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# BOARD AGENDA – 17 NOVEMBER 2021

| ITEM | AGENDA ITEM | ACTION | PRESENTED BY | PAGE NO | TIME |
|---|---|---|---|---|---|
| **1** | **Attendance & Apologies** | Noting | Chair | 3 | 5:30pm - 5:45pm |
| **2** | **Declaration of Interest** | Noting | Chair | - | |
| **3** | **Minutes** | | | | |
| 3.1.1 | Minute of Meeting 25 August 2021 | Approval | Chair | 6 | |
| 3.1.2 | Minute of Meeting 26 August 2021 | Approval | Chair | 11 | |
| 3.2 | Action Sheet | Noting | Chief Executive | 14 | |
| **4** | **Date of Next Meeting** 9 February 2022 | Approval | Chair | - | |
| **5** | **Health & Safety** | Noting | Director of Operations | - | |

| ITEM | AGENDA ITEM | ACTION | PRESENTED BY | PAGE NO | TIME |
|---|---|---|---|---|---|
| **6** | **Items For Decision** | | | | 5:45pm - 6:15pm |
| 6.1 | SHR Loan Portfolio | Homologation | Director of F&CS | Verbal Update | |
| 6.2 | Budget Strategy | Approval | Director of F&CS | 16 | |
| 6.3 | Management Report to 30 September 2021 | Approval | Director of F&CS | 26 | |
| 6.4 | Development Monitoring Report | Approval | Development Manager | 48 | |
| 6.5 | Investment Monitoring Report | Approval | Asset & Contracts Manager | 59 | |
| 6.6 | TPAS Conference | Approval | Service Development Manager | 66 | |
| 6.7 | Board Plan & Board Calendar 2022 | Approval | Executive Office Manager | 68 | |

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| ITEM | AGENDA ITEM | ACTION | PRESENTED BY | PAGE NO | TIME |
|---|---|---|---|---|---|
| **7** | **Policies & Strategies** | | | | 6:15pm - 6:30pm |
| 7.1 | Family Leave Policies (Shared Parental Leave, Maternity Leave & Paternity Leave Policies) | Approval | Chief Executive | 74 | |
| 7.2 | Policy Review (Safeguarding) | Noting | Chief Executive | 109 | |

| ITEM | AGENDA ITEM | ACTION | PRESENTED BY | PAGE NO | TIME |
|---|---|---|---|---|---|
| **8** | **Monitoring Reports** | | | | 6:30pm - 6:35pm |
| 8.1 | Quarterly Treasury Report | Approval | Director of F&CS | 115 | |

**ITEM NO 1**

# Board Meetings 2020/21

| Board Members | Notes | 27-Aug-20 | 17-Nov-20 | 27-Jan-21 | 17-Mar-21 | 29-Apr-21 | 19-May-21 | 23-Jun-21 | 25-Aug-21 |
|---|---|---|---|---|---|---|---|---|---|
| Iain Macmillan | 1 | | | | | | | | |
| Calum Mackay | 1 | | | | | | | | |
| Alasdair Mackenzie | 2 & 4 | | | | | | | | |
| Alexander Gardner | 2 | | | | | | | | |
| Fiona Macleod | 1 & 7 | | | | | | | Leave | Leave |
| Gordon Macleod | | | | | | | | | |
| Norman A Macdonald | | | | | | | | | |
| Paul Finnegan | 3 | | | | | | | | |
| Roddy Mackay | | | | | | | | | |
| Roddy Nicolson | 1 | | | | | | | | |
| John N Macleod | 5 | | | | | | | | |
| Peter Graham | 6 | | | | | | | | |
| Helen Mackenzie | 8 | | | | | | | | |

1 - Appointed as a Community Member on 27 August 2020
2 - Appointed as a Tenant Member on 27 August 2020
3 - Resigned as Board Member on 14 December 2020
4 - Resigned as Board Member on 9 February 2021
5 - Appointed as Council Member on 3 February 2021
6 - Appointed as Tenant Member on 17 March 2021
7 - Special Leave Granted on 23 June 2021
8 - Appointed as Board Member on 24 June 2021

Member present at meeting

Member not present at meeting

Cancellation of travel due to weather

Unable to attend remote meeting due to technical difficulties

Member not required to be present at meeting

Leave — Special Leave Granted

# Board Meetings 2021/22

| Board Members | Notes | 26-Aug-21 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Iain Macmillan | 1 | | | | | | | | |
| Calum Mackay | 1 | | | | | | | | |
| Alexander Gardner | 2 | | | | | | | | |
| Fiona Macleod | | | | | | | | | |
| Gordon Macleod | | | | | | | | | |
| Norman A Macdonald | | | | | | | | | |
| Roddy Mackay | | | | | | | | | |
| Roddy Nicolson | | | | | | | | | |
| John N Macleod | | | | | | | | | |
| Helen Mackenzie | | | | | | | | | |

1 - Appointed as a Community Member on 26 August 2021

2 - Appointed as a Tenant Member on 26 August 2021

Member present at meeting

Member not present at meeting

Cancellation of travel due to weather

Unable to attend remote meeting due to technical difficulties

Member not required to be present at meeting

Leave Special Leave Granted

# Board Training and Conferences 2020/21

| Board Members | Notes | SFHA Finance Virtual Conference | Board Member Roles & Responsibilities Refresher Training | Finance: Questions You Should Be Asking Training | Equalities & Diversity Training | Landlord Facilities Health & Safety Training |
|---|---|---|---|---|---|---|
| | | 11-Nov-20 | 17-Dec-20 | 27-Jan-21 | 24-Feb-21 | 11-Mar-21 |
| Iain Macmillan | 1 | | | | | |
| Calum Mackay | 1 | | | | | |
| Alasdair Mackenzie | 2 & 4 | | | | | |
| Alexander Gardner | 2 | | | | | |
| Fiona Macleod | 1 | | | | | |
| Gordon Macleod | | | | | | |
| Norman A Macdonald | | | | | | |
| Paul Finnegan | 3 | | | | | |
| Roddy Mackay | | | | | | |
| Roddy Nicolson | 1 | | | | | |

1 - Appointed as a Community Member on 27 August 2020
2 - Appointed as a Tenant Member on 27 August 2020
3 - Resigned as Board Member on 14 December 2020
4 - Resigned as Board Member on 9 February 2021

Member present at training

Member not present at training

Cancellation of travel due to weather

Unable to attend remote training due to techncial difficulties

Member not required to be present at training

Leave of Absence

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ITEM NO 3.1.1

**HEBRIDEAN HOUSING PARTNERSHIP**

**Board**

**Minutes of Meeting held remotely via Microsoft Teams on Wednesday, 25 August 2021 at 2.30pm**

| | |
|---|---|
| **PRELIMINARY ITEM** | |
| **ATTENDANCE & APOLOGIES** | |
| 1 | **Attendance & Apologies**<br><br>Present / Staff & Consultants In Attendance<br>Calum Mackay (Vice-Chair) / Dena Macleod (Chief Executive)<br>Alex Gardner / Donald Macleod (Director of Finance & Corporate Services)<br>Helen Mackenzie / John Maciver (Director of Operations)<br>Roddy Nicolson / Katia Petteloot (Company Secretary)<br>Norman Macdonald / Iona France (Governance Officer – Minute Taker)<br>Roddy Mackay / James Morrison (Finance Manager)<br>Gordon Macleod / Angus MacNeil (Assets & Contracts Manager)<br>Apologies / Katrina Rowlands (Service Development Manager)<br>Iain Macmillan / Sawan Morrison (Development Manager)<br>Fiona Macleod / Monika Fortagh (Debt Management Officer)<br>John Norman Macleod / Peter O'Donnell (Investment Manager)<br>Peter Graham / Jonathan Fairgrieve (Corporate Services Officer)<br><br>As this was our first Board Meeting since the passing of our long standing Board Member and former Chair, Norman Macleod, the Vice-Chair took the opportunity to pay tribute to Norman. Mr Mackay acknowledged his support over many years and said he will be sadly missed.<br><br>Calum Mackay welcomed Helen Mackenzie to her first meeting of the Board. |
| **PRELIMINARY PROCEDURAL MATTERS** | |
| 2 | **Declaration of Interest**<br><br>Calum Mackay declared an interest in Item 9.4. |
| 3.1 | **Minute of Board Meeting 23 June 2021**<br><br>The Company Secretary advised an amendment was required to the Standing Orders, to clarify the Board Member categories in order to ensure our governance arrangements for Board meetings are robust.<br><br>**The minute of the Board meeting of 23 June 2021 was submitted and approved as a true and accurate record of the proceedings of the meeting, subject to the amendment to the Standing Orders.** |
| 3.2 | **Action Sheet**<br><br>**The Action Sheet was noted.** |
| 4 | **Date of Next Meeting**<br><br>The date of the next meeting will be 17 November 2021. |
| 5 | **Health & Safety**<br><br>Nothing to report. |

| ITEMS FOR DECISION | |
|---|---|
| **6.1** | **<u>Annual Assurance Statement</u>**<br>The Executive Office Manager presented the Annual Assurance Statement (AAS) for consideration and approval prior to submission to the Scottish Housing Regulator. The AAS had been prepared in compliance with the Regulatory Framework.<br>Members were advised of an addition to the AAS confirming we had appropriate plans to implement an effective approach to the collection of equalities information and have started to consider how we can adopt a human rights approach to our work. In addition, the Evidence Checklist was updated to take into account evidence gathered throughout the year.<br>Helen Mackenzie queried aspects of the Evidence Checklist to gain further assurance that all aspects of the Regulatory Framework were being met. Members were advised the Evidence Checklist was a working document which was updated regularly.<br>Members were advised a meeting with our Regulation Manager and officers was scheduled for 29 September 2021.<br>**The Board approved the:**<br>**a) Annual Assurance Statement; and**<br>**b) Annual Assurance Statement – Evidence Checklist** |
| **6.2** | **<u>Governance Report</u>**<br>The Governance Report was presented to confirm compliance with our Rules, provide information in respect of Remote AGM arrangements for 2021 and to seek approval of the AGM charitable donations.<br>**The Board:**<br>**a) approved the 5 charities:**<br>• **Neuro Hebrides;**<br>• **The Leanne Fund;**<br>• **The Salvation Army;**<br>• **RNLI; and**<br>• **Befriending Lewis.**<br>**be proposed at the AGM on 26 August 2021 to each receive £1,000;**<br>**b) noted the Partnership has complied with Rules 62 to 67 for the year ended 31 March 2021; and**<br>**c) noted the remote AGM arrangements for 2021.** |
| **6.3** | **<u>Annual Financing Strategy</u>**<br>The Director of Finance & Corporate Services presented the Annual Financing Strategy for 2021/22. The Treasury Management Policy required a Financing Strategy be prepared and approved by the Board on an annual basis.<br>Members were advised this Strategy was prepared with input from our Treasury Advisors, Chatham Financial.<br>Our total Borrowing Facility has increased from £15M to £25M and it is forecast we will draw down £8.1M of this to meet our working capital requirements shown in the Cashflow Statement.<br>Members were advised the Financial Covenants status had changed and as a result we were now subject to new commercial style covenants and training would be provided on the operation and management of the Financial Covenants under the restated Facilities Agreement with Royal Bank of Scotland.<br>**The Board approved the Annual Financing Strategy for 2021/22.** |
| **6.4** | **<u>Treasury Management Policy</u>**<br>The Treasury Management Policy was presented for approval. The Policy was updated to take into consideration changes in Treasury Management best practice and to comply with the relevant legislation. Minor changes had been made to wording and references to LIBOR were updated to SONIA in accordance with the new Borrowing Facility. The following substantive changes were made to the policy:<br>• reference to Appendix C was updated to include hedging percentage of 50%. This was to account for the potential for low hedged proportions at the beginning of the new facility while remaining within market norms;<br>• reference to the credit rating was replaced with a clear outline of what the minimum ratings should be; and<br>• changes to the level of funds permitted in accounts to take cognisance of current levels of operating expenditure.<br>**The Board approved the Treasury Management Policy.** |

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|---|---|
| **6.5** | **<u>SHR Loan Portfolio</u>**<br><br>The Director of Finance & Corporate Services advised members the SHR validation process of the Loan Portfolio Statements submitted in June 2021, would not be completed until 31 August 2021. An In-Year Statement, taking account of the new Borrowing Facility will be lodged on the SHR portal once available and an update will be reported to the Board on 17 November 2021.<br><br>**The Board noted the update to the SHR Loan Portfolio Return.** |
| **6.6** | **<u>Management Report to 30 June 2021</u>**<br><br>The Finance Manager presented the Management Report to 30 June 2021. The Management Report is forecasting we will meet our Financial Covenants for the year ended 31 March 2022. Approval was sought for a virement from reserves of £229K due to a higher value of works being carried out by the contractor at the Goathill HWEC project and slippage of £779K due to the delay at the Blackwater site.<br><br>**The Board:**<br><br>**a) noted the Management Report at 30 June 2021;**<br><br>**b) approved that £229,029 be vired from reserves to the Goathill HWEC project; and**<br><br>**c) approved a virement to reduce both cost and grant for the Blackwater development by £778,524.** |
| **6.7** | **<u>Development Programme</u>**<br><br>The Development Manager presented a progress update on our Development Programme. Since the Board meeting on 23 June 2021, the handover of 6 homes at Lady Matheson Court (Scotland Street) and 6 homes at Sealladh Beinn Dail (South Dell) had taken place, the land transaction at Barvas was concluded and Barra was nearing completion. The missives of the land transaction at Blackwater were nearing conclusion however, the resumption was still to be completed by Stornoway Trust prior to land acquisition. A five week delay was reported by the Contractor at the Howmore development and further delays were reported by the contractor at the Tarbert development.<br><br>Following the Board Meeting on 23 June 2021 the Asset Management Working Group reviewed the options for fire suppression systems. The Group recommended that a mains fed sprinkler system be installed and future developments be reviewed on a development by development basis until a standardised approach can be determined.<br><br>Helen Mackenzie queried whether sustainability was taken into account when determining which fire suppression system would be used. The Investment Manager advised technology was evolving quickly and, currently, only a mains fed system had building warrant approval. If reviewed on a development by development basis new technologies could be considered as they emerged.<br><br>**The Board approved:**<br><br>**a) a mains fed sprinkler to be installed in Crowlista; and**<br><br>**b) that the Fire Suppression systems be reviewed by the Asset Management Working Group on a development by development basis until a preferred option can be established.** |

| **SURVEY UPDATES** | |
|---|---|
| **7.1** | **<u>Tenant Satisfaction Survey</u>**<br><br>The initial findings of our 2021 Tenant Satisfaction Survey were presented to the Board for noting. Due to COVID-19 restrictions the survey was carried out via telephone, rather than face to face. The Service Development Manager advised 572 surveys were carried out, a reduction on previous years.<br><br>Members were advised that there was a decrease in the results for the Scottish Social Housing Charter indicators. The decrease could be due to the methodology of the survey, along with less visibility of officers in our communities due to COVID-19, however, further investigation would be carried out to confirm this.<br><br>A full report would be brought to the Board in November 2021 which would include a geographical breakdown by island on areas of significant performance shifts.<br><br>**The Board noted the initial results of the 2021 Tenant Satisfaction Survey.** |

