit is not yet seen in the financial results as much of the debt is new and has a lower rate of provision at present.

5.2 We have reported net capital expenditure of £9,232k for the 9-month period to 31 December 2019, which is £1,928k higher than budget. Key points to note:

- New build expenditure currently reports spend £2,438k lower than budget. This mainly results from:
  - The Queens Quay development not yet being on site.
  - Reduced spend being recorded against the financial provision for units due to complete in 2020/21.
  - Points 1 and 2 are partially offset by higher spend on schemes that were already on site at 1 April. This is due to lower spend than anticipated in the previous financial year.
- Capital grant income is £4,461k less than budget and the majority of the variance relates to new build, specifically:
  - The Queens Quay development not yet being on site yet means that we have only claimed grant income for pre-site fees in the year to date.
  - Reduction in spend being recorded against the financial provision for unspecified units due to complete in 2020/21 means that reduced grant income has been claimed.
- Overall, investment programme spend is slightly lower than budget by £96k, and is forecast to align with budget by the end of the financial year.

## Forecast for Year

- 5.3 A statutory surplus of £2,637k is forecast, which is £607k favourable to budget. This is driven by grant income which is forecast to be £427k higher than budget which reflects the year to date position as there are no more completions expected in Q4. When interest payable, depreciation and grants are removed the reported underlying surplus (EBITDA) is £180k favourable to budget, reflecting a saving being forecast in revenue compliance costs following the procurement of MSF rope access surveys at a lower cost than anticipated, and slight increase in net rental income due to void lost rent being lower than budget.
- 5.4 Forecast net capital expenditure (costs less grant income receivable) is £11,810k, which is £1,177k higher than budget. The reduction in forecast grant income for the 2020/21 completion units is not all being offset by a corresponding reduction in new build spend, due to higher spend in 2019/20 on schemes that were already on site in 2018/19, noting that this is due to timing of spend only.

## **6. Funding update**

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

## **7. Value for money implications**

- 7.1 Delivery of our cost efficiency targets is a key element of continuing to demonstrate value for money. Cube has reported a statutory surplus, excluding interest payable, depreciation and grants to December of £6,668k, noting that a surplus of £6,218k was budgeted.

## **8. Impact on financial projections**

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

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

- 9.1 No implications.

## **10. Equalities impact**

- 10.1 Not applicable.

## **11. Recommendations**

- 11.1 The Board is requested to:

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

## **List of Appendices**

Appendix 1: Period 9 – 31 December 2019, Finance Report

Appendix 2: Loretto Care Intra-Group Facility Agreement

[redacted]



# **Period 9 – Period to 31 December 2019 Finance Report**

# Operating Statement – YTD December 2019



	Period To 31 December			Full Year Budget £k
	Actual £k	Budget £k	Variance £k	
<b>INCOME</b>				
Rental Income	13,775	13,888	(113)	18,543
Void Losses	(137)	(297)	160	(431)
<b>Net Rental Income</b>	<b>13,638</b>	<b>13,591</b>	<b>47</b>	<b>18,112</b>
<b>Other Income</b>	<b>450</b>	<b>439</b>	<b>11</b>	<b>674</b>
<b>Grant Income</b>	<b>5,693</b>	<b>1,160</b>	<b>4,533</b>	<b>5,266</b>
<b>Total Income</b>	<b>19,781</b>	<b>15,190</b>	<b>4,591</b>	<b>24,052</b>
<b>EXPENDITURE</b>				
Employee Costs - Direct	2,662	2,628	(34)	3,505
Employee Costs - Group Services	661	668	7	891
ER / VR	17	0	(17)	0
Direct Running Costs	1,312	1,291	(21)	1,798
Running Costs - Group Services	387	391	5	522
Revenue Repairs and Maintenance	2,303	2,454	151	3,395
Bad debts	76	380	303	506
Depreciation	4,954	4,954	0	6,641
<b>TOTAL EXPENDITURE</b>	<b>12,372</b>	<b>12,765</b>	<b>393</b>	<b>17,257</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>7,409</b>	<b>2,424</b>	<b>4,984</b>	<b>6,795</b>
Interest Payable	(3,547)	(3,613)	65	(4,764)
<b>STATUTORY SURPLUS / (DEFICIT)</b>	<b>3,863</b>	<b>(1,188)</b>	<b>5,051</b>	<b>2,031</b>
<b>EBITDA</b>	<b>12,361</b>	<b>7,378</b>	<b>4,983</b>	<b>13,436</b>
<b>EBITDA (excluding grants)</b>	<b>6,668</b>	<b>6,218</b>	<b>450</b>	<b>8,169</b>

## Income and Expenditure account – key points

- Operating surplus of £7,409k is £4,984k favourable to budget. Statutory surplus of £3,863k is £5,051k favourable to budget.
- Total income is £4,591k higher than budget, and this is primarily due to completion of 44 new build units at Bonhill PS and 35 at Dumbain, noting that the budget assumed all of these units would complete in March 19. Please refer to page 5 for further analysis.
- Employee costs are £34k unfavourable to budget due to increased overtime costs relating to the delivery of environmental services to new build properties. Changes to the delivery of the environmental service across the Group have been agreed and are being implemented.
- Direct running costs are £21k unfavourable to budget and includes the additional running costs in relation to the district heating scheme and Think Yes spend. Please refer to page 6 for further analysis.
- Group services charges of £1,048k represents Cube's share of Wheatley Solutions staff and employees.
- Revenue repairs and maintenance expenditure is £151k favourable to budget, due to an underspend on cyclical maintenance spend. The cyclical underspend is offsetting an overspend of £43k on reactive repairs. Please refer to page 7 for further analysis.
- Bad debts are £303k favourable to budget. A prudent approach was taken when setting the budget due to the anticipated impact of Universal Credit.
- Interest is paid on £89.7m of loans due to Wheatley Funding Ltd 1 and in addition loan fees are included here. Development interest will be capitalised in P12.