| POLICIES FOR APPROVAL | |
|---|---|
| **8.1** | **<u>Retirement Policy</u>**<br><br>The Retirement Policy had been reviewed and updated to include the definition of the Human Resources Department and Head of Executive Office post. Going forward, the Policy will be reviewed on a 3 yearly cycle unless changes were required by our pension provider.<br><br>**The Board approved the updated Retirement Policy.** |
| **8.2** | **<u>Codes of Conduct</u>**<br><br>The Executive Office Manager presented the Code of Conduct for Board Members and Code of Conduct for Staff for review and approval. The Codes had been reviewed in line with the SFHA Model Policy.<br><br>The main changes in both codes were the perspective change from 'you' to 'I'; and the extraction of the Declaration of Interest sections to the Entitlements, Payments & Benefits Policy.<br><br>The Code of Conduct for Board Members was updated regarding the protocol for breaches of the Code.<br><br>The Code of Conduct for Staff was reviewed with minor updates and approval was sought for consultation with staff and the Union.<br><br>**The Board approved:**<br><br>**a) the revised Code of Conduct for Board Members;**<br><br>**b) the revised Draft Code of Conduct for Staff for consultation with staff and the Union; and**<br><br>**c) if there are no material changes to the Code of Conduct for Staff arising from the consultation, that the Code of Conduct be approved, otherwise a revised Code of Conduct be presented to the next meeting of the Board** |
| **8.3** | **<u>Entitlements, Payments & Benefits Policy</u>**<br><br>The Entitlements, Payments & Benefits Policy has been reviewed and updated in line with the Highlands & Islands Variant of the SFHA Model Policy. The main change to the Policy was the inclusion of the Declarations of Interest sections from the Codes of Conduct.<br><br>**The Board approved the Entitlements, Payments & Benefits Policy.** |

| MONITORING & UPDATE REPORTS | |
|---|---|
| **9.1** | **<u>Business Plan Monitoring Report</u>**<br><br>The Chief Executive provided an update on the progress of the 2019/20 to 2023/24 Business Plan. Members were advised the notes from the Business Planning Workshops held between April and June 2021 would be captured in the updated Business Plan and a report would be brought to the Board in November 2021 on the key changes to the Plan. A Risk Appetite session would be planned between November 2021 and January 2022. Members were further advised a draft plan would be reported to the Board in February 2022 with a view to seek full approval from the Board in March 2022.<br><br>Helen Mackenzie queried the process for the development of the Value for Money Strategy. The Director of Finance & Corporate Services advised work was underway and the next step was to refresh our benchmarking through the new Scottish Housing Network Assessment Tool.<br><br>**The Board:**<br>**a) reviewed the Delivery Plan Progress report to 30 June 2021:**<br>**b) noted the action being taken to address areas where targets are not being met; and**<br>**c) noted the Business Plan review timetable.** |
| **9.2** | **<u>Quarterly Treasury Report to 30 June 2021</u>**<br><br>The report informed the Board of the Treasury Management activities for the first quarter of 2021/22. The Director of Finance & Corporate Services confirmed our borrowing had not increased and remained at £4.91M.<br><br>**The Board noted the:**<br>**a) quarterly report on the Analysis of Investment and Borrowing;**<br>**b) outstanding loans at 30 June 2021 of £4.909 Million; and**<br>**c) cash balance at 30 June 2021 of £5.773 Million.** |
| **9.3** | **<u>Investment Programme Monitoring Report</u>**<br><br>The Assets & Contracts Manager provided an update on the 2021/22 Investment Programme and advised there were no concerns for the delivery of the works for the current financial year and contractors were being monitored to ensure this remained the case.<br><br>Calum Mackay questioned the reasoning behind the amount of heating refusals. The Investment Manager advised it was primarily due to tenants not wanting anyone in their home because of COVID-19. It was agreed an update on heating refusals would be reported to the next meeting of the Board.<br><br>**The Board noted the progress on the Investment Programme.** |
| **9.4** | **<u>Tenant Participation Strategy 2020-24 Update</u>**<br><br>Calum Mackay left the meeting during discussion of this item. In his absence Roddy Nicolson chaired the item.<br><br>The Service Development Manager provided an updated on the progress of the Tenant Participation Strategy 2020-24. Members were advised the Action Plan had been updated to account for the three key areas identified by our tenants, which were:<br>• enabling and empowering Tenants;<br>• showing Information and getting to know each other; and<br>• being heard and making a difference.<br><br>**The Board noted the Action Plan.** |
| **MEETING GOES INTO PRIVATE SESSION** | |

Chairperson Mr Iain Macmillan

SIGNED ………………………………………………………

DATE ………………………………………………………

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**Agenda Item 3.1.2**

**HEBRIDEAN HOUSING PARTNERSHIP**

**Board**

**Minutes of Meeting held remotely via Microsoft Teams on Thursday, 26 August 2020 at 3.30pm**

| ITEM | DISCUSSION |
|---|---|
| | **PRELIMINARY PROCEDURAL MATTERS** |
| 1 | **Attendance & Apologies**<br><br>Present: Iain Macmillan, Calum Mackay, Roddy Nicolson, Alex Gardner, Helen Mackenzie, Fiona Macleod, Norman Macdonald, Gordon Macleod, Roddy Mackay<br><br>Apologies:<br><br>Staff & Consultants In Attendance: Dena Macleod, Katia Petteloot, John Maciver, Donald Macleod, Iona France, Jonathan Fairgrieve |
| 2 | **Date of Next Meeting**<br><br>The date of the next meeting will be 17 November 2021. |

| | |
|---|---|
| | **ITEMS FOR DECISION** |
| 3.1 | **Election of Chair**<br><br>The Company Secretary called for nominations for the Chairperson's position following the AGM held earlier in the day.<br><br>Iain Macmillan was nominated by Calum Mackay and this was seconded by Gordon Macleod.<br><br>**There were no other nominations. Iain Macmillan was appointed to the position of Chairperson.** |
| 3.2 | **Election of Vice Chair**<br><br>The Chair called for nominations for the position for Vice Chair.<br><br>Calum Mackay was nominated by Norman Macdonald and this was seconded by Roddy Nicolson & Gordon Macleod.<br><br>**There were no other nominations. Calum Mackay was appointed to the position of Vice Chairperson** |
| 3.3 | **Election to Standing Committees**<br><br>The Chair called for nominations for the vacant position on Audit & Risk Committee. Six Board Members are required to sit on Committee.<br><br>**It was agreed that Helen Mackenzie be appointed to the Audit & Risk Committee.** The Audit & Risk Committee members are:<br><br>• Roddy Nicolson<br>• Roddy Mackay<br>• Calum Mackay<br>• Fiona Macleod<br>• Gordon Macleod<br>• Helen Mackenzie<br><br>**It was agreed that Fiona Macleod and Calum Mackay remain as appointees to the Joint Consultative Committee.** |

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| **3.4** | <u>Work Groups</u><br>**It was agreed that the Work Groups would be as follows:**<br><u>Asset Management Working Group</u><br>• Calum Mackay;<br>• Roddy Nicolson;<br>• Iain Macmillan;<br>• Fiona Macleod.<br>• Helen Mackenzie<br><u>Finance</u><br>• Iain Macmillan;<br>• Calum Mackay;<br>• Gordon Macleod;<br>• Helen Mackenzie; and<br>• Alex Gardner.<br><u>Housing Management</u><br>• Calum Mackay;<br>• Roddy Mackay;<br>• Roddy Nicolson; and<br>• Gordon Macleod.<br><u>Remuneration Work Group</u>:<br>• Iain Macmillan;<br>• Roddy Nicolson;<br>• Calum Mackay; and<br>• Alex Gardner.<br><u>Investment Delivery Board</u><br>Iain Macmillan and Fiona Macleod were to remain as HHP representatives on the Investment Delivery Board with Calum Mackay & Gordon Macleod appointed as substitute Member.<br>**It was agreed the frequency and quorum of Work Groups would be reviewed.** |
| **3.5** | **It was agreed that the Spokespersons would be as follows:**<br>Development: Iain Macmillan<br>Tenant Liaison &<br>Housing Management: Alex Gardner<br>Repairs & Investment: Calum Mackay<br>Finance: Iain Macmillan/Calum Mackay |

| **ITEMS FOR NOTING** | |
|---|---|
| **4.1** | **<u>Schedule of Meetings 2021</u>**<br>The Company Secretary presented the draft Schedule of Meetings 2022 for noting. The final schedule will be prepared in accordance with CNES Schedule of Meetings and the timings of the local elections in May 2022. The final schedule will be presented to the meeting on 17 November 2021 for approval.<br>The provisional Board Meetings for 2022 are:<br>2 February 2022<br>23 March 2022<br>25 May 2022<br>29 June 2022<br>31 August 2022<br>23 November 2022<br>**The draft Schedule of Meetings 2022 was noted.** |

| | |
|---|---|
| **4.2** | **<u>Board Skills Assessment</u>**<br><br>The Company Secretary advised Board Members the independent Board Skills Assessment would take place in September 2021. The independent assessor, Fiona Robertson, will circulate a questionnaire to Board Members followed by a one to one interview which will be carried out remotely.<br><br>**The Board Skills Assessment arrangements were noted.** |

Chairperson Iain Macmillan

SIGNED ……………………………………………………….

DATE ……………………………………………………….

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ITEM NO 3.2

# Board Action Sheet

| ACTION POINT | MINUTE NUMBER | ACTION TO BE TAKEN | DEADLINE/ TIMESCALE | ACTION BY | PROGRESS |
|---|---|---|---|---|---|
| 1 | 25 Aug 2021 (6.3) | Training on financial covenants to be arranged | | Director of Finance & Corporate Services | To be arranged alongside Finance Working Group in November |
| 2 | 25 Aug 2021 (6.5) | In Year return to November Board for homologation | 17 November 2021 | Director of Finance & Corporate Services | On November Board agenda for homologation |
| 3 | 25 Aug 2021 (6.6) | The following virements to be completed:<br>• £229,029 be vired from reserves to the Goathill HWEC project;<br>• a virement to reduce both cost and grant for the Blackwater development by £778,524. | | Director of Finance & Corporate Services | Completed |
| 4 | 25 Aug 2021 (7.1) | Report on analysis of Tenant Satisfaction Survey to November Board | 17 November 2021 | Service Development Manager | Incorporated within Business Plan report |
| 5 | 25 Aug 2021 (8.2) | Code of Conduct to be issued to staff and Unison for consultation | 22 September 2021 | Governance Officer | Consultation ended on 22 September 21 with no amendments required. Issued to staff for electronic signing through Breathe HR. |
| 6 | 25 Aug 2021 (9.1) | Report on key changes to Business Plan to November Board<br>Value for Money Strategy to November Board | 17 November 2021 | Chief Executive<br>Director of Finance & Corporate Services | On November Board agenda |
| 7 | 25 Aug 2021 (9.3) | Update on heating refusals to November Board | 17 November 2021 | Investment Manager | Update included in Investment Report |
| 8 | 19 May 2021 (7.3) | Communications to be accessible and easy to understand for all our customers | 31 March 2022 | Executive Office Manager | Review of letters and newsletter is underway. |

| ACTION POINT | MINUTE NUMBER | ACTION TO BE TAKEN | DEADLINE/ TIMESCALE | ACTION BY | PROGRESS |
|---|---|---|---|---|---|
| 9 | 19 May 2021 (8.1) | KPI targets to be reviewed as part of the Business Plan review | 31 January 2022 | Chief Executive | To be considered as part of the overall review |
| 10 | 17 Mar 2021 (6.4) | Development at Crowlista to be progressed | June 2021 | Development Manager | Resumption awaited and development can then progress. |
| 11 | 27 Jan 2021 (8.3) | Re-wiring tender to be procured out with the Investment Framework. | August 2021 | Director of Operations | Tender return due 12 November 2021 |
| 12 | 17 Nov 2020 (6.10) | Grant to be awarded and legal agreement to be drawn up prior to construction of path | April 2021 | Director of Operations | Signed agreement received from community group and work is now underway. No further update received from group re timing of works. |
| 13 | 26 Aug 2020 (6.1) | Housing Needs Analysis to be completed prior to finalisation of new borrowing. | October 2021 | Director of Operation | Report on demand study included in business plan report |
| 14 | 20 May 2020 (8.3) | Arrange for a Board Member to attend staff meeting. | Once Office activities return to normal | Company Secretary | |

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ITEM NO 6.2

# BUDGET STRATEGY 2022/23

## Board 17 November 2021

Report by Director of Finance & Corporate Services

## Purpose of Report

1.1 To present to the Board a Budget Strategy for 2022/23 including rent consultation for consideration and approval.

## Summary

2.1 Our long-term financial plans are updated on an annual basis to take account of any changes to the underlying budget assumptions and Business Plan. The plans are for 30 years. Shorter-term plans are also prepared for submission to the Scottish Housing Regulator; they cover a 5 year period.

2.2 A Strategy has been prepared for 2022/23 and is at Appendix 1.

2.3 The timetable to ensure the 2022/23 rents are set within statutory timescales is included in the Budget Strategy.

## Competence

3.1 Financial and legal constraints arising from the recommendation to this report being implemented are detailed at 5.1 – 6.3.

## Recommendations

4.1 **It is recommended that the Board approve the 2022/23 Budget Strategy including the Budget Timetable.**

| | | |
|---|---|---|
| **APPENDIX 1:** | 2022/23 Budget Strategy | |
| **Background Papers:** | None | |
| **Writer of Report:** | Donald Macleod | Tel: 0300 123 0773 |

## Competence

### *Financial*

5.1 This report considers the financial resources the Partnership requires for 2022/23.

### *Legal*

6.1 The Partnership's Rule 69 states that "The Partnership must keep proper books of account to cover its income, expenditure transactions and its assets, liabilities and reserves in line with section 75 and 76 of the Co-operative and Community Benefit Societies Act 2014. It must also set up and maintain a suitable system for controlling its books of accounts, its cash and its receipts and invoices."

6.2 The Board has the ultimate responsibility for the Partnership's finances and in accordance with the Financial Regulations the Board has the responsibility to approve annual budgets.

6.3 The Finance Working Group's remit includes reviewing the details of the annual budget on behalf of the Board.

### *Regulatory Guidance*

7.1 The Regulatory Standards checklist has been completed and there is nothing in the report which would result in a breach of the standards.

### *Risk*

8.1 The current economic environment and the impact COVID-19 has had on every area of our lives is a major risk which needs to be considered when setting our budget and determining tenant rent levels.

8.2 A number of risks which may impact the setting of budgets have been identified in our risk register and these include, COVID-19, the Affordability of our rents and supply chain pressures as a result of material price increases and labour shortages. These are continually monitored with potential mitigation actions being put in place where appropriate.

hebridean housing partnership


# BUDGET STRATEGY 2022/23

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## BACKGROUND

1.1 We prepare long term financial plans which are updated on an annual basis to take account of changes. The plans are for 30 years. Shorter term plans are also prepared for submission to the Scottish Housing Regulator; they cover a 5 year period.

1.2 An updated Business Plan was approved by the Board in February 2020 for the period 2020/21-2023/24.

1.3 The onset of the COVID19 Pandemic and subsequent lockdown in late March 2020 had a significant impact on the 2020/21 budgets. The budgets were recast in August 2020 and submitted to our funder.

1.4 The updated budgets showed an increase in the level of borrowing required of approximately £10 million and we successfully re-negotiated our borrowing facility with the Royal Bank of Scotland (RBS) in June 2021.

1.5 The Board sets the rent on an annual basis, generally in February and the detailed annual budgets for the coming financial year are then approved. The rents for 2021/22 were set for one year on an RPI only basis.

1.6 The Board have approved that the October RPI index be used as a reference for rent setting options. This allows tenants to have earlier visibility on rent options for the coming year.

## OPERATING ENVIRONMENT

- Placing tenants at the centre of everything we do
- Investing in an environmentally sustainable way in tenants' homes
- Being a good employer that attracts and retains high quality staff
- Working with partners to contribute to the wellbeing of communities throughout the Outer Hebrides

2.1 Our Business Plan was updated in February 2020 and covers the period 2020/21-2023/24. The Business Plan is currently being updated and will be provided to our funder in March 2022. The plan outlines in detail the challenges, opportunities and responsibilities facing the Partnership over that time. The 2022/23 budget will be set in accordance with our four strategic goals.

2.2 The budget strategy will remain focused on rent affordability, investing in tenants homes to ensure government standards for energy efficiency are met, and providing long term security for tenants.

2.3 The economic and political landscape over the last 12 months has been very challenging. As the country opened up following the COVID19 pandemic, supply chains have struggled to deal with demand push inflation up to levels not seen in many years. There continues to be a squeeze on personal disposable income with increases in energy costs and in NIC contributions along with the removal of the Universal Credit £20 a week uplift. Another significant challenge is the long term population forecast for the Outer Hebrides which is showing a projected decline of 14% over the next 20 years. The Board are working with key partners in the community to try and prevent the forecast turning into a reality with representation on various strategic committees for example the Community Planning Partnership.

2.4 The key considerations which the strategy will take into account:

a) COVID-19;
b) Climate Change;
c) Rent affordability & fuel poverty
d) Impact of BREXIT;
e) Long term population forecasts for the Outer Hebrides;
f) Universal Credit;
g) Impact of weather on repairs budgets;
h) Driving efficiency gains;
i) Government standards for providing energy efficient heating systems;
j) Changes in health & social care provision;
k) The delivery of the Scottish Government Affordable Housing Supply Programme; and
l) Changes in Housing Quality and Safety Standards.

2.5 The Bank of England has kept the base rate of interest at 0.1% in the last 12 months although inflationary pressures are likely to result in an increase in the base rate within the next 12 months.

## 2022/23 BUDGETS

3.1 The 2022/23 budget is drawn from Year 3 of the 30 year forecasts included in the Business Plan approved in August 2020. The budget will take account of the proposed rent following the outcome of the tenant rent consultation.

3.2 Budget Managers will be provided with Cash Planning Limits for the service areas they are responsible for and they are required to keep their planned budgets within the Cash Planning Limits.

3.3 Draft budgets will be prepared for discussion with tenants groups. Where possible the budgets will be broken down by geographical area to enable tenants to see where funds are raised and spent.

## LONGER TERM PLANNING HORIZONS

4.1 Our resources are targeted to meet legal requirements and deliver business plan objectives.

4.2 The 30 year plan will be updated and presented to the Board in February 2022. Some of the key considerations to be captured in the 30 year plan are as follows:

- Rent affordability
- Continued investment in housing stock;
- Delivery of a development program in line with the SHIP and the affordability and housing needs analysis;
- The potential of long term voids increasing due to falling demand;
- An increase in our borrowing to deliver the Comhairle's SHIP;

4.3 The Board will ensure we always live within our means and do not put the long term security of the organisation at risk by keeping growth under control whilst spending the funds as effectively as possible to support the most vulnerable remaining in their homes.

4.4 The 30 year financial plans will be updated annually to take account of major changes during the year. A copy of the business planning timetable is at Appendix 1.

## DRIVING EFFICIENCY GAINS

5.1 We are finalising our Value for Money (VFM) strategy and this will come to Board in November 2021 for approval.

5.2 Financial information including budgets will be at a sufficiently detailed level to enable efficiency gains to be clearly demonstrated and reported at a number of levels.

5.3 Post-implementation reviews of strategies which promised to deliver efficiencies will be carried out to ensure that the efficiencies are recognised and that lessons are learnt from mistakes which cost the organisation money.

## EFFECTIVE RISK MANAGEMENT

6.1 The Risk Appetite is set by the Board on an annual basis as part of the business planning process and this is reflected in both the long and short term budgets for the Partnership.

6.2 The risks identified in the risk register have been taken into account in the financial plans.

6.3 The new borrowing facility requires us to comply with two basic covenants. An interest cover and gearing covenant. The budget will be prepared to ensure compliance with these covenants.

## KEY ASSUMPTIONS

7.1 The key assumptions will be updated during November to enable preparation of the 2022/23 budgets.

7.2 The timetable for the preparation of the budgets is at Appendix 2.

## APPENDIX 1 BUSINESS PLANNING CYCLE

| Timescale | Task | | Details |
|---|---|---|---|
| November | 30 year Cashflows | Updated for | |
| | | a) | Year 1 figures taking into account the latest forecasts in November management report |
| | | b) | Material changes to global assumptions<br>• inflation<br>• interest rates<br>• grant levels<br>• tax<br>• arrears<br>• income (benefits) |
| | | c) | Materials changes to<br>• investment plan<br>• repairs costs<br>• development plan<br>• rental income |
| November | Finance Workgroup | | Review of rent options prior to going to consultation. |
| Dec/Jan | Rent consultation | | Consultation with tenants on proposed rent and rent guarantee (when applicable) |
| January | Budget Strategy | | Updated to reflect 30 year cash flows and outcomes of business planning workshops – Stress testing with Finance Workgroup to be arranged |
| | | | Strategy will include proposals for rent guarantee and service levels |
| February | Business Plan | | Board approve revised business plan and 30 year cash flows for the following financial year |
| March | Detailed Budgets | | Board approve detailed budget and cash flows for the following financial year |
| April | | | Submit annual business plan together with 30 year cash flows to RBS – No longer require funder approval |
| June | | | Submission to SHR of 5 year return + 30 year cash flows based on what was submitted to RBS |

## APPENDIX 2 BUDGET TIMETABLE

| Area | Task | Responsible | Timescale |
|---|---|---|---|
| **Preparation** | Review options for rent setting & approve methodology for rent consultation | Finance Working Group | 24 November 2021 |
| **Collation** | Preparation of the Consultation document & First pass review with Tenant Participation Officer | Finance & Business Services Manager | November 2021 |
| **Review** | Executive Team | Executive Team | 29 November 2021 |
| | Finance Working Group (30 Year Business Plan) | Board | 17 January 2022 |
| **Consultation** | Consult with Tenants on 2022/23 Rent Options | Executive Team | 01 December 2021 to 15 January 2022 |
| **Approval** | Board approval of 2022/23 Rent & updated 30 year business plan | Board | 2 February 2022 |
| **Implementation** | Detailed Investment Budgets 2022/23 | Director of Operations | 14 January 2022 |
| | Detailed Development Budgets for 2022/23 | Development Manager/Fixed Asset Accountant | 14 January 2022 |
| | Update Management Reports | Finance & Business Services Manager | 14 March 2022 |
| | Prepare Budget Book | Finance & Business Services Manager | 14 March 2022 |
| | New Rents to be implemented | Business Support Officer | 01 April 2022 |

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Making our house your home

ITEM NO 6.3

# MANAGEMENT REPORT TO 30 SEPTEMBER 2021

## Board 17 November 2021

Report by Director of Finance and Corporate Services

## Purpose of Report

1.1 To present the Management Report for the month ended 30 September 2021 to the Board for review and approval.

## Summary

2.1 This is the Management Report to 30 September 2021 and the information is presented in compliance with regulations to provide Board Members with assurance that expenditure is within approved budgets and income collected is on target. A copy of the report is at Appendix 1.

2.2 The Management Accounts show that financial covenants will be met for the year ended 31 March 2022 with a headroom forecast of £600,387.

2.3 Five development virements require Board approval. These virements result in a reduction in development costs of £2,271K and £1,495K grant. More detail is provided at Item No 6.4 on the Agenda.

2.4 The Management Accounts Forecast Out Turn on Investment Programme is £765K less than the revised budget. This is mainly driven by Windows at Ross Terrace and Plantation Road, which will be delivered in 2022/23 and insulation works on Swedish timber properties which, due to SSE being unable to contribute towards these costs, will be moved to the 2022/23 Programme.

2.5 The forecast out-turn on responsive repairs is £70K more than the revised budget. This anticipated increase is due to increasing cost of materials which continue to impact the construction sector and will be funded from savings on our Investment Programme.

## Competence

3.1 The legal, financial or other constraints to any recommendation in this report are contained in paragraph 5.1 - 8.1.

## Recommendations

4.1 **It is recommended that the Board:**

- **a) note the Management Report at 30 September 2021 as detailed in Appendix 1;**
- **b) approve a virement to reduce both cost and grant for the Blackwater development by £150,000.**
- **c) approve a virement to reduce cost by £535,636 and grant by £299,056 for the Crowlista development.**
- **d) approve a virement to reduce cost by £338,020 and grant by £220,000 for the Keose Glebe development.**
- **e) approve a virement to reduce cost by £657,410 and grant by £633,071 for the Lochmaddy development.**
- **f) approve a virement to reduce cost by £590,253 and grant by £192,978 for the Barra development.**

| | | |
|---|---|---|
| **APPENDIX 1:** | Management Report to 30 September 2021 | |
| **Background Papers:** | None | |
| **Writer of Report:** | James Morrison | Tel: 0300 123 0773 |

Donald Macleod 25-Oct-21

## Competence

### *Financial*

5.1 The Board approved budgets for 2021/22 in March 2021, which projected a surplus for the year of £2,197,111. The forecasted out-turn is £2,474,211.

### *Legal*

6.1 The following Partnership rules are applicable:

a) Rule 69 - *The Partnership must keep proper books of accounts to cover its income, expenditure transactions and its assets, liabilities and reserves in line with Part 7 of the Co-operative and Community Benefit Societies Act 2014. It must also set up and maintain a suitable system for controlling its books of accounts, its cash and its receipts and invoices.*

### *Regulatory Guidance*

7.1 The Regulatory Standards checklist has been completed and there is nothing in the report which would result in a breach of the standards.

7.2 This report provides ongoing assurance of evidence 3, 4, 5, 6 in relation to our Annual Assurance Statement.

### *Risk*

8.1 The key risk is that we do not meet our Financial Covenants on an ongoing basis. With the new RBS facilities agreement now concluded we have moved onto an interest cover and gearing covenant in June 2021. This removes the requirement to obtain approval from our funder annually for our Business Plan thus providing flexibility to address changes as they arise.

## Report Details

9.1 The Board will be provided with an update on development progress at item 6.4 on this agenda.

APPENDIX 1

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# Management Reports 2021/22

To 30 September 2021

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# MANAGEMENT REPORTS

## INTRODUCTION

The Management Reports for 30 September 2021 are attached and if Board Members or Managers have any areas of concern or would like additional information they should contact the Finance Manager or the Director of Finance & Corporate Services.

The Management Reports are made up of three sections:

Section 1: High Level Summary

Written by the Director of Finance & Corporate Services, which includes a score card of year to date performance.

Section 2: Management Accounts

Prepared by the Finance Manager. Provides an Income & Expenditure Account, Balance Sheet and detailed operational budgets for the period. The Management Accounts include a more detailed commentary from Budget Managers on performance.

Section 3: Key Financial Performance Measures

Prepared by the Finance Manager including a review of Financial Covenants to provide the Board with assurance that the Covenant for 2021/22 will not be breached.

## SECTION 1: HIGH LEVEL SUMMARY

| | INDICATOR | STATUS | COMMENT |
|---|---|---|---|
| | FINANCIAL COVENANTS | | Covenants will be met for the full year. |
| | FORECASTED SURPLUS | | Decrease of £44K mainly due to Rental income slippage from development and increase in repairs forecast, offset by recognition of increased RHI receipts |
| INCOME | RENTAL INCOME | | On target. |
| | GRANT INCOME | | |
| | DEVELOPMENT GRANTS | | Forecasted to be £1.4m less due to slippage in Blackwater, Crowlista, Keose Glebe and Lochmaddy. |
| | DEVELOPMENT SALES | | 1 Breasclete property remains unsold. |
| | OTHER INCOME | | |
| EXPENDITURE | DEVELOPMENT COSTS | | Slippage of £2.2m at Blackwater, Crowlista, Keose Glebe, Lochmaddy and Barra. |
| | INVESTMENT | | Insulation works have been suspended as SSE/OVO cannot carry out works and Windows works have been postponed due to high tender prices. |
| | REPAIRS & MAINTENANCE | | Overspend of £35K mainly driven by an overspend in responsive repairs. |
| | MANAGEMENT COSTS | | |
| | INTEREST | | |

| | |
|---|---|
| | **No Issues - On Track** |
| | **Requires Monitoring** |
| | **Issues** |

## SECTION 2: MANAGEMENT ACCOUNTS

## STATEMENT OF COMPREHENSIVE INCOME

| Line | | CURRENT YEAR BUDGET | | BUDGET | ACTUAL | BUDGET VARIANCE | | BUDGET REMAINING | | FORECAST OUT-TURN | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Initial Budget | Revised Budget | to 30-Sep-21 | to 30-Sep-21 | Budget to date | Budget to date | Revised Budget | Revised Budget | Over/ (under) | at 31-Mar-22 |
| | | £ | £ | £ | £ | £ | % | £ | % | £ | £ |
| 1 | Dwelling rents (net) | 9,622,585 | 9,680,441 | 4,889,360 | 4,903,307 | (13,946) | 0% | 4,777,134 | 49% | (25,114) | 9,655,327 |
| 2 | Non Dwelling rents (net) | 12,632 | 13,845 | 7,492 | 10,030 | (2,539) | -34% | 3,814 | 28% | | 13,845 |
| 3 | Profit/(Loss) on Disposal of Assets | (218,604) | (218,604) | (99,365) | (60,473) | (38,893) | 39% | (158,131) | 72% | | (218,604) |
| 4 | Grant Funding | 420,000 | 734,532 | 333,266 | 371,559 | (38,293) | -11% | 362,973 | 49% | 45,000 | 779,532 |
| 5 | Other Income | 45,384 | 45,384 | 16,847 | 25,135 | (8,287) | -49% | 20,249 | 45% | 2,500 | 47,884 |
| **6** | **TOTAL INCOME** | 9,881,996 | 10,255,597 | 5,147,600 | 5,249,558 | (101,959) | -2% | 5,006,039 | 48.81% | 22,386 | 10,277,983 |
| | | | | | | | | | | | |
| 7 | Supervision & Management | 2,609,125 | 2,583,445 | 1,180,621 | 1,085,578 | 95,042 | 8% | 1,497,867 | 58% | (3,433) | 2,580,012 |
| 8 | Response Repairs | 1,527,998 | 1,527,998 | 758,060 | 809,450 | (51,389) | -7% | 718,548 | 47% | 70,000 | 1,597,998 |
| 9 | Estate Works | 83,800 | 83,800 | 52,331 | 48,140 | 4,191 | 8% | 35,660 | 43% | - | 83,800 |
| 10 | Planned/Cyclical Maintenance | 970,762 | 970,762 | 495,635 | 479,484 | 16,151 | 3% | 491,278 | 51% | - | 970,762 |
| **11** | **Total Operating Expenditure** | 5,191,685 | 5,166,005 | 2,486,647 | 2,422,652 | 63,995 | 3% | 2,743,353 | 53.10% | 66,567 | 5,232,572 |
| | | | | | | | | | | | |
| 12 | Operating Surplus/(Deficit) | 4,690,310 | 5,089,592 | 2,660,953 | 2,826,906 | (165,953) | -6% | 2,262,685 | 44.46% | (44,181) | 5,045,411 |
| | | | | | | | | | | | |
| 13 | Interest received | 1,000 | 3,000 | 1,500 | 1,741 | (241) | -16% | 1,259 | 42% | | 3,000 |
| 14 | Interest paid | 494,200 | 494,200 | 247,100 | 243,480 | 3,620 | 1% | 250,720 | 51% | | 494,200 |
| 15 | Surplus/(Deficit) | 4,197,110 | 4,598,392 | 2,415,353 | 2,585,167 | (169,814) | -7% | 2,013,224 | 43.78% | (44,181) | 4,554,211 |
| | | | | | | | | | | | |
| 16 | Depreciation | 3,400,000 | 3,455,000 | 1,715,500 | 1,715,047 | 453 | 0% | 1,739,953 | 50% | | 3,455,000 |
| 17 | Grant Amortisation | (1,400,000) | (1,375,000) | (690,496) | (690,577) | 81 | 0% | (684,423) | 50% | | (1,375,000) |
| 18 | Surplus/(Deficit) | 2,197,111 | 2,518,392 | 1,390,349 | 1,560,697 | (170,348) | -12% | 957,694 | 38.03% | (44,181) | 2,474,211 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | CAPITAL INVESTMENT | | | | | | | | | | |
| 19 | Housing Investment Programme | 5,521,682 | 5,725,682 | 1,774,157 | 1,446,698 | 327,459 | 18% | 4,278,984 | 75% | (70,000) | 5,655,682 |
| 20 | Non Housing Investment | 183,200 | 313,732 | 118,021 | 118,004 | 18 | 0% | 195,728 | 62% | - | 313,732 |
| 21 | Development Programme | 12,360,752 | 10,991,638 | 6,665,613 | 4,265,604 | 2,400,009 | 36% | 6,726,034 | 61% | (774,055) | 10,217,583 |
| 22 | | 18,065,634 | 17,031,052 | 8,557,791 | 5,830,306 | 2,727,486 | 32% | 11,200,746 | 65.77% | (844,055) | 16,186,997 |

## Commentary on Performance

### Income

Dwelling rents forecast down £25K driven by slippage in assumed handover dates on current new build programme.