# Operating Statement (2) – YTD December 2019



	Period To 31 December			Full Year Budget £k
	Actual £k	Budget £k	Variance £k	
<b>INVESTMENT</b>				
<b>Total Capital Investment Income</b>	<b>2,592</b>	<b>7,053</b>	<b>(4,461)</b>	<b>9,095</b>
<b>Investment Works</b>	3,804	3,900	96	5,997
<b>New Build</b>	7,847	10,285	2,438	13,515
<b>Other Capital Expenditure</b>	173	173	(0)	216
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>11,824</b>	<b>14,358</b>	<b>2,534</b>	<b>19,728</b>
<b>NET CAPITAL EXPENDITURE</b>	<b>9,232</b>	<b>7,305</b>	<b>(1,928)</b>	<b>10,633</b>

## Capital Expenditure – key points

- Net capital expenditure of £9,232k is £1,928k higher than the budget of £7,305k.
- Investment works expenditure of £3,804k mainly relates to environmental works, kitchen replacements and CCTV upgrades.
- Lower capital investment income is reported due to the delay in the Queens Quay site starting and no transactions against the provision for units completing in 2021. At the time of approving the business plan, this provision had not been allocated against specific sites. Please refer to pages 9 and 10 for further analysis.
- Lower new build expenditure is reported for the above reasons, noting that the underspend is reduced by higher spend on schemes that were already on site at 1 April of this financial year.
- Other capital expenditure of £173k relates to Cube's share of group wide IT investment.

# Operating Statement (3) – Q3 Forecast



Full Year Forecast	Budget	Qtr 3	Variance
	£'000	Forecast £'000	£'000
<b>INCOME</b>			
Net Rental Income	18,112	18,159	47
Grant Income	5,266	5,693	427
Other Income	674	674	-
<b>Total Income</b>	<b>24,052</b>	<b>24,526</b>	<b>474</b>
<b>EXPENDITURE</b>			
Employee Costs	4,396	4,396	-
ER/VR	-	17	(17)
Running Costs	2,320	2,320	-
Repairs & Maintenance	3,395	3,245	150
Irrecoverable VAT & bad debt costs	506	506	-
Depreciation	6,641	6,641	-
<b>Total Expenditure</b>	<b>17,258</b>	<b>17,125</b>	<b>133</b>
<b>NET OPERATING SURPLUS</b>	<b>6,794</b>	<b>7,401</b>	<b>607</b>
Interest Payable	(4,764)	(4,764)	-
<b>STATUTORY SURPLUS/(DEFICIT)</b>	<b>2,030</b>	<b>2,637</b>	<b>607</b>
<b>EBITDA</b>	<b>13,435</b>	<b>14,042</b>	<b>607</b>
<b>EBITDA (excluding grants)</b>	<b>8,169</b>	<b>8,349</b>	<b>180</b>
<b>INVESTMENT</b>			
<b>Total Capital Investment Income</b>	<b>9,095</b>	<b>3,287</b>	<b>(5,808)</b>
Total Expenditure on Core Programme	5,997	5,997	-
New Build & other investment expenditure	13,515	8,884	4,631
Other Capital Expenditure	216	216	-
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>19,728</b>	<b>15,097</b>	<b>4,631</b>
<b>NET CAPITAL EXPENDITURE</b>	<b>10,633</b>	<b>11,810</b>	<b>(1,177)</b>

## Comments

- The forecast shows the 2019/20 budget presented to the Board compared to the Q3 forecast for 2019/20, which was prepared using the actual results at the end of December with a forecast of the remainder of the full year and adjusting for known changes.
- The forecast statutory surplus of £2,637k is £607k favourable to budget. Forecast net capital expenditure of £11,810k is £1,177k higher than budget as a result of lower capital investment income being forecast.

## Key points to note:

- Rental income is forecast to be £47k higher than budget. This reflects the year to date position and is due to a combination of lower rental income, as a result of the delay in completion of new build sites, being offset by savings in void losses throughout the year.
- Grant income is forecast to be £427k higher than budget and reflects the year to date position with no more completions expected in Q4.
- Employee costs are forecast to be £17k above budget at the end of the year, the variance being due to the ER/VR year to date position.
- A saving in revenue compliance costs of £150k is forecast, following the procurement of MSF rope access surveys at a lower cost than anticipated.
- Investment works are forecast to be in line with budget, with the programme being carefully managed by our asset team.
- Capital investment income is forecast to be £5,808k lower than budget, with a forecast reduction in New Build expenditure of £4,631k, both reductions being due to the delay in commencing work at Queens Quay and the budget provision made against unallocated schemes.

# Income - YTD December 2019



Income	1 April 2019 - 31 December 2019			19/20 Budget £k
	Actual £k	Budget £k	Variance	
Rental Income	13,775	13,888	(113)	18,543
Void Lost Rent	(137)	(297)	160	(431)
<b>Net Rental Income</b>	<b>13,638</b>	<b>13,591</b>	<b>47</b>	<b>18,112</b>

Other Income and Grant Income	1 April 2019 - 31 December 2019			19/20 Budget £k
	Actual £k	Budget £k	Variance	
Commercial property	32	32	0	47
Compensation for new build delay	32	0	32	0
District heating scheme	210	216	(6)	374
Lockups/garages	43	48	(6)	65
Miscellaneous	2	4	(3)	5
MMR lease income	87	93	(6)	123
Phone masts	45	45	0	60
<b>Total Other Income</b>	<b>450</b>	<b>439</b>	<b>11</b>	<b>674</b>
<b>Grant Income</b>	<b>5,693</b>	<b>1,160</b>	<b>4,533</b>	<b>5,266</b>

## Comments

### Net Rental Income

- Rental Income of £13,775k YTD is £113k unfavourable to budget mainly due to delays in the completion of new build units at the Bonhill PS, Dumbain and Carrochan sites. The lost rental income is partially offset by compensation of £32k received from the contractor of the Bonhill PS site recognised in "other income". While the Stirling Rd, Bonhill site completed a month earlier than budgeted this had minimal impact on the unfavourable rental income variance due to the small number of units at the site.
- Void lost rent of £137k YTD is £160k favourable to budget and the YTD void rate is 1.0%, versus the budgeted rate of 2.1%.