Grant Funding forecast has been increased by £45K to reflect additional RHI receipts.

### Expenditure

Supervision & Management out-turn has decreased by £3.4K which is driven by savings in Printing & Stationary

***The following pages will provide a detailed breakdown of our income and expenditure, highlighting any significant deviation to budget.***

## STATEMENT OF FINANCIAL POSITION

| | | Notes | 30 September 2021 £ | 31 March 2021 £ |
|---|---|---|---|---|
| | **Fixed Assets** | | | |
| 1 | Tangible assets-social housing | 1 | 104,064,809 | 104,289,489 |
| 2 | Development & Investment Programme | 2 | 4,507,206 | - |
| 3 | Tangible assets - property, plant and equipment | | 834,084 | 886,645 |
| 4 | Landbank | | 1,006,479 | 1,006,479 |
| 5 | Investments | | 2 | 2 |
| | | | 110,412,580 | 106,182,615 |
| | **Current Assets** | | | |
| 6 | Stock | | 341,355 | 516,555 |
| 7 | Trade and other debtors due within one year | | 337,395 | 2,387,726 |
| 8 | Debtors due after more than one year | | 130,388 | 130,388 |
| 9 | Short-term deposits | | 2,236,664 | 3,122,269 |
| 10 | Cash at bank and in hand | 3 | 2,267,163 | 1,855,004 |
| 11 | Loan to subsidiary | | 17,812 | 17,812 |
| | | | 5,330,778 | 8,029,754 |
| 12 | **Creditors: amounts falling due within one year** | | (2,757,627) | (2,277,357) |
| | **Net current assets** | | 2,573,151 | 5,752,397 |
| | **Total assets less current liabilities** | | 112,985,730 | 111,935,013 |
| 13 | **Creditors:** amounts falling due after more than one year | | (10,583,954) | (10,491,996) |
| 14 | Deferred capital grants | | (61,714,551) | (62,316,492) |
| 15 | Pension Liability | | (2,937,000) | (2,937,000) |
| 16 | **Net Assets** | | **37,750,226** | **36,189,525** |
| | **Capital and Reserves** | | | |
| 17 | Share Capital | | 213 | 210 |
| 18 | Revenue Reserve | | 37,750,013 | 36,189,315 |
| | | | **37,750,226** | **36,189,525** |

### Commentary on Performance

**Note 1 - Fixed Assets**
Fixed Assets are shown at gross cost and are reduced by the depreciation charge for the period.

**Note 2 – Development & Investment Programme**
The value of work in progress, net of Grant, on current properties and new developments.

**Note 3 – Cash at bank and in hand**

Cash balances will continue to reduce in the third quarter as the grants for Goathill housing have now been fully drawn.

# RENTAL INCOME

| Line | | CURRENT YEAR BUDGET Initial Budget £ | CURRENT YEAR BUDGET Revised Budget £ | BUDGET to 30-Sep-21 £ | ACTUAL to 30-Sep-21 £ | BUDGET VARIANCE Budget to date £ | BUDGET VARIANCE Budget to date % | BUDGET REMAINING Revised Budget £ | BUDGET REMAINING Revised Budget % | FORECAST OUT-TURN Over/ (under) £ | FORECAST OUT-TURN at 31-Mar-22 £ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Dwelling Rent Gross | 10,021,294 | 10,033,350 | 4,952,915 | 4,951,309 | 1,606 | 0% | 5,082,041 | 50.65% | (40,666) | 9,992,684 |
| 2 | Non Dwelling Rent Gross | 16,122 | 16,122 | 8,061 | 10,037 | (1,976) | -25% | 6,085 | 37.74% | | 16,122 |
| 3 | Voids - Dwelling | (198,709) | (152,909) | (63,555) | (48,002) | (15,552) | 24% | (104,907) | 68.61% | 15,552 | (137,357) |
| 4 | Voids - Other | (3,491) | (2,278) | (569) | (7) | (562) | 99% | (2,271) | 99.69% | 562 | (1,716) |
| 5 | Bad Debts | (200,000) | (200,000) | - | - | - | | (200,000) | 100.00% | | (200,000) |
| 6 | TOTAL | 9,635,216 | 9,694,285 | 4,896,853 | 4,913,337 | (16,485) | 0% | 4,780,948 | 49.32% | (24,552) | 9,669,733 |

## Commentary on Performance

**Rental Income**

Dwelling Rents forecast Out-Turn has been reduced by £40.6K which is driven by slippage and delays getting onto site in various developments (Tarbert, Balivanich, Lochmaddy, Howmore and Barra).

**Voids**

Due to improvements in Void loss, £15.5k of savings have been recognised in the forecast out-turn. We now have only 2 units vacant at Calabhaigh which is down from the 6 previously reported long term voids.

## SUPERVISION & MANAGEMENT COSTS

| Line | Heading | CURRENT YEAR BUDGET | | BUDGET | ACTUAL | BUDGET VARIANCE | | BUDGET REMAINING | | forecast out-turn | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Initial | Revised | to | to | Budget | Budget | Revised | Revised | Over/ | at |
| | | Budget | Budget | 30-Sep-21 | 30-Sep-21 | to date | to date | Budget | Budget | (under) | 31-Mar-22 |
| | | £ | £ | £ | £ | £ | % | £ | % | £ | £ |
| 1 | Salaries & Wages | 1,660,094 | 1,658,688 | 788,297 | 749,485 | 38,812 | 5% | 909,203 | 55% | | 1,658,688 |
| 2 | National Insurance | 165,781 | 165,781 | 78,377 | 75,366 | 3,011 | 4% | 90,415 | 55% | | 165,781 |
| 3 | Pension Costs | 298,817 | 300,224 | 136,124 | 135,776 | 348 | 0% | 164,448 | 55% | | 300,224 |
| 4 | Other Employee Costs | 43,310 | 43,310 | 15,915 | 15,068 | 847 | 5% | 28,242 | 65% | | 43,310 |
| 5 | Travel & Subsistence | 16,865 | 16,865 | 7,492 | 1,517 | 5,975 | 80% | 15,348 | 91% | | 16,865 |
| 6 | EMPLOYEE COSTS | 2,184,867 | 2,184,867 | 1,026,204 | 977,212 | 48,993 | 5% | 1,207,656 | 55% | - | 2,184,867 |
| 7 | Premises Costs | 75,830 | 73,830 | 21,452 | 14,173 | 7,280 | 34% | 59,657 | 81% | | 73,830 |
| 8 | IT & Telecoms | 183,995 | 190,475 | 82,897 | 81,620 | 1,277 | 2% | 108,855 | 57% | | 190,475 |
| 9 | Area Offices | 26,750 | 27,420 | 13,710 | 13,710 | - | 0% | 13,710 | 50% | | 27,420 |
| 10 | Payroll & Cashdesk | 7,000 | 7,000 | 3,500 | 3,144 | 356 | 10% | 3,856 | 55% | | 7,000 |
| 11 | Property Management Fees | 5,000 | 5,000 | 2,500 | 2,005 | 495 | 20% | 2,995 | 60% | | 5,000 |
| 12 | SUPPLIES & SERVICES | 298,575 | 303,725 | 124,059 | 114,652 | 9,408 | 8% | 189,073 | 62% | - | 303,725 |
| 13 | Postage, Printing & Stationery | 39,300 | 34,820 | 13,580 | 9,166 | 4,415 | 33% | 25,655 | 74% | (3,500) | 31,320 |
| 14 | Admin Furniture & Equipment | 950 | 950 | - | - | - | | 950 | 100% | | 950 |
| 15 | Training Courses | 58,950 | 58,950 | 29,475 | 15,818 | 13,657 | 46% | 43,132 | 73% | | 58,950 |
| 16 | Community Support | 32,750 | 39,550 | 20,675 | 18,629 | 2,046 | 10% | 20,921 | 53% | (1,100) | 38,450 |
| 17 | Health & Safety | 7,470 | 7,470 | 4,020 | 1,485 | 2,535 | 63% | 5,985 | 80% | (1,000) | 6,470 |
| 18 | Recruitment Costs | 2,500 | 2,500 | 1,250 | 634 | 616 | 49% | 1,866 | 75% | | 2,500 |
| 19 | ADMINISTRATION COSTS | 141,920 | 144,240 | 69,000 | 45,732 | 23,269 | 34% | 98,509 | 68% | (5,600) | 138,640 |
| 20 | Professional Fees | 300,090 | 287,319 | 69,104 | 65,373 | 3,731 | 5% | 221,946 | 77% | | 287,319 |
| 21 | Insurance | 273,992 | 273,992 | 130,779 | 130,229 | 550 | 0% | 143,764 | 52% | | 273,992 |
| 22 | Affiliation Fees | 34,523 | 34,523 | 16,502 | 13,678 | 2,824 | 17% | 20,845 | 60% | | 34,523 |
| 23 | Charitable Donations | 5,000 | 5,000 | - | - | - | | 5,000 | 100% | | 5,000 |
| 24 | Governance | 23,000 | 19,167 | 7,667 | 50 | 7,617 | 99% | 19,117 | 100% | (3,833) | 15,334 |
| 25 | Bank Charges | 4,500 | 6,500 | 3,250 | 3,391 | (141) | -4% | 3,109 | 48% | 400 | 6,900 |
| 26 | Public Relations / Marketing | 11,633 | 11,633 | 5,817 | 368 | 5,448 | 94% | 11,265 | 97% | | 11,633 |
| 27 | CORPORATE EXPENSES | 652,738 | 638,134 | 233,117 | 213,088 | 20,029 | 9% | 425,046 | 67% | (3,433) | 634,701 |
| 28 | Fees Charged to Capital | (656,475) | (675,020) | (265,510) | (257,169) | (8,342) | 3% | (417,852) | 62% | 5,600 | (669,420) |
| 29 | VAT Received - Partial Exemption | (12,500) | (12,500) | (6,250) | (7,937) | 1,687 | -27% | (4,563) | 37% | | (12,500) |
| 30 | RECHARGES | (668,975) | (687,520) | (271,760) | (265,106) | (6,655) | 2% | (422,415) | 61% | 5,600 | (681,920) |
| | | | | | | | | | | | |
| 31 | MANAGEMENT COST | 2,609,125 | 2,583,445 | 1,180,621 | 1,085,578 | 95,044 | 8% | 1,497,869 | 19 | (3,433) | 2,580,012 |

### Commentary on Performance

The total management cost is £95K lower than the year to date budget.

An underspend of £49K in employee costs is mainly attributable to vacant posts.

Postage, Printing & Stationary is £3.5K underspent due to office printing and franking costs as we are generally printing a lot less with more documents being processed digitally. The forecast out-turn has been updated to reflect these savings.

The £1.1K YTD underspend in Community Support is mainly due to savings on the Tenant Satisfaction Survey Costs.

# REPAIRS & MAINTENANCE

| Line | Heading | CURRENT YEAR Initial Budget £ | Revised Budget £ | BUDGET to 30-Sep-21 £ | ACTUAL to 30-Sep-21 £ | BUDGET VARIANCE Budget to date £ | Budget to date % | BUDGET REMAINING Revised Budget £ | Revised Budget % | FORECAST OUT-TURN Over/ (under) £ | at 31-Mar-22 £ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Responsive Repairs | 935,325 | 948,825 | 456,163 | 518,441 | (62,278) | -14% | 430,384 | 45% | 70,000 | 1,018,825 |
| 2 | Void Repairs | 319,111 | 319,111 | 159,556 | 181,350 | (21,794) | -14% | 137,761 | 43% | | 319,111 |
| 3 | Handyperson | 90,528 | 90,528 | 44,825 | 55,012 | (10,187) | -23% | 35,516 | 39% | | 90,528 |
| 4 | GENERAL REPAIRS | 1,344,964 | 1,358,464 | 660,543 | 754,803 | (94,259) | -14% | 603,662 | 44% | 70,000 | 1,428,464 |
| 5 | Decoration Allowance | 45,828 | 45,828 | 22,914 | 22,965 | (51) | 0% | 22,863 | 50% | | 45,828 |
| 6 | Council Tax empty properties | 17,531 | 17,531 | 8,766 | 4,287 | 4,479 | 51% | 13,245 | 76% | | 17,531 |
| 7 | Compensation | 11,519 | 11,519 | 5,759 | 3,281 | 2,479 | 43% | 8,238 | 72% | | 11,519 |
| 8 | SPECIFIC ITEMS | 74,878 | 74,878 | 37,439 | 30,532 | 6,907 | 18% | 44,346 | 59% | - | 74,878 |
| 9 | Rechargeable Repairs | 106,370 | 92,870 | 53,185 | 41,248 | 11,937 | 22% | 51,622 | 56% | | 92,870 |
| 10 | Rechargeable Repairs Recoverable | (58,898) | (58,898) | (29,449) | (48,172) | 18,724 | -64% | (10,725) | 18% | | (58,898) |
| 11 | Insurance Repairs | 100,002 | 100,002 | 50,001 | 17,623 | 32,378 | 65% | 82,379 | 82% | | 100,002 |
| 12 | Insurance Claims Recoverable | (61,557) | (61,557) | (30,778) | (2,311) | (28,467) | 92% | (59,246) | 96% | | (61,557) |
| 13 | RECOVERABLE EXPENDITURE | 85,917 | 72,417 | 42,959 | 8,388 | 34,572 | 80% | 64,030 | 88% | - | 72,417 |
| 14 | Commercial Properties | 1,182 | 1,182 | 591 | - | 591 | 100% | 1,182 | 100% | | 1,182 |
| 15 | Communal Lighting | 21,056 | 21,056 | 16,528 | 15,727 | 801 | 5% | 5,329 | 25% | | 21,056 |
| 16 | NON DWELLING REPAIRS | 22,238 | 22,238 | 17,119 | 15,727 | 1,392 | 8% | 6,511 | 29% | - | 22,238 |
| 17 | Gas Servicing | 63,784 | 63,784 | 39,892 | 39,486 | 406 | 1% | 24,298 | 38% | | 63,784 |
| 18 | Estate Management | 70,460 | 70,460 | 35,230 | 22,054 | 13,176 | 37% | 48,406 | 69% | | 70,460 |
| 19 | Other Servicing (incl. heating) | 762,262 | 757,502 | 348,487 | 348,326 | 161 | 0% | 409,176 | 54% | | 757,502 |
| 20 | Stair Lifts and Door Entry Systems | 4,050 | 6,332 | 6,332 | 4,951 | 1,380 | 22% | 1,380 | 22% | | 6,332 |
| 21 | Gutter Cleaning | 62,617 | 64,926 | 64,926 | 63,898 | 1,028 | 2% | 1,028 | 2% | | 64,926 |
| 22 | Sewage Pumps | 600 | 769 | 769 | 769 | - | 0% | - | 0% | | 769 |
| 23 | Dun Berisay Heat | 6,990 | 6,990 | - | - | - | | 6,990 | 100% | | 6,990 |
| 24 | CYCLICAL MAINTENANCE | 970,762 | 970,762 | 495,635 | 479,484 | 16,151 | 3% | 491,278 | 51% | - | 970,762 |
| 25 | TOTAL REPAIRS & MAINTENANCE | 2,498,760 | 2,498,760 | 1,253,695 | 1,288,933 | (35,237) | -3% | 1,209,826 | 48% | 70,000 | 2,568,760 |

## Commentary on Performance

### General Repairs

A year to date over spend of £94K is attributed to the increasing costs of materials which continue to impact the construction sector and are being tracked and monitored. Works for the remainder of the year are under review and spend is being monitored daily. The forecast out-turn on responsive repairs is expected to £70K above budget. This will be vired from savings realised on the Investment Programme.

### Cyclical Maintenance

Works are moving along as expected and the full year out-turn is anticipated to be achieved. The underspend on Estate Management is due to budget phasing with works anticipated to be committed for vulnerable tenancies with hoarding/cleanliness issues in third quarter.

## ESTATE WORKS

| Line | Heading | CURRENT YEAR BUDGET | | BUDGET | ACTUAL | BUDGET VARIANCE | | BUDGET REMAINING | | FORECAST OUT-TURN | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Initial Budget £ | Revised Budget £ | to 30-Sep-21 £ | to 30-Sep-21 £ | Budget to date £ | Budget to date % | Revised Budget £ | Revised Budget % | Over/ (under) £ | at 31-Mar-22 £ |
| 1 | Unadopted Infrastructure | 33,089 | 33,089 | 26,975 | 26,594 | 381 | 1% | 6,494 | 20% | | 33,089 |
| 2 | Grounds Maintenance | 50,711 | 50,711 | 25,356 | 21,546 | 3,810 | 15% | 29,166 | 58% | | 50,711 |
| 3 | TOTAL ESTATE WORKS | 83,800 | 83,800 | 52,331 | 48,140 | 4,191 | 8% | 35,660 | 43% | - | 83,800 |

## AIDS & ADAPTATIONS

| Line | Heading | CURRENT YEAR BUDGET | | BUDGET | ACTUAL | BUDGET VARIANCE | | BUDGET REMAINING | | FORECAST OUT-TURN | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Initial Budget £ | Revised Budget £ | to 30-Sep-21 £ | to 30-Sep-21 £ | Budget to date £ | Budget to date % | Revised Budget £ | Revised Budget % | Over/ (under) £ | at 31-Mar-22 £ |
| 1 | OT Works | 120,000 | 324,000 | 128,000 | 121,176 | 6,824 | 5% | 202,824 | 63% | | 324,000 |
| 2 | **Grants** | | | | | | | | | | |
| 3 | Grants Received | (120,000) | (324,000) | (128,000) | (121,176) | (6,824) | 5% | (202,824) | 63% | | (324,000) |
| 4 | TOTAL AIDS & ADAPTATIONS | - | - | - | - | - | | - | | - | - |

### Commentary on Performance

OT works totalling £72K are currently committed with £130K left to commit. On track to reach forecast out-turn.

# INVESTMENT EXPENDITURE

| Line | Heading | CURRENT YEAR BUDGET Initial Budget £ | Revised Budget £ | BUDGET to 30-Sep-21 £ | ACTUAL to 30-Sep-21 £ | BUDGET VARIANCE Budget to date £ | Budget to date % | BUDGET REMAINING Revised Budget £ | Revised Budget % | FORECAST OUT-TURN Over/ (under) £ | at 31-Mar-22 £ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Roofs | - | 8,580 | - | - | - | | 8,580 | 100% | | 8,580 |
| 2 | Insulation | 297,524 | 299,504 | - | - | - | | 299,504 | 100% | (299,505) | - |
| 3 | Total Roofs | 297,524 | 308,084 | - | - | - | | 308,084 | 100% | (299,505) | 8,580 |
| 4 | Kitchen | 562,622 | 564,676 | 152,095 | 180,272 | (28,177) | -19% | 384,404 | 68% | (10,403) | 554,272 |
| 5 | Bathrooms | 117,406 | 68,108 | - | - | - | | 68,108 | 100% | (7,608) | 60,500 |
| 6 | OT Aids & Adaptations | 120,000 | 324,000 | 128,000 | 121,176 | 6,824 | 5% | 202,824 | 63% | | 324,000 |
| 7 | Showers | - | 49,297 | 22,408 | - | 22,408 | 100% | 49,297 | 100% | (14,977) | 34,320 |
| 7 | Heating | 3,176,187 | 2,795,711 | 1,194,817 | 893,490 | 301,327 | 25% | 1,902,221 | 68% | (258,538) | 2,537,173 |
| 8 | Rewiring | 924,138 | 924,138 | - | 4,880 | (4,880) | | 919,257 | 99% | 4,888 | 929,026 |
| 9 | Total Internals | 4,900,352 | 4,725,930 | 1,497,319 | 1,199,818 | 297,502 | 20% | 3,526,112 | 75% | (286,639) | 4,439,291 |
| 10 | Windows | 323,806 | 627,622 | 228,303 | 228,893 | (590) | 0% | 398,730 | 64% | (209,181) | 418,441 |
| 11 | Roughcast house & wall | - | - | - | 7,725 | (7,725) | | (7,725) | | 8,663 | 8,663 |
| 12 | Other | - | 48,535 | 48,535 | 10,263 | 38,272 | 79% | 38,272 | 79% | 21,240 | 69,775 |
| 13 | Externals | 323,806 | 676,157 | 276,838 | 246,881 | 29,957 | 11% | 429,277 | 63% | (179,279) | 496,879 |
| 14 | **Total Investment excl. Unallocated Exp/Savings** | 5,521,682 | 5,710,172 | 1,774,157 | 1,446,699 | 327,459 | 18% | 4,263,473 | 75% | (765,423) | 4,944,749 |
| 15 | Savings Realised | - | - | - | - | - | | - | | 126,684 | 126,684 |
| 16 | Savings Re-invested | - | - | - | - | - | | - | | (108,751) | (108,751) |
| 15 | Unallocated Expenditure/ Slippage | - | 15,510 | - | - | - | | 15,510 | 100% | 677,490 | 693,000 |
| 16 | **Total Investment** | 5,521,682 | 5,725,682 | 1,774,157 | 1,446,699 | 327,459 | 18% | 4,278,983 | 75% | (70,000) | 5,655,682 |

## Commentary on Performance

### Insulation

SSE/OVO cannot complete planned insulation works. Alternatives low carbon/insulation programmes are currently being looked into but this will not enable these works to be completed this Financial Year. Contractor capacity is being assessed to establish whether we can use this budget to bring forward shower replacements.

### Heating

£258K reduction in forecast out-turn as a result of £87K refusals, £171K efficiency savings. Reviewing what works might be brought forward to utilize the forecasted underspend.

### Rewiring

Electrical works are on site and condition reports for properties in Uist are underway. A high number of no access to properties are affecting the works. Properties in Lewis are due to commence. All condition reports must be completed by 31 March 2022.

### Windows

Planned works at Ross Terrace and Plantation Road are deferred until 2022 due to tender prices exceeding budget provision. Works will be re tendered as part of a larger window contract in 2022 with a view to gaining some cost benefit.

# NON HOUSING INVESTMENT

| Line | Heading | CURRENT YEAR BUDGET | | BUDGET | ACTUAL | BUDGET VARIANCE | | BUDGET REMAINING | | FORECAST OUT-TURN | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Initial Budget £ | Revised Budget £ | to 30-Sep-21 £ | to 30-Sep-21 £ | Budget to date £ | Budget to date % | Revised Budget £ | Revised Budget % | Over/ (under) £ | at 31-Mar-22 £ |
| 1 | Furniture & Fittings | 53,200 | 53,200 | 1,500 | 1,499 | 1 | 0% | 51,701 | 97% | | 53,200 |
| 2 | IT equipment | 130,000 | 260,532 | 116,521 | 116,505 | 17 | 0% | 144,027 | 55% | | 260,532 |
| 3 | **Total** | **183,200** | **313,732** | **118,021** | **118,004** | **18** | **0%** | **195,728** | **62%** | **-** | **313,732** |

## Commentary on Performance

The Furniture and Fittings budget includes £50K for office space planning and redesign. These works have been tendered but not progressed due to uncertainties on office requirements due to COVID-19. We anticipate that we will re-engage with the preferred tenderer in Q3 but may need to re-tender these works as the original tender was returned over 18 months ago.

IT Equipment budget remaining is largely to deliver new housing system and replacement of laptops. We are on track to spend the full budget this year.

## DEVELOPMENT EXPENDITURE

| Line | | CURRENT YEAR BUDGET | | BUDGET | ACTUAL | BUDGET VARIANCE | | BUDGET REMAINING | | FORECAST OUT-TURN | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Initial Budget £ | Revised Budget £ | Budget to 30-Sep-21 £ | to 30-Sep-21 £ | Budget to date £ | Budget to date % | Revised Budget £ | Revised Budget % | Over/ (under) £ | at 30-Sep-21 £ |
| 1 | New Build | 20,621,242 | 19,213,959 | 10,489,113 | 8,046,396 | 2,442,717 | 23% | 11,167,563 | 58% | (2,271,319) | 16,942,640 |
| 2 | LIFT | 1,256,392 | 880,069 | 559,729 | 560,169 | (440) | 0% | 319,900 | 36% | (110) | 879,959 |
| 3 | Land | 447,979 | 487,979 | 40,000 | 40,000 | - | 0% | 447,979 | 92% | | 487,979 |
| 4 | **Total Development Costs** | 22,325,613 | 20,582,007 | 11,088,842 | 8,646,565 | 2,442,277 | 22% | 11,935,442 | 58% | (2,271,429) | 18,310,578 |
| | | | | | | | | | | | |
| 5 | **Scottish Government Grant** | | | | | | | | | | |
| 6 | Grant - New Build | (8,409,755) | (7,945,820) | (4,221,285) | (4,181,285) | (39,999) | 1% | (3,764,534) | 47% | 1,495,105 | (6,450,715) |
| 7 | Grant - Lift | - | (26,744) | (26,744) | (26,744) | - | 0% | - | 0% | | (26,744) |
| | | | | | | | | | | | |
| 8 | **Other Grants & Sales proceeds** | | | | | | | | | | |
| 9 | Other Grants - LIFT Sales | (1,565,906) | (1,628,605) | (175,200) | (175,200) | - | 0% | (1,453,405) | 89% | | (1,628,605) |
| 10 | **Total Grants** | (9,975,661) | (9,601,169) | (4,423,229) | (4,383,229) | (39,999) | 1% | (5,217,939) | 54% | 1,495,105 | (8,106,064) |
| | | | | | | | | | | | |
| 11 | **Private Finance required** | | | | | | | | | | |
| 12 | New Build | 12,211,487 | 11,268,139 | 6,267,828 | 3,865,110 | 2,402,718 | 38% | 7,403,029 | 66% | (776,214) | 10,491,925 |
| 13 | LIFT | (309,514) | (775,280) | 357,785 | 358,225 | (440) | 0% | (1,133,505) | 146% | (110) | (775,390) |
| 14 | Land | 447,979 | 487,979 | 40,000 | 40,000 | - | 0% | 447,979 | 92% | - | 487,979 |
| 15 | Expensed Development Cost | - | - | | 2,269 | (2,269) | 0% | (2,269) | 0% | 2,269 | 2,269 |
| 16 | Feasibility | 10,800 | 10,800 | - | - | - | | 10,800 | 100% | | 10,800 |
| 17 | **Private Finance required** | 12,360,752 | 10,991,638 | 6,665,613 | 4,265,604 | 2,400,009 | 36% | 6,726,034 | 61% | (774,055) | 10,217,583 |

### Commentary on Performance

Total out-turn for development costs and grants have been reduced due to the following:

- Blackwater out-turn has been reduced by a further £150K for cost and grant as we await the completion of the resumption process.
- Crowlista land transaction is being progressed but will need to go through resumption resulting in a reduced expected spend of £535K and reduced expected grant of £299K.
- Lochmaddy – Forecast Out-turn has been reduced by £657k for cost and £633K for grant as we do not anticipate to be on site until Q4.
- Keose Glebe – Due to significant tender return costs we may not be able to deliver this project. Out-Turn has been reduced by £338K for cost and £220K for grant.
- Barra will not be completing this year as the contractor has yet to get on site. The out-turn has been reduced by £590K for cost and £193K for grant as a result.

## SECTION 3: KEY FINANCIAL PERFORMANCE MEASURES

## FINANCIAL COVENANTS

The re-financing exercise concluded in June 2021 and as a result we have moved to an interest cover covenant and a gearing. The minimum cover required is 110% with a maximum gearing of 30%.

The covenant is forecast to be met for the full year.

| Line | Detail | YTD | Forecast |
|---|---|---|---|
| 1 | Operating Surplus | £ 1,560,697 | £ 2,474,211 |
| 2 | Add back Depreciation | £ 1,715,047 | £ 3,455,000 |
| 3 | Add back Profit/(Loss) on sale of LIFT properties | £ - | £ - |
| 4 | Deduct Capitalised Investment | -£ 1,564,002 | -£ 4,944,749 |
| 5 | Add back Deferred Works Capitalised Investment | £ 1,048,060 | £ 1,531,245 |
| 6 | Deduct Pension Contributions | £ - | £ - |
| 7 | Deduct Amortisation | -£ 690,577 | -£ 1,375,000 |
| 8 | Adjusted Operating Surplus | £ 2,069,225 | £ 1,140,707 |
| | | | |
| 9 | Interest Payable | £ 243,480 | £ 494,200 |
| 10 | Interest Receivable | £ 1,741 | £ 3,000 |
| 11 | Net Interest Payable | £ 241,739 | £ 491,200 |
| | | | |
| 12 | Covenant for 21/22 | 110% | 110% |
| 13 | Adjusted Operating Surplus as percentage of Net interest Payable | 856% | 232% |
| 14 | Headroom | £ 1,803,311 | £ 600,387 |
| | | | |
| 15 | Historic Cost of Properties | £ 114,972,020 | £ 144,261,689 |
| 16 | Financial Indebtedness | £ 5,000,000 | £ 10,091,000 |
| 17 | Gearing | 4% | 7% |

The Board will be provided with some training on the change in covenants and how we will track them going forward in the third quarter of 2021/22.

## Key Ratios

| | Current | Forecast | 2020/21 |
|---|---|---|---|
| **Current Ratio** | 1.89 | 4.71 | 4.34 |
| (Current Assets/Current Liabilities) | | | |
| **Net Debt Per Unit** | | | |
| Borrowing/ stock units | £2,257.17 | £7,612.66 | £2,245.35 |
| **Voids%** | 0.97% | 1.39% | 1.01% |
| Voids as % of Rental Income Due | | | |
| **Bad Debts %** | 0.00% | 2.00% | 0.33% |
| Bad Debts written off as % of Rental Income Due | | | |
| **Staff Cost/Turnover %** | 18.62% | 21.26% | 19.40% |
| **Gross Surplus** | 53.85% | 49.09% | 51.13% |
| Operating Surplus/Turnover | | | |
| **Net Surplus** | 29.73% | 24.07% | 28.39% |
| Net Surplus/Turnover | | | |

## CASH FLOW FORECAST 2021/22

The below cash flow shows the actual income received and the payments made for the period to September 2021.