### Other Income

- Other income includes any rental income from non-social housing stock (MMR units, lockups/garages and two commercial properties), and district heating schemes (Broomhill, Collina, Gorget and Kelvindale).
- YTD other income is higher than budget as a result of the compensation received for the new build delay, as noted above.

### Grant Income

- Income of £5,693k has been released from deferred income in relation to 44 units completed at Bonhill PS, 8 units at Stirling Rd, Bonhill, 26 units at Dumbain, 9 units at Carrochan and 10 units at Westcliff. The business plan and budget assumed that the Bonhill and Dumbain sites would complete in the previous financial year, so a significant favourable variance to budget is reported on the grant income released line. Additionally, the current year budget assumed that all Westcliff units would complete in March, whereas an earlier phased handover is likely.
- Grant income for adaptations has been accrued in line with spend, up to the 2019/20 approved grant award.

# Direct Running Costs - YTD December 2019



Direct Running Costs	1 April 2019 - 31 December 2019			19/20 Annual Budget £k
	Actual £k	Budget £k	Variance	
District heating scheme	271	267	(3)	441
Equipment & furniture	16	18	2	24
Environmental service (excl. recharges)	44	42	(2)	56
Group recharges	272	265	(7)	353
Initiatives	336	321	(15)	415
Insurance	98	97	(1)	129
Misc running costs	99	98	0	136
Property costs (offices + housing stock)	162	166	4	222
Staff related costs	14	17	1	22
<b>Total</b>	<b>1,312</b>	<b>1,291</b>	<b>(21)</b>	<b>1,798</b>

Initiatives	1 April 2019 - 31 December 2019			19/20 Annual Budget £k
	Actual £k	Budget £k	Variance	
Helping Hand (incl Livingwell relief)	65	67	2	89
Tenancy Support Service	134	141	6	188
Think Yes	85	60	(25)	80
Wheatley Foundation	38	38	(0)	38
Wider Action	13	15	2	20
<b>Total</b>	<b>336</b>	<b>321</b>	<b>(15)</b>	<b>415</b>

## Comments

- Direct running costs of £1,312k YTD are £21k unfavourable to the budget of £1,291k.
- District heating scheme costs of £271k are heat usage, electricity, maintenance and call out charges for operating the scheme and servicing the heat interface units.
- District heating income of £210k is reported in other income, noting that £19k of this relates to additional RHI income for the prior year, giving underlying income of £191k for 2019/20. This yields a net loss of £80k YTD. Note that this does include a significant estimate for Broomhill gas costs.
- Group recharges includes:
  - Environmental costs recharged from GHA (mainly for vehicles, equipment and depot costs);
  - A recharge from GHA for Cube's share of the Wheatley 360 service; and
  - Payment to Loretto Care of Cube's sheltered service charge income (for the Livingwell service provided by Loretto Care at these sites) less related property costs paid by Cube on Loretto Care's behalf.
- The second table provides a breakdown of Cube's YTD Initiatives expenditure. The majority of Think Yes spend is decorating vouchers and replacement carpets/flooring for tenants. An overspend is currently reported and this is being monitored.

# Revenue Repairs and Maintenance Expenditure - YTD December 2019



Repairs & Maintenance Expenditure	1 April 2019 - 31 Dec 2019		
	Actual £k	Budget £k	Variance
Reactive repairs	1,056	1,013	(43)
Cyclical maintenance (compliance)	710	813	103
Cyclical property maintenance	78	140	62
Communal electricity	360	376	16
Other	99	113	13
<b>Total</b>	<b>2,303</b>	<b>2,454</b>	<b>151</b>

19/20
Budget £k
1,086
1,659
200
501
150
<b>3,596</b>

## Comments

- Overall repairs and maintenance expenditure of £2,303k YTD is £151k favourable to the budget of £2,454k.
- After deduction of capitalised repairs, the reactive repairs spend is £43k unfavourable to budget, resulting from an increase in the average spend per job.
- Cube's compliance based cyclical programme is for gas servicing, electrical testing and maintenance of controlled entry systems, CCTV, fire safety equipment, lifts, pumps and tanks and TMVs. This budget also includes allowance for any related repairs arising.
- Other R&M expenditure mainly relates to laundry equipment but also includes decant/removal costs and pest control.

# Investment works - YTD December 2019



Investment Works	1 April 2019 - 31 December			19/20 Budget £k
	Actual £k	Budget £k	Variance	
<b>Investment Works Grant Income</b>				
Adaptations	69	137	(68)	183
<b>Total</b>	<b>69</b>	<b>137</b>	<b>(68)</b>	<b>183</b>
<b>Investment Works Expenditure</b>				
Core programme	3,276	3,081	(196)	4,888
Void repairs	458	682	224	926
Adaptations	69	137	68	183
<b>Total</b>	<b>3,804</b>	<b>3,900</b>	<b>96</b>	<b>5,998</b>

## Comments

- Overall investment works expenditure of £3,804k YTD is £96k lower than the budget of £3,900k.
- An underspend on void repairs, following a reduction in the number of jobs, and adaptations, is offset by the current overspend on core programme.
- The main reason for the additional spend on core programme is the bringing forward of Dumbarton kitchen replacements, MSF CCTV upgrades and Broomhill and Gorget rewiring from later in the financial year.

# New Build Programme – YTD December 2019



Name	Developer	Year To Date			FY Budget
		Actual £s	Budget £s	Variance £s	
Auld Street, Dalmuir	CRUDENS - BRL	-	30	30	30
Carrick Terrace, Dumbarton	CRUDENS - BRL	12	-	(12)	53
Kelvindale Place, Maryhill	CRUDENS - BRL	2	75	77	75
Ruchill PS/Leighton St, Ruchill	MACTAGGART	152	-	(152)	80
Liddesdale Rd		2	-	(2)	-
ST ANDREWS		3	-	(3)	-
Bonhill PS, Bonhill	ENGIE	236	101	(135)	101
Carrochan/Dumbain, Balloch	CRUDENS - BRL	871	312	(559)	312
Stirling Rd, Bonhill	BARRATT	929	928	(1)	928
Westcliff, Dumbarton	CCG	4,657	4,074	(583)	5,494
Queens Quay, Clydebank	CCG	635	2,930	2,295	3,895
Social - 20/21 Completion		-	468	468	624
MMR - 20/21 Completion		-	904	904	1,205
Feasibility		4	-	(4)	-
Crofthead, Bishopbriggs		-	-	0	-
South Crosshill Rd, Bishopbriggs		-	-	0	-
Acquisitions		-	113	113	150
<b>CUBE</b>		<b>7,499</b>	<b>9,935</b>	<b>2,436</b>	<b>12,947</b>

<b>Capitalised Interest</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>101</b>
<b>Capitalised Staff Costs</b>		<b>350</b>	<b>350</b>	<b>0</b>	<b>467</b>
<b>Gross New Build Costs</b>		<b>7,847</b>	<b>10,284</b>	<b>2,437</b>	<b>13,515</b>

<b>Grant Income</b>		<b>2,523</b>	<b>6,915</b>	<b>(4,392)</b>	<b>8,912</b>
<b>Net new build costs</b>		<b>5,324</b>	<b>3,369</b>	<b>(1,955)</b>	<b>4,603</b>

## Grant Income

- Grant income reported within the capital budget represents the cash received in the YTD and outstanding claims accrued.

## New Build Expenditure

- Bonhill PS (BP\* completion March 19):** Board approved in November 2016. Construction started in June 2017. The project has been significantly delayed; however, last handovers were achieved on 11 July 2019. **COMPLETE**
- Carrochan Road and Dumbain Road (BP\* completion March 19 Dumbain [26 units] and July 19 Carrochan [9 units]):** Board approved in February 2017. The land at Dumbain was acquired in April 2017. Work began at Dumbain in February 2018 and following a delay, the site at Carrochan started on 10 September 2018. Dumbain handovers took place week commencing 15 July 2019. Inspection by Building Standards took place at Carrochan in November and the properties were handed over that month. **COMPLETE**
- Westcliff (BP\* completion Mar 20):** Board approved in August 2018. Demolition completed in December 2018 and new build construction started as programmed in January 2019. Site operations are progressing satisfactorily. Building Standards final inspection for the first handovers took place in November – ahead of programme. To end December the site reports 10 completions ahead of a budgeted total of 46, the balance to be completed by end March 2020.
- Stirling Road (BP\* completion July 19):** This is a “turnkey” project and no costs were incurred until completion. The 8 units completed on 27 June 2019, one month ahead of the business plan. **COMPLETE**

# New Build Programme cont. - YTD Dec 2019



Name	Developer	Year To Date			FY Budget
		Actual £s	Budget £s	Variance £s	
Auld Street, Dalmuir	CRUDENS - BRL	-	30	30	30
Carrick Terrace, Dumbarton	CRUDENS - BRL	12	-	(12)	53
Kelvindale Place, Maryhill	CRUDENS - BRL	2	75	77	75
Ruchill PS/Leighton St, Ruchill	MACTAGGART	152	-	(152)	80
Liddesdale Rd		2	-	(2)	-
ST ANDREWS		3	-	(3)	-
Bonhill PS, Bonhill	ENGIE	236	101	(135)	101
Carrochan/Dumbain, Balloch	CRUDENS - BRL	871	312	(559)	312
Stirling Rd, Bonhill	BARRATT	929	928	(1)	928
Westcliff, Dumbarton	CCG	4,657	4,074	(583)	5,494
Queens Quay, Clydebank	CCG	635	2,930	2,295	3,895
Social - 20/21 Completion		-	468	468	624
MMR - 20/21 Completion		-	904	904	1,205
Feasibility		4	-	(4)	-
Crofthead, Bishopbriggs		-	-	0	-
South Crosshill Rd, Bishopbriggs		-	-	0	-
Acquisitions		-	113	113	150
<b>CUBE</b>		<b>7,499</b>	<b>9,935</b>	<b>2,436</b>	<b>12,947</b>

## New Build Expenditure

- **Queens Quay (BP\* March 21):** WDC purchased the land for Cube and Clydebank HA at end of March 2017. Discussions are continuing at a senior level with the Council on this project and planning permission is in place. Board approved the project in May 2019. Significant progress has been made with regard to finalising the development agreement with WDC and the other parties and the project is due on site in **February**. Completions are expected to commence in late 2021/22.
- **Crofthead, Bishopbriggs:** The developer is advising that they anticipate planning approval in the next few weeks. Between 12 and 14 social rent units are expected for Cube.
- **South Crosshill Rd, Bishopbriggs:** The developer met with the Council in July and again in September to discuss the housing mix and planning. We expect approximately 40 units for Cube, subject to agreement with the Council.