### Monthly Cash Flow Forecast

| Year Ended 31-Mar-22 | 30-Sep-21 Month 6 | 31-Oct-21 Month 7 | 30-Nov-21 Month 8 | 31-Dec-21 Month 9 | 31-Jan-22 Month 10 | 28-Feb-22 Month 11 | 31-Mar-22 Month 12 | Total |
|---|---|---|---|---|---|---|---|---|
| Cash on Hand at beginning of month | 2,164,701 | 1,808,053 | 269,467 | 3,584,577 | 2,830,936 | 2,336,002 | 1,550,468 | 1,655,752 |
| **Cash Receipts** | | | | | | | | |
| Rent | 1,043,127 | 638,000 | 765,000 | 988,000 | 638,000 | 765,000 | 711,000 | 9,814,337 |
| Sale of Assets | - | 577,000 | 272,500 | 329,500 | 214,405 | - | 60,000 | 1,737,825 |
| Grant Income | 585,798 | 376,000 | 325,904 | 169,227 | 256,000 | 388,660 | 829,344 | 8,862,014 |
| Other income | 26,525 | - | - | - | - | - | - | 178,002 |
| Transfer from Deposit | 890,000 | 500,000 | 890,000 | - | 750,000 | - | - | 3,030,000 |
| Loan/Other cash injection | - | - | 5,000,000 | - | - | - | - | 5,091,004 |
| Total | 2,545,449 | 2,091,000 | 7,253,404 | 1,486,727 | 1,858,405 | 1,153,660 | 1,600,344 | 28,713,182 |
| Total Cash Available | 4,710,150 | 3,899,053 | 7,522,871 | 5,071,304 | 4,689,341 | 3,489,662 | 3,150,813 | |
| **Cash Paid Out** | | | | | | | | |
| Payroll | 171,030 | 180,000 | 180,000 | 180,000 | 180,000 | 180,000 | 180,000 | 2,111,209 |
| Management Costs | 73,169 | 336,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 929,430 |
| Repairs | 463,640 | 199,000 | 199,000 | 227,000 | 217,000 | 234,000 | 244,000 | 3,006,726 |
| Investment | 378,831 | 806,175 | 665,120 | 536,566 | 732,046 | 841,524 | 394,024 | 5,769,133 |
| Development | 1,785,476 | 2,106,611 | 2,852,374 | 1,134,552 | 1,182,493 | 641,870 | 514,637 | 17,700,713 |
| Total | 2,872,146 | 3,627,786 | 3,936,494 | 2,118,118 | 2,351,539 | 1,937,393 | 1,372,661 | 29,517,211 |
| **Cash Paid Out (Non P & L)** | | | | | | | | |
| Loan Interest | 29,076 | - | - | 120,000 | - | - | 120,000 | 507,008 |
| Refunds | 875 | 1,800 | 1,800 | 2,250 | 1,800 | 1,800 | 2,400 | 23,799 |
| Total | 29,952 | 1,800 | 1,800 | 122,250 | 1,800 | 1,800 | 122,400 | 530,807 |
| Total Cash Paid out | 2,902,097 | 3,629,586 | 3,938,294 | 2,240,368 | 2,353,339 | 1,939,193 | 1,495,061 | |
| Cash Position at End of Month | 1,808,053 | 269,467 | 3,584,577 | 2,830,936 | 2,336,002 | 1,550,468 | 1,655,752 | - |
| Deposit Acct At end of Month | 2,234,610 | 1,734,610 | 844,610 | 844,610 | 94,610 | 94,610 | 94,610 | |
| Total Funds Available | 4,042,662 | 2,004,077 | 4,429,187 | 3,675,546 | 2,430,611 | 1,645,078 | 1,750,361 | |

hebridean housing partnership

Making our house your home

ITEM NO 6.4

# DEVELOPMENT MONITORING REPORT

## Board 17 November 2021

Report by Chief Executive

## Purpose of Report

1.1 To provide an update to the Board on our Development Programme.

## Summary

2.1 This financial year we have 170 units (58 completed and 112 on site) at various stages of build accounting for 43% of the 5 year Development Plan 2021-2025. A summary of the completed units can be found at Appendix 1, a summary of our position compared to Development Plan and an update on projects identified for this financial year can be found at Appendix 2.

2.2 6 units at South Dell (Sealladh Beinn Dail), 8 rented units and 6 NSSE units at Sinclair Avenue, Stornoway have been completed. A further delay, due to labour shortages, is being reported at Howmore with an updated completion date for early December 2021. The delay at Tarbert is continuing due to issues with surface water drainage, SEPA and Scottish Water approvals. The contractor is being pressed for a revised programme.

2.3 The land transaction at Barra is due to conclude early November with a potential site start late November. Consultation has taken place on a name for the site at Cleit Road in Barra. Several suggestions have been received of which Rathad na Ceardaich (Smiddy Road) is the preferred option which calls to the history of the area.

2.4 Missives have been concluded for the Blackwater development and the seller has now confirmed resumption has been lodged. A preferred contractor has been identified and they are preparing to mobilise once the resumption has concluded.

## Competence

3.1 The financial, legal and other constraints arising from the recommendations in this report are detailed at paragraph 5.1 - 8.3.

## Recommendations

4.1 **It is recommended that Board:**

**a) approve the site at Cleit Road in Barra be named Rathad na Ceardaich or alternatively as detailed at paragraph 13.1; and**
**b) note the update on the Development Programme.**

| | | |
|---|---|---|
| **APPENDIX 1:** | Completions 2020-21 | |
| **APPENDIX 2:** | New Build Updates | |
| **APPENDIX 3:** | Future Plans | |
| **APPENDIX 4:** | Scottish Government Benchmarks | |
| **Background Papers:** | None | |
| **Writer of Report:** | Sawan Morrison | Tel: 0300 123 0773 |

# Competence

*Financial*

5.1 The budget for Development in 2021/22 is £21.055M expenditure, £8.581M Scottish Government (SG) Grant and £1.629M of shared equity sales resulting in a private finance requirement of £10.845M.

5.2 We have currently drawn down £4.47M (52%) of SG funding this financial year.

5.3 Scottish Government have announced £43M Resource Planning Assumption (RPA) to be made available to the Comhairle over the period to 2025-26 financial year. This funding has been made available to allow for the SG aim to deliver 50,000 affordable homes by 2026/27 of which 35,000 homes are to be for social rent. The Comhaile is in conversation with SG to discuss options to enable full use of the resource being made available. Our current development programme only goes to 2024/25. The outcome of Housing Needs Demands Study will determine the future of the Development Programme.

5.4 Scottish Government have reviewed the benchmarks for grant per unit funding. The details can be found in Appendix 4. The current assumption is £84,000 per unit with the proposed per unit assumption to be £95,500 for Island Authorities. Recognisiging the challenges in the islands, the Scottish Government have provided assistance by increasing the grant level above benchmark to enable challenging developments to proceed.

*Legal*

6.1 The Asset Management Working Group has delegated authority until 31 March 2022, to approve private finance up to 40% of the cost of a project, subject to approval from the Director of Finance & Corporate Services and funding being available through savings.

*Regulatory Guidance*

7.1 The Regulatory Standards checklist has been completed and there is nothing in the report which would result in a breach of the standards.

7.2 This report provides ongoing assurance of evidence RS2.2, RS4.3 and RS7.7 in relation to our Annual Assurance Statement.

*Risk*

8.1 Development is inherently risky. Feasibility work to ascertain the suitability and capacity of potential sites for development helps to reduce risk. The risk associated with the delay in getting agreement on land for acquisition and resumption not having yet been lodged has been reflected in the Blackwater expected grant draw down for 2021/22 financial year.

8.2 Risk related to particular developments is assessed as part of the feasibility study, including the demand within the area. At present, our Housing List indicates reducing demand in all areas and particularly in the most rural locations. The findings of the Housing Needs and Demands Study forms part of a separate report on this agenda.

8.3 The Risk Register details relevant risks including COVID-19, risk of contractor failure, BREXIT, labour and material shortages which can impact on delivery of the Development Programme.

# Report Details

*Development 2021/22*

9.1 Table 1.1 & 1.2 at Appendix 2 summarises how we have performed compared to the Development Plan (July 2020) and the SHIP (December 2020). Progress on sites is broadly on target but delays at Blackwater and Lochmaddy will affect the expected progress this financial year.

9.2 Table 2.1 at Appendix 2 shows a summary of all developments identified for 2021/22 as per the 5 year Development Plan. Issues to be noted are:

- The delayed handover for Howmore until 3 December 2021 which identified local and national labour shortage as the main factors in delay. They have also recently been adversely affected by contact tracing.
- A delay is noted in the handover at Tarbert Police Station due to the knock-on effects of ongoing negotiations with Scottish Water on the surface water connection.

9.3 Sites at Barra, Crowlista and Blackwater are awaiting land transactions before starting on site.

- The Barra land transaction has received a revised settlement date of 4 November 2021 following confirmation from Church of Scotland on vacant possession. Once settlement has conluded site start is expected in late November.
- Crowlista resumption has been lodged and is due in another few weeks with a site start in November once resumption is granted and land transaction with HHP is concluded.
- Blackwater resumption application was been lodged on 26 November 2021.

9.4 The site at Lochmaddy currently has a shortfall of £4,510 per unit (£36K) that will need to be funded from the existing Development Plan. As this is a joint collaboration with TIG, we are awaiting confirmation that their portion of the project is fully funded. We are also in discussion to progress the land transaction with an issue over ownership of a road verge being looked into.

9.5 We have reviewed the tender returns for Keose Glebe and after discussion with Scottish Government have decided it would not be value for money to progress with this tender at the moment. Therefore we will postpone the progression of this until the tender environment has settled.

*Future Plans*

10.1 Appendix 3 summarises work being done on projects for future years and includes the current levels of demand in the area. The outcome of the Housing Needs and Demands Study will provide robust evidence upon which the Board can make decisions on what level of development our Business Plan can support without impacting on the long term financial viability of the Partnership.

10.2 Delays in planning feedback, changes in land availability and land ownership queries have led to delays in finalising feasibility reports for the 2 sites that we are currently awaiting completed feasibility studies.

10.3 Along with the review of the grant benchmarks (refer to point 5.4), SG have introduced two additional conditions for grant funding which is the use of a value for money tool through the Scottish Housing Network and participation in a "programme of procurement support" through Scotland Excel. We will be engaging with the More Homes Division for further details and implications on future developments.

*New Supply Shared Equity (NSSE)*

11.1 Three properties have settled at Sgeir Ghlais, Breasclete. TIG is actively marketing the final property. Despite 18 application requests for all of the Sgeir Ghlais properties, only 5 were progressed to full applications of which 1 withdrew and 1 was incomplete. We will be progressing to convert this house to a rental property.

11.2 From the first round of applications at Sinclair Avenue, prospective buyers were identified for all 8 properties and 7 have now been sold. One application has been withdrawn due to their lack of communication. We are in contact with the next person on the list to progress the sale.

11.3 There are 6 x 3 bed homes available for sale in the second phase at Sinclair Avenue for which we are currently accepting applications.

*Development Sevices*

12.1 The current development services contract will expire on the 31 October 2021. Development services for most of the contracts are currently provided by Tighean Innse Gall (TIG). The options for these services have been reviewed internally and it is proposed that these be retendered. This will enable us to draw down this service if and when they are required these are required to enable and support delivery of the development programme.

*Site name – Cleit Road Barra*

13.1 There has been a good response through the public consultation carried out. We initially sent request to local councillors, community councils and Barra Heritage Centre and finally opened the consultation to the public via social media. We received 10 suggestions ranging from capturing local history (Rathad na Ceardaich) to capturing our somewhat wet climate (Soggy Bottom). A final list of 5 have been collated with the recommendations. We recommend the use of Rathad na Ceardaich to capture a historical remnant of the area. This name was also favourable with Barra Heritage Centre Names.

| **Name Suggestion** | **Name confirmation from Barra Heritage Centre** | **Reasons for Suggestions** |
|---|---|---|
| Rathad na Ceardaich | Rathad na Ceardaich | Smiddy Road. At the junction,on the opposite side of the road to the house site,was the actual Blacksmiths smithy/smiddy on the Island. |
| Manse Place | Tigh a Mhinisteir | The land on which the development is being constructed is, I believe, being donated by the Church of Scotland. This name retains a link to the history of that particular church and a Manse often used as the term for the place of residence of the Minister of that faith. The C.O.S building is also a short distance from the development site. |
| Iomal a Ghlebe | Iomall a'Ghlebe or Fearanna Mhinisteir | The land was once farmed by the church, its known as the glebe and iomal is edge off. |
| MacQueen Road | Rathad MhicCuinn | Canon Angus MacQueen, Parish Priest in Barra died aged 95 in Feb 2019. Huge impact on the community in barra while living and serving there. The priest was originally from South Uist. |
| Sealladh na Mònach | Sealladh Chnoc na Mònadh | The site is at Cnoc na Mònach. The Peat Hill. Traditionally this was peat land hence the local name for the area at the road end. |

| Scheme | Area | Type | Units |
|---|---|---|---|
| South Dell | Rural Lewis | Rent | 6 |
| Sinclair Avenue, Goathill | Stornoway | Rent | 8 |
| Sinclair Avenue, Goathill | Stornoway | NSSE | 6 |
| **Total Handover to November 2021** | | | **20** |

Sinclair Avenue – O'Mac Construction (Phase 2A)

South Dell – Alex Murray Construction

South Dell – Official Opening

Shawbost – Official Opening

**New Build Updates**

APPENDIX 2

## Table 1.1 Development Performance – 5 Year Development Plan (July 2020)

| | RENT | NSSE | HWEC | TOTAL | % of Plan | Comments |
|---|---|---|---|---|---|---|
| **Units Completed 20/21** | 22 | 4 | 0 | **26** | 7% | - |
| **Units Completed 21/22** | 44 | 14 | 0 | **58** | 15% | 6 units at South Dell 14 Units at Goathill completed since last meeting |
| **Units On Site** | 60 | 2 | 50 | **112** | 28% | - |
| **Units Planned for 2021-25** | 171 | 0 | 26 | **197** | 50% | - |
| **Total Units in 5 Year Development (July 2020)** | | | | **393*** | | |

## Table 1.2 Development Performance – SHIP (December 2020)

| | RENT | NSSE | HWEC | TOTAL | % of SHIP | Comments |
|---|---|---|---|---|---|---|
| **Units Completed 20/21** | 22 | 4 | 0 | **26** | 7% | - |
| **Units Completed 21/22** | 44 | 14 | 0 | 58 | 10% | 6 units at South Dell 14 Units at Goathill completed since last meeting |
| **Units On Site** | 60 | 2 | 50 | 112 | 34% | - |
| **Units Planned for 2021-25** | 182 | 0 | 10 | 192 | 49% | - |
| **Total Units as per SHIP (December 2020)** | | | | **388*** | | |

*Differences in totals can be attributed to feasibility studies ruling out some sites identified in the 5 year development plan.