**There is provision in the business plan/budget for both Bishopbriggs sites in the 20/21 completion line. A variation in the timing of actual spend to budget is anticipated.**

\*BP = 2019/20 business plan approved in February 2019

<b>Capitalised Interest</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>101</b>
<b>Capitalised Staff Costs</b>		<b>350</b>	<b>350</b>	<b>0</b>	<b>467</b>
<b>Gross New Build Costs</b>		<b>7,847</b>	<b>10,284</b>	<b>2,437</b>	<b>13,515</b>

<b>Grant Income</b>		<b>2,523</b>	<b>6,915</b>	<b>(4,392)</b>	<b>8,912</b>
<b>Net new build costs</b>		<b>5,324</b>	<b>3,369</b>	<b>(1,955)</b>	<b>4,603</b>

# Balance Sheet



	31 December 2019 £k	31 March 2019 £k
<b>Tangible Fixed Assets</b>		
Housing Properties	137,884	130,927
Investment Properties	2,010	2,010
Other Assets	3,924	4,097
	143,818	137,034
<b>Current Assets</b>		
Debtors	1,497	3,749
Cash at Bank and in Hand	958	1,606
	2,455	5,355
<b>Short Term Creditors</b>		
Amounts due within one year	(9,853)	(8,738)
Deferred Grants	(3,077)	(6,237)
	(12,930)	(14,975)
<b>Net Current Assets</b>	(10,475)	(9,620)
<b>Long Term Creditors</b>		
Amounts due after one year	(89,862)	(87,796)
Pension Liability	(1,498)	(1,498)
<b>Net Assets</b>	41,983	38,120
<b>Capital and Reserves</b>		
Share Capital	-	-
Revenue Reserve - b/fwd	39,618	34,399
Current year surplus/(deficit)	3,863	5,219
Pension Reserves	(1,498)	(1,498)
<b>Association's Funds</b>	41,983	38,120

## Comments

The balance sheet reported reflects the 31 March 2019 year end audited statutory accounts, including revaluation of both housing and investment properties and actuarial valuation of the defined benefit pension scheme.

- **Fixed Assets-** Expenditure is capitalised in accordance with our accounting policy. There have been £11,824k of additions in the YTD.
- **Cash at Bank -** The change from the year end principally reflects the timing of the settlement of intercompany balances and supplier payments.
- **Deferred grants –** The majority of the balance relates to new build schemes currently on site. Upon completion of the properties, this income will be released to the I&E as grant income.
- **Long-Term Creditors -** This includes £89.7m of loans due to Wheatley Funding Ltd 1.
- **Pension Liability –** The next update will be at 31 March 2020 in the statutory accounts.



## Report

**To: -** Cube Housing Association Board

**By: -** Laura Henderson, Managing Director

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

**Subject: -** Performance Report – YTD 2019/20 Quarter 3 (Oct – Dec)

**Date of Meeting: -** 4 February 2020

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### 1. Purpose

1.1 This report outlines progress on the Delivery Plan Measures and Projects for Quarter 3. Appendix 1 contains the Performance Measures Dashboard and Appendix 2 provides progress on Strategic Projects. The Board is asked to note the performance and actions outlined.

### 2. Authorising context

2.1 Under the terms of the Intra-Group Agreement between Cube and the Wheatley Group, as well as the Group Authorise, Manage, Monitor Matrix, the Cube Board is responsible for approving regulatory returns including the Charter. It is also responsible for monitoring performance.

### 3. Risk appetite and assessment

3.1 Our risk appetite in relation to board governance is “cautious”. This level of risk tolerance is defined as “Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential reward”.

3.2 This report provides the Cube Board with an update of performance in Quarter 3.

### 4. Background

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

### 5. Cube performance summary

5.1 Cube is exceeding target for 11 of the 15 key indicators outlined in the dashboard at Appendix 1. The detail on these indicators is provided below.

- 5.2 We received £117K of DWP payments on the 27<sup>th</sup> of December as scheduled towards customer's December rent payments due, internally there was a one day delay in processing the file and unfortunately this was out with our period end cut off. Cube's performance will see the benefit of these receipts this month, however had it been processed on the same day we would have, for the first time, we would have seen a reduction of over £60k in sitting tenant rent arrears. Gross rent arrears increased this quarter to 5.21% against target of 4.6%.

Month	No of ST cases	ST Arrears	FT Arrears	Write Off	Gross Arrears	% Gross	Target %
Oct-19	1225	£606,947.90	£209,011.16	£14,359.33	<b>£830,318.39</b>	5.28%	4.60%
Nov-19	1206	£540,030.64	£230,945.11	£4,934.16	<b>£775,909.91</b>	5.09%	4.60%
Dec-19	1343	£566,392.45	£233,517.64	£8,075.36	<b>£807,985.45</b>	5.21%	4.60%

Arrears actions:

- 5.3 A key priority is to continue with the spot check of all arrears cases to ensure that our customers are receiving the correct level of support. This exercise will continue until year end. The number of Universal Credit (UC) cases continues to accelerate as more customers migrate as outlined in the table below:

Month	No UC cases	Arrears Value £	No. APA cases
Oct	558	289,443	236
Nov	573	287,950	241
Dec	587	300,315	264

- 5.4 We know that customers who are on direct debits and expected payment plans (EPP) are more likely to maintain their arrangement, we have seen the number of UC customers maintaining an EPP continue to increase month on month. A focus will be to continue to increase the number of customers paying by direct debit.
- 5.5 Where appropriate we will ensure that APA's (DWP payment) are in place with us now having over 50% of our UC customers paying by this method, with Cube seeing the biggest percentage increase in this payment method in month across Group, which is encouraging. Housing Officers continue to utilise support from our wrap around services including Welfare Benefits Advisor and Fuel Advisor to assist all customers.
- 5.6 Quarter 3 saw 19 of our new build homes at Westcliff and Miller Road in West Dunbartonshire let to families with 26% nominations from the Local Authority, 26% to homeless households and 48% through My Housing.
- 5.7 Our 11.21% turnover against a target of 9% is reflective of our stock type and the number of new build lets that would have seen some of our existing customers benefit from a brand new home. Our stock increased to 3,744.

5.8 Our letting performance is strong and continuing to exceed our target of 17 days with 113 lets within Q3, our average days to let are 14.98 and this has been achieved against a backdrop of high levels of turnover in our lower demand properties (high concentration of studio apartments). Of the 99 notice of terminations received from customers in Q3, 40 have been for positive reasons, the majority of our customers being rehoused within the Group. 34 properties were within our 26 storeys.