**New Build Updates**

## Table 2.1 Current Development Projects

| YEAR* | Scheme | Area | Units | Stage | Expected Handover | Comments |
|---|---|---|---|---|---|---|
| 2020/21 | Shawbost | Rural Lewis | 4 | Completed | Apr-21 | - |
| 2020/21 | Scotland Street | Stornoway | 6 | Completed | Jul-21 | - |
| 2021/22 | South Dell | Rural Lewis | 6 | Completed | Aug-21 | - |
| 2021/22 | Goathill HWEC | Stornoway | 50 | On Site | May-22 | Handover delayed. |
| 2021/22 | Goathill | Stornoway | 58 | On Site | Sep-22 | 8 units handed over in 2nd Phase on 14th Oct. |
| 2021/22 | Goathill NSSE | Stornoway | 16 | On Site | Sep-22 | 6 of 8 houses sold. One with a handover date of 28 Oct. 1 buyer has not progressed with sale. Phase 2 properties- applications being reviewed. |
| 2021/22 | Barvas | Rural Lewis | 8 | On Site | Jan-22 | - |
| 2021/22 | Tarbert Police Station | Harris | 8 | On Site | Oct-21 | Handover delayed as agreement on surface water drainage has not been concluded with SW. |
| 2021/22 | Low Flyer, Balivanich | Uist | 10 | On Site | Feb-22 | - |
| 2021/22 | Howmore | Uist | 4 | On Site | Dec-22 | Further delay in programme due to labour shortages, contact tracing and material delivery delays |
| 2021/22 | Barra – Cleit Road | Barra | 6 | Planning | Mar-22 | Planning permission granted. Land transaction due to conclude in October - waiting on vacant possession. Contractor has been instructed to make preparations for going on site |
| 2021/22 | Crowlista, Uig | Rural Lewis | 4 | Land Transaction | TBC | Letter of instruction has been issued, but awaiting completion of resumption. |
| 2021/22 | Keose Glebe | Rural Lewis | 2 | Tender | TBC | Tender returns were higher than anticipated and not assessed as being competitive. This project will not be progressing this FY |

## New Build Updates

| YEAR* | Scheme | Area | Units | Stage | Expected Handover | Comments by exception |
|---|---|---|---|---|---|---|
| 2021/22 | Blackwater | Stornoway | 14 | Land Transaction | TBC | Preferred contractor identified. Missives concluded. Awaiting resumption before concluding land transaction. |
| 2022/23 | Lochmaddy | Uist | 8 | Planning | Jul-22 | Awaiting confirmation from TIG on a project finance and land transaction being pursued. |
| 2022/23 | Scott Rd/Coastguard | Harris | 10 | Land Negotiations | TBC | Land transaction being pursued with delays in responses. Awaiting feedback on location of road |
| 2023/24 | Arnol (Developer Led) | Rural Lewis | 6 | N/A | N/A | Developer Led - moved to 2023/24 on SHIP |
| 2024/25 | Benbecula - Dunganichy | Uist | 6 | Feasibility | N/A | Full feasibility has been instructed. Feasibility was delayed as there was a query on land ownership that has since been resolved. |
| | **Total** | | **226** | | | |

*As per approved 5 year development plan

## Table 1.1 Future Plans – Development Plan to 2025

| YEAR* | Scheme | Area | Units | Demand Transfer/Waiting | Comments by exception |
|---|---|---|---|---|---|
| 2022/23 | Stornoway Periphery | Stornoway | 20 | 88/213 | Blackwater substituted in SHIP. 30 units of 72 Unit site |
| 2022/23 | Barra ECH | Barra HWEC | 10 | TBC | Work in Progress to set HHP private finance limits. Moved to 23/24 in SHIP |
| 2022/23 | Claddach Illeray, North Uist | Uist | 4 | 2/13 | Feasibility has ruled out this site. Site at Dunganichy going through feasibility as possible replacement |
| 2022/23 | Uist 22/23 | Uist | 6 | 14/54 | Site to be identified through the CNES call to land with the Grazings Committees. |
| 2022/23 | Bernera | Rural Lewis | 4 | 1/5 | Site was initially not due to progress due to lack of demand in area. CNES is requesting further consideration as there is possibility of local demand that is not captured in HHP waiting list. |
| | | | | | |
| 2023/24 | BARRA 23/24 (Cuithir Glebe) | Barra | 6 | 4/19 | Additional units at existing site can be developed. |
| 2023/24 | Rural Lewis | Rural Lewis | 8 | 23/88 | Site to be identified. Possibly Arnol if there demand. |
| 2023/24 | South Harris - Leverburgh | Harris | 4 | 3/9 | Feasibility ongoing - planning requested a different area of site to be reviewed. Study being conducted but costs are looking high |
| 2023/24 | Scott Rd | Harris | 18 | 8/39 | Land transaction negotiations |
| 2023/24 | Rural Lewis | Rural Lewis | 8 | 23/88 | Site to be identified. |
| 2023/24 | Balivanich 23/24 | Uist | 6 | 10/25 | Site to be identified. Current Balivanich Site has capacity for 4 more units |
| | | | | | |
| 2024/25 | Rural Lewis HWEC 24/25 | Rural Lewis HWEC | 16 | TBC | Site to be identified |
| 2024/25 | Benbecula (Liniclete) | Uist | 4 | 8/25 | Site to be identified |
| 2024/25 | UIST 24/25 | Uist | 6 | 14/54 | Site to be identified |
| 2024/25 | Stornoway Periphery | Stornoway | 15 | 88/213 | Site to be identified |
| 2024/25 | North Uist | Uist | 4 | 9/36 | Site to be identified |

*As per approved 5 Year Development Plan

## SG Review of Affordable Housing Benchmarks

| | West Highland, Island authorities, and remote/ rural Argyll | | Other rural | | City and urban | |
|---|---|---|---|---|---|---|
| | Current | Proposed | Current | Proposed | Current | Proposed |
| RSL social rent | £82,000 (3 person equivalent) | £95,500 (3 person equivalent) | £72,000 (3 person equivalent) | £83,000 (3 person equivalent) | £70,000 (3 person equivalent) | £78,000 (3 person equivalent) |
| Council social rent | £57,000 (flat rate per unit) | £83,000 (3 person equivalent) | £57,000 (flat rate per unit) | £75,500 (3 person equivalent) | £57,000 (flat rate per unit) | £71,500 (3 person equivalent) |
| RSL mid-market rent | £44,000 (3 person equivalent) | £58,500 (3 person equivalent) | £44,000 (3 person equivalent) | £56,500 (3 person equivalent) | £44,000 (3 person equivalent) | £53,500 (3 person equivalent) |
| Council mid-market rent | N/A | £53,000 (3 person equivalent) | N/A | £51,500 (3 person equivalent) | N/A | £49,000 (3 person equivalent) |

# INVESTMENT PROGRAMME MONITORING REPORT

## Board 17 November 2021

Report by Director of Operations

## Purpose of Report

1.1 To present the 2022/2023 Investment Programme to the Board for approval and to provide an update on the 2021/22 Investment Programme.

## Summary

*2021/2022 Programme*

2.1 The majority of works have been awarded and are progressing on site and details are provided in the report.

2.2 There will be slippage of £600K into 2022/23. This is due to tender prices for Lot 1a significantly exceeding budget and work will now be packaged into a larger window contract in 2022/23 to attempt to achieve a better price. In addition, SSE have advised that they will not be able to undertake the external wall insulation works which will now be re-tendered in 2022/23.

*2022/2023 Programme*

2.3 The proposed 2022/23 Investment Programme at Appendix 1 is based on the 5-year Programme 2019-2023 previously agreed by Board on 20 November 2018.

2.4 The Programme continues to tackle fuel poverty and to ensure our homes comply with the requirements of the Energy Efficiency Standard for Social Housing (EESSH2) by 2032. The Programme also ensures that components are replaced in line with stock condition data and maintain the Scottish Housing Quality Standard.

2.5 Tendering is required in advance of budgets being agreed in February 2022 to enable contracts to start as soon as possible in April 2022 and to achieve the Business Plan target of 90% of works being completed before February 2023. Contract awards would be subject to budget being approved in February 2022.

2.6 A framework contract is in place for the delivery of the programme. The framework is in its final year and works will need to be re-procured during 2022.

*Aids & Adaptations*

2.7 A grant award of £324K has been received from the Scottish Government. Works are proceeding as referrals are received. Committed works have reached £270K.

## Competence

3.1 The legal, financial or other constraints to the recommendations in this report are contained in paragraph 5.1 – 8.4.

## Recommendations

4.1 **It is recommended that the Board:**

**a) approve the Investment Programme for 2022/23 at Appendix 1;**

**b) approve advance tendering of up to 80% of the 2022/23 Investment Programme subject to work not being committed until budgets are agreed in February 2022; and**

**c) note the progress on the 2021/22 Investment Programme.**

| | | |
|---|---|---|
| **APPENDIX 1:** | Investment Programme 2022/23 | |
| **Background Papers:** | Risk Register/ Management Reports to 30 September 2021 | |
| **Writer of Report:** | Angus MacNeil | Tel: 0300 123 0773 |

## Competence

### *Financial*

#### *2021/22 Investment Programme*

5.1 The approved Investment Budget for 2021/22 is £5.52M as set out and approved by Board on 17 March 2021.

5.2 The Scottish Government have awarded Aids and Adaptation grant funding of £0.324M. Works are ongoing with £0.270M committed.

#### *2022/23 Investment Programme*

5.3 The proposed programme is within current approved Business Plan cash planning limits.

5.4 The new financing facility allows for defined COVID-19 deferred works to be delivered by 31 March 2023 with allowance being made within our financial covenants. Currently £0.51M of the deferred works are expected to slip into 2022/23 comprising of External Wall Insulation and Windows at Plantation Road and Ross Terrace.

### *Legal*

6.1 The decision to approve or amend Strategy, Business Plan and budgets including virements to or from a Budget Head in excess of £0.10M is reserved to the Board.

6.2 Financial Regulations require that actual forecast and progress on the Investment programme be reported to each routine meeting of the Board.

6.3 We were required to bring the housing stock up to the EESSH by December 2020. Exemptions were permitted for delays due to COVID-19 delays. This was the case for a number of our properties where heating installations were delayed from the 2020/21 programme. These properties were recorded as 'COVID delay' on the Annual Return on the Charter with the majority now complete. Refusals continue to be reported as exemptions.

6.4 The Scottish Government set a legal requirement for smoke and heat detector systems provision to be upgraded by February 2021. This was subsequently extended to February 2022. Our Installation Programme is substantially complete and a small number of no-access properties continue to be pursued and access will be enforced if necessary.

### *Regulatory Guidance*

7.1 The Regulatory Standards checklist has been completed and there is nothing in the report that would result in a breach of the standards.

### *Risk*

8.1 There are risks highlighted in the Risk Register that are relevant to Investment including the failure of a major contractor.

8.2 There are further risks highlighted in the Risk Register concerning the health of the local economy particularly the capacity of contractors to deliver programmes. Capacity currently is limited both for contractors and elements of the supply chain.

8.3 The Scottish Government requires landlords to comply with EESSH. Failure to meet the standard could result in regulatory engagement.

8.4 There is a risk of installing infrared heating prior to it being fully assessed through the EESSH and SAP frameworks. This has not been concluded to date. No further systems are being installed at present and a survey of users is being concluded to assess their experience of the systems.

# Report Details

*2021/22 Investment Programme*

9.1 The position of each contract Lot is set out in Table 1. Progress on works is shown below with updated start and completion dates. Points to note are detailed at paragraph 9.2:

**Table 1**

| Work | Lot/ Contractor | Start Date | Completion Date |
|---|---|---|---|
| **Lewis & Harris** | | | |
| Windows & Doors | Lot 1a – Deferred – tender prices exceeding budget | | |
| | Lot 1b - FES FM Ltd | 24/05/2021 | 04/03/2022 |
| Gas Heating Lot 2a | FES FM Ltd | 14/06/2021 | 31/03/2021 |
| Heating Lot 2b | Alex Murray Construction | 12/07/2021 | 18/02/2022 |
| Heating Lot 2c | Alex Murray Construction | 02/08/2021 | 20/11/2021 |
| Heating Lot 2d | FES FM Ltd | 10/11/2021 | 29/03/2022 |
| Heating Lot 2e | Alex Murray Construction | 07/02/2022 | 01/04/2022 |
| Bathroom & Showers | O'Mac Construction | 10/01/2022 | 18/03/2022 |
| Kitchens | Lot 4a - O'Mac Construction | 01/04/2021 | Complete |
| | Lot 4b - Alex Murray Construction | 16/08/2021 | 25/03/2022 |
| Electrical | Lot 6a – Out to tender | | |
| | Lot 6b - Alex Murray Construction | 21/06/2021 | 18/03/2022 |
| Energy Efficiency (External Wall Insulation) | SSE | Deferred | |
| OT (Occupational Therapy) | Alex Murray Construction | 01/04/21 | 31/03/2022 |
| **Uist & Barra** | | | |
| Heating Lot 10a | Alex Murray Construction | 18/10/2021 | 05/11/2021 |
| Heating Lot 10b | Alex Murray Construction | 13/09/2021 | 11/02/2022 |
| Electrical | FES FM Ltd | 24/05/2021 | 25/03/2022 |
| Kitchens | Lot 12a - Alex Murray Construction | 05/01/2021 | Complete |
| Kitchens | Lot 12b – out to tender | | |
| OT (Occupational Therapy) | FES FM Ltd | 01/04/21 | 31/03/2022 |

9.2 Works are progressing well with COVID-19 protocols and controls continuing on all works.

a) Windows and doors –works deferred at Ross Terrace and Plantation Road. A sole tender was returned which significantly exceeded the budget provision. The works will be packaged into a larger window contract in 2022/23 to attempt to achieve some economies and improved pricing.
b) Heating - Lewis and Harris Lot 2d and 2e (Gleann Dubh) – works have been awarded and are at programming and survey stages.
c) Heating – Lewis and Harris – Muirneag Court currently has storage heating and will therefore be replaced with air source heating in line with our position on replacing heating systems where gas is not available.
d) Electrical – Lewis and Harris Lot 6a; works have been tendered on two previous occasions on the Investment framework. A public tender has been issued out with the framework to attempt to gain interest.
e) Kitchens - Uist and Barra Lot 12b – this is a sole kitchen in a stand-alone property type. A contractor is pricing under the Direct Award mechanism of the framework.

9.3 Supply chains are being monitored for issues with materials and labour. Currently, delays are not being experienced and the position will continue to be monitored throughout the management of the works.

### *SSE External Wall Insulation*

10.1 SSE have notified us that they are unable to carry out the works. These works will now be deferred into 2022/23 and tendered openly.

### *LCITP Funding Award*

11.1 The LCITP funding bid has been successful and we have been awarded up to £708k. The funding has been shaped to allow RHI to be claimed in addition to LCITP funding. The LCITP funding covers aspects of the heating installation that do not fall under RHI such as radiators, consumer units and removal of existing system. Work has commenced on site.

### *2022/23 Investment Programme*

12.1 The proposed 2022/23 Investment Programme at Appendix 1 is based on the 5 year Programme agreed by Board on 20 November 2018 with some adjustment to reflect heating pulled forward for the LCITP Programme and the slippage from 21/22 of Calabhaigh heating. In addition, £0.51M of the deferred works are expected to slip into 2022/23 comprising of External Wall Insulation and Windows at Plantation Road and Ross Terrace.

12.2 The 2022/23 Investment Programme was prepared on the basis of maintaining Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard in Social Housing (EESSH).

12.3 It is proposed to tender works in advance of budgets being agreed in February 2022. This is to enable works to start in April 2022 and to achieve the Business Plan target of 90% of works being completed before February 2023. It is proposed that up to 80% of the Programme can be committed prior to budgets being approved.

*Aids and Adaptations position*

13.1 The current position on General Adaptations is at Table 2. Referrals are being progressed as they are received and regular discussions are ongoing with contractors and with Occupational Therapists to ensure works are actioned timeously.

**Table 2 - Occupational Therapy referrals**

| Occupational Therapy Referrals | **2021/22** |
|---|---|
| Number of Properties | 81 |
| Number of Referrals (some properties have more than one referral) | 91 |
| Number of tasks on Referrals (a referral can have multiple tasks) | 195 |
| Number of referrals completed | 46 |
| Number of Referral tasks completed | 84 |
| **Total Spend/ Committed** | **£270k** |
| **Grant Allocation – General Adaptations** | **£324k** |

13.2 A number of fencing related referrals have been received from the occupational therapy department. These works are currently being discussed with the Planning department, CnES. Should they proceed a virement may be required to continue with works until the end of March as front funding and recovering from the 2022/23 grant application should we be successful.

*Heating Refusals*

14.1 The Board requested information at the meeting on 25 August 2021 on the level of refusals on the heating programme. We currently have 200 homes where tenants have refused new heating. This figure varies as works proceed through the year. Properties will be re-instated into programmes when the opportunity arises such as at changes of tenancy.

14.2 Looking ahead, we will need to take a view on how we tackle refusals as they will adversely affect our attempts to meet our energy efficiency and fuel poverty targets.

14.3 Particular attention will be given to the 54 houses with solid fuel heating. These houses not only adversely affect the energy and poverty targets but may require additional works such as sprinkler systems to safeguard the house and whole house monitoring to prevent air quality and condensation issues.