5.9 We are working closely with partners to create safe, peaceful and connected communities, with regular meetings taking place with local police, walkabouts with the community and local groups and have seen our Anti-Social Behaviour performance improve again this quarter to 99.21% which exceeds our target of 93.87%.

**CUBE STREETWISE ARC REPORT 2019 - 2020**  
**Quarter 3 (28/10/2019 – 27/12/2019) = 52 CASES**

**CATEGORY A CASES = 7**

**100% ACTIONED WITHIN TIMESCALE**  
**100% RESOLVED WITHIN TIMESCALE**

**CATEGORY B CASES = 45**  
**100% RESOLVED WITHIN TIMESCALE**

**OVERALL PERFORMANCE**

**100% ACTIONED WITHIN TIMESCALE**  
**99.21% RESOLVED WITHIN TIMESCALE**

5.10 We saw a reduction in Q3 of the number of offers refused to 48.91%. Whilst this remains high against a target of 25%, this is reflective of our stock type and the number offers made for the Wyndford multi storey blocks.

5.11 We continue to meet top quartile for the % complaints responded to in full within SPSO timescales with 100% towards a 96% target set.

Cube	All		Stage 1		Stage 2	
	Amount	% (against received)	Amount	% (against received)	Amount	% (against received)
<b>Total No. of Complaints Received</b>	67		60		7	
<b>Total No. of Complaints Resolved</b>	73	109.0%	65	108.33%	8	114.29%
<b>No. of Complaints Upheld</b>	43	58.90%	39	60.00%	4	50.00%
<b>Complaints Responded to with SPSO Timescale</b>	72	98.63%	65	100.00%	7	87.50%
<b>Average Days to Resolve</b>			3.32		19.88	
			216.00		159.00	

5.12 Quarter 3 saw an improvement in emergency repairs completed within timescale with an average of 2.18 hours and exceeding the target of 2.6 hours. Non-emergency repairs were completed on average 5.62 days against a target of 5.5 days.

5.13 At December 2019 Q3 adaptations were completed with an average timescale of 13.76 days and well within the target. Gas servicing compliance remains at 100% year to date.

#### 5.14 **Strategic Projects – progress at Quarter 3**

Appendix 2 outlines progress on the strategic projects in the Delivery Plan at the end of Quarter 3.

### **6. Key issues and conclusions**

6.1 Achievement of the aims set out in the 2019/20 Delivery Plan continues to be monitored. Updates will be reported quarterly.

6.2 Cube Housing is meeting 11 out of the 15 Top Quartile Targets as of Q3 end. We will continue to focus on the other indicators; in particular, % rent arrears and tenancy sustainment to meet the target of 80% top quartile by the end of the financial year.

### **7. Value for money implications**

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

### **8. Impact on financial projections**

8.1 No implications.

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

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

### **10. Partnership implications**

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

### **11. Implementation and deployment**

11.1 Our focus on performance is regularly reviewed at our weekly visual measures board meetings and monthly 1-2-1's.

## **12. Equalities impact**

12.1 There is no direct equalities impact from this report.

## **13. Recommendation**

13.1 The Board is asked to note the contents of this report.

## **List of Appendices**

Appendix 1: Measures dashboard

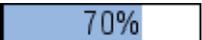
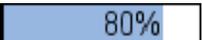
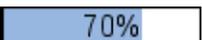
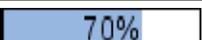
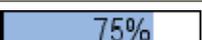
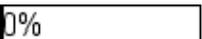
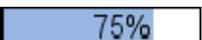
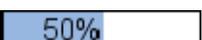
Appendix 2: Strategic projects dashboard

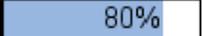
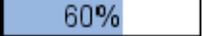
## Appendix 1 - Cube Board - Delivery Plan 19/20 - Strategic Measures

Measure	2018/19	2019/20		
	2018	2019		
	Value	Value	Target	Status
% All complaints responded to in full within SPSO timescales (includes YP)	100%	100%	96%	
Average time taken to complete emergency repairs (hours) – make safe	2.46	2.6	3	
Average time taken to complete non-emergency repairs (working days)	5.1	5.62	5.5	
% reactive repairs completed right first time	96.58%	98.04%	98%	
% repairs appointments kept	100%	100%	98.02%	
% properties requiring a gas safety record which had gas safety check by anniversary date	100%	100%	100%	
% of tenants who have had repairs or maintenance carried out in last 12 months satisfied with the R&M service (monthly)	94.46%	94.7%	93%	
% tenancy offers refused during the year	34.56%	54.91%	25%	
% anti-social behaviour cases resolved within locally agreed targets	98.41%	98.86%	93.87%	
% new tenancies sustained for more than a year - overall	87.19%	89.83%	92.5%	
% lettable houses that became vacant	10.88%	11.21%	9%	
% Tenants satisfied with the standard of their home when moving in	98.48%	98.78%	94%	
Average time to complete approved applications for medical adaptations (calendar days)	21.38	11.48	25	
Gross rent arrears (all tenants) as a % of rent due ((Excludes Homelink)	4.88%	5.21%	4.6%	
Average time to re-let properties	20.1	14.98	17	

Measure	2018/19	2019/20		
	2018	2019		Status
	Value	Value	Target	
% lets to homeless applicants		22.28%	33%	
% avoidable contact	12.36%	11.89%	18%	
% of payments made within the reporting period which were paid in 30 days or fewer (from the date the business receives a valid invoice)	94.38%	93.63%	96%	
Cube - Total number of jobs, training places or apprenticeships created including Wheatley Pledge	50	18	22	
New build completions - Social Housing	152	97	17	
% Sickness rate	2.71%	1.03%	3%	

## Appendix 2 - Cube Board - Delivery Plan 19/20 - Strategic Projects

Strategic Project	Delivery Date	Status	% Progress
Develop and implement governance monitoring arrangements for the renewal of core strategies policies and frameworks	31-Oct-2019		
Review approach to service charges	31-Oct-2019		
Develop Livingwell specification for new build	31-Oct-2019		
Work with Police Scotland to develop a Group wide Antisocial Behaviour and Crime Prevention and Mitigation Framework	30-Nov-2019		
Develop a proposal to support choice, innovation and efficiency in the delivery of adaptations	31-Dec-2019		
Develop Group Asset Strategy for Housing, Commercial and Care	29-Feb-2020		
Development Framework	29-Feb-2020		
Develop Group Homelessness Framework including rapid rehousing	29-Feb-2020		
Implement repairs improvement project phase 1	30-Mar-2020		
New Wheatley Graduate Development programme in place	31-Mar-2020		
Develop 2020-2025 Group workforce development plan	31-Mar-2020		
Leadership and development framework implemented	31-Mar-2020		
Tenancy sustainment innovation - virtual home development (phase 3)	31-Mar-2020		
Mechanical & Electrical service contract procurement plan agreed and implemented	31-Mar-2020		

Strategic Project	Delivery Date	Status	% Progress
Implement MSF strategy – GHA and Cube	31-Mar-2020		 100%
Co-create our new engagement approach	31-Mar-2020		 80%
Implement tenancy Star - Phase 2 (Group wide project)	31-Mar-2020		 60%



## Report

**To:** Cube Housing Association Board

**By:** Anthony Allison, Director of Governance

**Approved by:** Steven Henderson, Group Director of Finance

**Subject:** Board appraisal and succession planning

**Date of Meeting:** 4 February 2020

---

### 1. Purpose

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

### 2. Authorising context

2.1 Under the Group authorising framework, the Group Board is responsible for our overall governance framework. This is also reflected in the Regulatory Framework, which places responsibility on the Parent for the overall governance arrangements across the Group.

2.2 Board recruitment and succession planning is the responsibility of individual Boards, with the Group Remuneration, Appointments and Appraisals (“RAAG”) Committee having an oversight and ratification role.

### 3. Risk appetite and assessment

3.1 Our risk appetite in relation to governance is cautious, which is defined as “Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward”.

3.2 The Group strategic risk register recognises the risk associated with our governance structure, that is, the risk of a service or financial failure if our governance “is not clearly defined, is overly complex and lacks appropriate skills at Board and Committee levels to govern the Group effectively”.

3.3 We mitigate this risk by having clearly defined documentation in place as well as undertaking a formal annual Board and individual member appraisal process. As part of this review we are taking into account the Scottish Housing Regulator (“SHR”) Regulatory Framework (“the Framework”) and associated statutory guidance.

## **4. Background**

- 4.1 Our governance arrangements remain subject to ongoing review to ensure that they remain effective. During 2019 we enacted the key elements of our existing 3-year succession plan, including planned retirements and the recruitment of 2 new independent members and a new tenant member.

## **5. Discussion**

- 5.1 The 2019 Board appraisal process has now been completed. The process was based on 3 key elements:

- 1) Assessment of Board performance against the agreed question set;
- 2) Individual self-assessment against the agreed question set; and
- 3) Individual interviews with the Chair of the Board.

- 5.2 The transitional nature of the Board during 2019, with 3 members retiring at the Annual General Meeting, 3 new members being appointed and agreeing changes to the Board composition meant that the number of participants in the process was smaller than in a standard year.

### Board appraisal

- 5.3 The mode/median scoring of the Board against the agreed question set is set out at Appendix 1. As can be seen from the scoring, there were no particular areas of concern identified with the Board's performance or the current skills mix as determined by our agreed skills matrix.
- 5.4 The scoring was reflected in the discussions with the Chair, in part reflecting the additional comfort the Board have received through the recent recruitment. The question with the widest range of scoring related to the timing of the meeting. Our intention is to undertake a full review of meeting administration across the Group in February and the outcome of the Cube element will be reported back to the next meeting.
- 5.5 The feedback indicated the Board remained of the view that the quality of reporting received was high. It was a common theme in the interview feedback that we should consider whether reports could be more succinct. We are currently reviewing the Board report template with a view to consolidating certain sections to reduce any duplication and increase clarity.
- 5.6 A final common theme across the feedback was the level of comfort the Board draw from the Group in relation to internal control and risk. In order to provide the Board even greater input in this area we are reintroducing a specific Board workshop, to be externally facilitated, on risk this year.

### Individual appraisals

- 5.7 Each member was appraised individually by the Chair in relation to their own performance. As part of the individual discussions, two elements in particular were considered: Continuous Professional Development ("CPD") and succession planning.

- 5.8 Each member's feedback in relation to CPD is now being developed into our programme for the year. This will allow us to develop the overall capability of the Board as well as individuals.
- 5.9 In relation to succession planning, the key issue for 2020 is the appointment of a successor to the current Chair, who is scheduled to retire at the 2020 AGM. This appointment also has implications for skills balance and succession planning at Group level, as the Chair is also a member of the Group Board.
- 5.10 The working assumption developed during the creation of the existing plan was that Eric Gibson would be the successor. This was based on a combination on (then) Board members identifying Eric as well as other members confirming they had no interest in the role and the additional time commitment this would require.
- 5.11 We now require this assumption to be formalised to allow us time to prepare the future Chair for the role. Taking into account the implications of the appointment for the Group Board, the assumption of Eric Gibson was considered and endorsed by the Group Board in considering its own succession plan.
- 5.12 The Board is therefore asked to formally confirm Eric as the successor to the current Chair as part of the revised succession plan attached at Appendix 2. On this basis, it is also proposed that Eric is appointed now to the currently vacant Vice-Chair role.
- 5.13 The updated plan also takes into account appointments and retirements over the past 6 months and the ongoing recruitment activity for vacant roles. As part of this plan we remain cognisant of the need to have a Board which has a sufficient balance of diversity.
- 5.14 A particular contextual factor is the Gender Representation on Public Boards (Scotland) Act 2018, which legislates the requirements for such Boards to have 50% females by 31 December 2022. In our planning we are planning for the possibility of this legislation being extended to include us in future.

## **6. Key issues and conclusions**

- 6.1 The feedback from the appraisal confirms that the Board considers itself to be effective and embraces the potential to continuously improve. A key part of the Board's responsibility is effective succession planning and the revised plan seeks to allow us to discharge this duty.

## **7. Value for money implications**

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

## **8. Impact on financial projections**

- 8.1 There are no financial implications associated with this report.

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

- 9.1 As an RSL, we are required to comply with the Scottish Housing Regulator's Regulatory Framework. Regulatory Standard six sets out specific requirements in relation to succession planning, board appraisals and continually considering the skills and experience the board needs.
- 9.2 The proposals within the report support and strengthen our ability to demonstrate compliance with the Regulatory Standards.

## **10. Partnership implications**

- 10.1 There are no partnership implications arising from this report.

## **11. Implementation and deployment**

- 11.1 The succession plan is subject to approval by the Group RAAG Committee and will be presented at their next meeting on 19 February 2019. We will keep the Board updated on progress with the ongoing recruitment for Non-Executives, including at the next meeting.

## **12. Recommendations**

- 12.1 The Board is asked to:
- 1) Note the feedback from the Board appraisal process and the actions being taken in response; and
  - 2) Approve the updated Cube Housing 3-year succession plan, including:
    - the immediate appointment of Eric Gibson as Vice Chair; and
    - subject to Group approval, Eric Gibson's appointment as the successor to Peter Kelly as the Chair from the 2020 AGM.

## **List of Appendices**

Appendix 1 - Appraisal scoring

Appendix 2 - Draft Cube Housing 3-year succession plan [redacted]



**CUBE BOARD APPRAISAL SCORE MATRIX**

SECTION	QUESTION	MEDIAN	MODE
<b>COMPOSITION OF BOARD</b>	There is an appropriate balance of skills on the Board	4	4
	There is an appropriate level of independent objectivity on the Board	4	4
	There is an appropriate balance of industry knowledge and relevant experience on the Board	4	4
	The composition of the Board is appropriate	4	4
	The size of the Board is appropriate	4	4
<b>ROLES AND RESPONSIBILITIES</b>	The roles and responsibilities of the Board are well-defined	4	4
	The Board understands its role and responsibilities	4	4
	I understand my role and responsibilities	4.5	5
	The division of responsibility between the Board and the management is clear	4	4
	The formal schedule of matters reserved for the Board's decision-making is clearly defined, understood and adhered to	4	4
	The frequency of Board meetings is sufficient to effectively direct and supervise the business	3.5	

<b>MEETINGS AND ADMINISTRATION</b>	The Board meets at an appropriate time of day	4	4
	A change to the timing of the Board meeting would improve my ability to attend	2.5	
	The Board meetings are long enough to cover all agenda points adequately	4	4
	The information received in advance of Board meetings is clear, concise and pertinent	4	4
	The receipt of papers before meetings is timely enough to allow consideration	4	4
	Board meetings have an appropriate balance between strategic operational and governance issues	3.5	
<b>BOARD DISCUSSIONS</b>	Board meetings are conducted in a manner that encourages open and honest discussion	4	4
	Differences of opinion are discussed and resolved positively	4	4
	The content, format and style of Board papers allows for effective, focused discussion	4	4
	The Board effectively and appropriately challenges management information	4	4
	The Board is effective at taking decisions	4	4

<b>BOARD RELATIONSHIP AND STEWARDSHIP</b>	There is an environment of trust and mutual respect	4.5	
	All Board members feel collectively responsible for achieving organisational success	4	4

	Board members support Board decisions visibly once the meetings have ended	3.5	3
	Management communicates effectively with the Board	4	4
	The Board assesses how it performs well	4	4
<b>STRATEGY</b>	The Board has a good understanding of the long-term strategy of the business	4	4
	Board members have an appropriate level of involvement in shaping the company's strategy and culture	4	4
	The Board's debate and understanding of risk appetite and how this translates to the business is appropriate	4	4
<b>INTERNAL RISK AND CONTROL</b>	The Board's responsibilities in relation to risk management and internal control are well understood	4	4
	There is a clear understanding of the company's on-going process for identifying, evaluating and managing principal risks faced by the company	4	4
	There is a consistent understanding of the company's key risks and effective controls in place to manage these	4	4
	The Board spends a sufficient amount of time discussing the principal and emerging risks in relation to performance and strategy	4	4
	There is an appropriate process for the Board to review the effectiveness of risk management	4	4
<b>CORE DUTIES OF BOARD</b>	The Board is strong at determining and upholding the mission, values, strategies and policies that guide the Board's work	4	4
	The Board ensures that the decisions taken are in the Group's interest	4.5	

	The Board is good at receiving and scrutinising reports prepared by staff and questioning these to ensure that they are well-founded	4	4
	The Board is satisfied that information provided is accurate and that controls and systems of risk management are robust and defensible	4	4
	The Board maintains a good balance of challenge and support for staff, and works well with them	3.5	3
	The Board carries out its duties to the highest standards of integrity and professionalism	4	4
<b>EFFECTIVENESS</b>	I prepare for meetings fully in advance	4	4
	I make appropriate and focused contributions	4	4
	I contribute outwith my own area(s) of expertise	4	4
	I constructively probe issues that are not clear	4	4
	I use my experience and skills to make decisions	4.5	5
	I listen to the view of others	4	4
	I constructively challenge views that I disagree with	4	4
	I use opportunities to learn and develop	4	4
	I take collective responsibilities for decisions made by the Board and support decisions publicly	4	4
	I attend meetings	4	4
	I observe with confidentiality	4.5	5
	I actively support equality and diversity	4.5	5