APPENDIX 1

## 2022/2023 INVESTMENT PROGRAMME

| | No. Planned Installs | Programme Value | |
|---|---|---|---|
| **2022/23** | | | |
| **VAT Recover** | | | |
| Bathroom & Shower | 53 | £ | 205,741 |
| Electrical Works - rewire | 69 | £ | 379,450 |
| Environmentals | 67 | £ | 273,171 |
| Gas Heating | 14 | £ | 135,568 |
| Heating | 6 | £ | 76,385 |
| Insulation | 5 | £ | 88,562 |
| Insulation - COVID deferred works | 15 | £ | 291,431 |
| Kitchen | 68 | £ | 339,378 |
| Roofing (Gutters and downpipes) | 6 | £ | 82,761 |
| Roughcast | 25 | £ | 221,406 |
| Windows | 90 | £ | 653,605 |
| Windows - COVID deferred works | 24 | £ | 219,380 |
| **VAT Non Recoverable** | | | |
| Bathroom & Shower | 53 | £ | 133,773 |
| Heating | 4 | £ | 61,108 |
| Showers | 100 | £ | 192,000 |
| **VAT Non Recoverable - RSL** | | | |
| Heating | 44 | £ | 663,594 |
| Kitchen | 12 | £ | 71,868 |
| Windows | 11 | £ | 93,372 |
| **Grand Total** | **666** | **£** | **4,182,554** |

hebridean housing partnership

Making our house your home

ITEM NO 6.6

# TPAS CONFERENCE 2022

## Board 17 November 2021

Report by Director of Operations

## Purpose of Report

1.1 To request Board approval to fund 6 places at the TPAS Conference 2022.

## Summary

2.1 The TPAS (Scotland) Annual Conference is to be in held in February 2022. This is billed as the only housing conference which is aimed primarily at tenants.

2.2 Since 2006 we have funded several places at the conference for members of Registered Tenant Organisations.

2.3 A request has again been received from the Western Isles Housing Association Communities Forum for funding to enable 6 representatives to attend the Conference.

## Competence

3.1 The legal, financial or other constraints to the recommendations in this report are contained in paragraph 5.1 – 8.1.

## Recommendations

4.1 **It is recommended that the Board approve funding 6 places at the TPAS (Scotland) Annual Conference in February 2022 for the Western Isles Housing Association Communities Forum.**

**Background Papers**: None

**Writer of Report:** Katrina Rowlands Tel: 0300 123 0773

## Competence

*Financial*

5.1 Resources to support tenant participation and the implementation of the Strategy will be agreed annually through the budget setting process.

5.2 The costs of the TPAS (Scotland) Annual Conference would be borne from existing budgets. The cost per place is up to £945 but TPAS have agreed to provide 6 places for the price of 5. The total price would therefore be a maximum of £4,725 for 6 places.

*Legal*

6.1 Engaging effectively with tenants and involving them in decision making is a legal requirement and is a clear expectation from the Regulator.

*Regulatory Guidance*

7.1 The Regulatory Standards checklist has been completed and there is nothing in the report which would result in a breach of the standards.

7.2 This report provides ongoing evidence/assurance of evidence RS2 in relation to our Annual Assurance Statement.

*Risk*

8.1 The Risk Register includes actions to encourage Board participation and membership through tenant and resident engagement. Our Rules require we have up to 4 Tenant Members on our Board. The lack of interest by tenants in becoming Board Members the risk has become greater than before.

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# BOARD PLAN & BOARD CALENDAR 2022

## Board 17 November 2021

Report by Company Secretary

## Purpose of Report

1.1 This Report outlines a plan in respect of items to be considered by Board during the 2022 Board session. The report also seeks approval to amend the public holiday arrangements for 2022 to take into consideration the Platinum Jubilee bank holiday.

## Summary

2.1 To mark the Queen's Platinum Jubilee it is proposed the Bank Holiday weekend from 29 April to 2 May 2022 be moved to 3 to 6 June 2022. Staff were surveyed and the majority of respondents were in favour of the change.

2.2 The Plan at Appendix 1 has been compiled in respect of standing and other items, which the Board can expect to consider during the 2022 Board session.

2.3 This Plan is a guide and may be added to throughout the year if there is a requirement for other items to be considered.

2.4 The draft Board Calendar was presented to the Board meeting on 26 August 2021 and has been updated following consideration of CNES' calendar and the local government elections due to be held in May 2022. The updated calendar is at Appendix 2.

## Competence

3.1 There are no legal, financial, or other constraints arising from the recommendation to this report being implemented.

## Recommendations

4.1 **It is recommended that the Board:**

**a) approve the May 2022 Bank holiday be moved to June 2022 to mark the Queen's Platinum Jubilee holiday;**
**b) note the Board Plan for 2022 at Appendix 1; and**
**c) note the Board Calendar at Appendix 2.**

| | | |
|---|---|---|
| **APPENDIX 1:** | Board Plan 2022 | |
| **APPENDIX 2:** | Board Calendar 2022 | |
| **Background Papers** | None | |
| **Writer of Report** | Iona France | Tel: 0300 123 0773 |

## Competence

*Financial*

5.1 There is no financial constraint arising from the recommendation to this report being implemented.

*Legal*

6.1 There is no legal constraint arising from the recommendation to this report being implemented.

*Regulatory Guidance*

7.1 The Regulatory Standards checklist has been completed and there is nothing in the report which would result in a breach of the standards.

*Risk*

8.1 Good governance of the Partnership is critical to its long term viability. Ensuring that the Board has all the information, reports and supporting papers it requires to take well informed decisions, and a plan of when it can expect to see different types of reports, helps to mitigate the risk of the Board being unprepared.

**APPENDIX 1**

# BOARD PLAN 2022

| | |
|---|---|
| Approval | |
| Noting | |
| Annual | ● |
| Standing | Colour fill as above |
| Policies are highlighted with * | |

| Item | Report | 9 Feb 22 | 23 Mar 22 | 25 May 22 | 29 Jun 22 | 31 Aug 22 | 1 Sep 22 | 23 Nov 22 |
|---|---|---|---|---|---|---|---|---|
| 1 | Budgets 2022/23 | ● | | | | | | |
| 2 | Business Plan | | | | | | | |
| 3 | Debt Management Report | | | | | | | |
| 4 | Development Programme 2021 - 2026 | ● | | | | | | |
| 5 | Investment Programme 2022/23 | ● | | | | | | |
| 6 | Training Plan 2022/23 | ● | | | | | | |
| 7* | Health & Safety Policy Annual Review | ● | | | | | | |
| 8* | Estate Management Policy | | | | | | | |
| 9* | Void Management Policy | | | | | | | |
| 10* | Gas Safety Management Policy | | | | | | | |
| 11 | Annual Financial Strategy | | ● | | | | | |
| 12 | Annual Pay Review Recommendation | | ● | | | | | |
| 13 | Fraud Checklist | | ● | | | | | |
| 14 | Asset Management Strategy Annual Update | | ● | | | | | |
| 15 | Workforce Strategy Annual Update | | ● | | | | | |
| 16 | Procurement Policy & Procurement Strategy Annual Update | | ● | | | | | |
| 17* | Expenses Policies (Staff & Board) | | ● | | | | | |
| 18* | Development Policies (Development & Development Risk) | | | | | | | |
| 19* | Rent Arrears Policy | | | | | | | |
| 20 | ARC 2021/22 | | | ● | | | | |
| 21* | Appointment of Consultants Policy | | | | | | | |
| 22* | ICT Security Policy | | | | | | | |
| 23* | Landlord's Health & Safety Policies | | | | | | | |
| 24* | Office Fire Safety Policy | | | | | | | |
| 25* | Managing Violence & Aggression at Work Policy | | | | | | | |
| 26* | Membership Policy | | | | | | | |
| 27* | Personal Relationships at Work Policy | | | | | | | |
| 28* | Recovery of Sundry Debts Policy | | | | | | | |
| 29 | SHR Returns | | | | ● | | | |
| 30 | Annual Report & Financial Statements for 31 March 2022 | | | | ● | | | |

| | |
|---|---|
| Approval | |
| Noting | |
| Annual | ● |
| Standing | Colour fill as above |
| Policies are highlighted with * | |

| Item | Report | 9 Feb 22 | 23 Mar 22 | 25 May 22 | 29 Jun 22 | 31 Aug 22 | 1 Sep 22 | 23 Nov 22 |
|---|---|---|---|---|---|---|---|---|
| 31 | Budgetary Performance for year ended 31 March 2022 | | | | ● | | | |
| 32 | Housing Allocations Report 2021/22 | | | | ● | | | |
| 33* | Risk Management Strategy | | | | ● | | | |
| 34* | Adverse Weather Policy | | | | | | | |
| 35* | Allocations Policy | | | | | | | |
| 36 | Vulnerable Consumers Policy | | | | | | | |
| 37* | Communications Policy & Communications Tools Policy | | | | | | | |
| 38 | Annual Assurance Statement | | | | | ● | | |
| 39 | Business Planning Timetable | | | | | ● | | |
| 40 | TPAS Conference & TPAS Strategy Update | | | | | ● | | |
| 41* | Disclosure of Interest Policy | | | | | | | |
| 42 | Election of Office Bearers | | | | | | | |
| 43 | Election to Standing Committees and Working Groups | | | | | | | |
| 44 | Board Skills & Development | | | | | | | ● |
| 45 | Budget Strategy 2022/23 | | | | | | | ● |
| 46* | Attendance & Absence Policy | | | | | | | |
| 47 | Notifiable Events | | | | | | | |
| 48 | Management Reports | 31 Dec 21 | 31 Jan 22 | | 30 May 22 | 30 Jun 22 | | 30 Sep 22 |
| 49 | Quarterly Treasury Report | 31 Dec 21 | | 31 Mar 21 | | 30 Jun 21 | | 30 Sep 21 |
| 50 | Business Plan Monitoring Report | | | | | | | |
| 51 | Investment Programme 2020/21 Monitoring Report | | | | | | | |
| 52 | Goathill Farm Development | | | | | | | |
| 53 | Minute of Audit & Risk | 17 Nov 21 | 2 Feb 22 | 23 Mar 22 | 25 May 22 | 28 Jun 22 | | 29 Aug 22 |
| 54 | Planned Maintenance 2022/23 | | ● | | | | | |
| 55 | Funders Valuation 2022/23 | | ● | | | | | |
| 56 | SHR Engagement Plan | | | ● | | | | |
| 57 | Review of Corporate Registers | | | ● | | | | |
| 58 | Annual Review of Financial Regulations | | | | ● | | | |
| 59 | Annual Review of Standing Orders | | | | ● | | | |
| 60 | Governance Report | | | | | ● | | |
| 61 | Gas Audit | | | | | | | ● |
| 62 | Annual Insurance | | | | | | | ● |
| 63 | Safeguarding Policy Review | | | | | | | ● |
| 64 | 2023 Board Plan | | | | | | | ● |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | No of reports to be considered | 17 | 19 | 19 | 15 | 17 | 2 | 17 |
| | Approval | 10 | 12 | 11 | 8 | 9 | 2 | 6 |
| | Noting | 7 | 7 | 8 | 7 | 8 | 0 | 11 |

## Information Bulletin

| Item | Report | Feb 22 | Mar 22 | May 22 | Jun 22 | Aug 22 | Nov 22 |
|---|---|---|---|---|---|---|---|
| 1 | Staff Changes | | | | | | |
| 2 | Working Group Minutes | | | | | | |
| 3 | Fuel Poverty Update | | | | | | |
| 4 | Repairs 6 Month Review | | | | | | |
| 5 | Complaints 6 Month Review | | | | | | |
| 6 | Anti-Social Behaviour & Estate Management | | | | | | |
| 7 | Board Development | | | | | | |

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# Board Calendar 2022

| | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mon | | | | | | | | 1 Public Holiday | | | | | Mon |
| Tue | | 1 | 1 | | | | | 2 | | | 1 | | Tue |
| Wed | | 2 | 2 | | | 1 | | 3 | | | 2 | | Wed |
| Thu | | 3 | 3 | | | 2 | | 4 | 1 AGM | | 3 | 1 | Thu |
| Fri | | 4 | 4 | 1 | | 3 Public Holiday | 1 | 5 | 2 | | 4 | 2 | Fri |
| Sat | 1 | 5 | 5 | 2 | | 4 | 2 | 6 | 3 | 1 | 5 | 3 | Sat |
| Sun | 2 | 6 | 6 | 3 | 1 | 5 | 3 | 7 | 4 | 2 | 6 | 4 | Sun |
| Mon | 3 Public Holiday | 7 | 7 | 4 | 2 | 6 Public Holiday | 4 | 8 | 5 | 3 | 7 | 5 | Mon |
| Tue | 4 Public Holiday | 8 | 8 | 5 | 3 | 7 | 5 | 9 | 6 | 4 | 8 | 6 | Tue |
| Wed | 5 | 9 Board | 9 | 6 | 4 | 8 | 6 | 10 | 7 | 5 | 9 | 7 | Wed |
| Thu | 6 | 10 | 10 | 7 | 5 | 9 | 7 | 11 | 8 | 6 | 10 | 8 | Thu |
| Fri | 7 | 11 | 11 | 8 | 6 | 10 | 8 | 12 | 9 | 7 | 11 | 9 | Fri |
| Sat | 8 | 12 | 12 | 9 | 7 | 11 | 9 | 13 | 10 | 8 | 12 | 10 | Sat |
| Sun | 9 | 13 | 13 | 10 | 8 | 12 | 10 | 14 | 11 | 9 | 13 | 11 | Sun |
| Mon | 10 | 14 | 14 | 11 | 9 | 13 | 11 | 15 | 12 | 10 | 14 | 12 | Mon |
| Tue | 11 | 15 | 15 | 12 | 10 | 14 | 12 | 16 | 13 | 11 | 15 | 13 | Tue |
| Wed | 12 | 16 | 16 | 13 | 11 | 15 | 13 | 17 | 14 | 12 | 16 | 14 | Wed |
| Thu | 13 | 17 | 17 | 14 | 12 | 16 | 14 | 18 | 15 | 13 | 17 | 15 | Thu |
| Fri | 14 | 18 | 18 | 15 Public Holiday | 13 | 17 | 15 | 19 | 16 | 14 Public Holiday | 18 | 16 | Fri |
| Sat | 15 | 19 | 19 | 16 | 14 | 18 | 16 | 20 | 17 | 15 | 19 | 17 | Sat |
| Sun | 16 | 20 | 20 | 17 | 15 | 19 | 17 | 21 | 18 | 16 | 20 | 18 | Sun |
| Mon | 17 | 21 | 21 | 18 Public Holiday | 16 | 20 | 18 | 22 | 19 | 17 Public Holiday | 21 | 19 | Mon |
| Tue | 18 | 22 | 22 | 19 | 17 | 21 | 19 | 23 | 20 | 18 | 22 | 20 | Tue |
| Wed | 19 | 23 | 23 Board | 20 | 18 | 22 | 20 | 24 | 21 | 19 | 23 Board | 21 | Wed |
| Thu | 20 | 24 | 24 | 21 | 19 | 23 | 21 | 25 | 22 | 20 | 24 | 22 | Thu |
| Fri | 21 | 25 | 25 | 22 | 20 | 24 | 22 | 26 | 23 | 21 | 25 | 23 Office Closed | Fri |
| Sat | 22 | 26 | 26 | 23 | 21 | 25 | 23 | 27 | 24 | 22 | 26 | 24 | Sat |
| Sun | 23 | 27 | 27 | 24 | 22 | 26 | 24 | 28 | 25 | 23 | 27 | 25 Christmas Day | Sun |
| Mon | 24 | 28 | 28 | 25 | 23 | 27 | 25 | 29 | 26 | 24 | 28 | 26 Public Holiday | Mon |
| Tue | 25 | | 29 | 26 | 24 | 28 Audit & Risk | 26 | 30 | 27 | 25 | 29 | 27 Public Holiday | Tue |
| Wed | 26 | | 30 | 27 | 25 Board | 29 Board | 27 | 31 Board | 28 | 26 | 30 | 28 Office Closed | Wed |
| Thu | 27 | | 31 | 28 | 26 | 30 | 28 | | 29 | 27 | | 29 Office Closed | Thu |
| Fri | 28 | | | 29 | 27 | | 29 Public Holiday | | 30 | 28 | | 30 Office Closed | Fri |
| Sat | 29 | | | 30 | 28 | | 30 | | | 29 | | 31 | Sat |
| Sun | 30 | | | | 29 | | 31 | | | 30 | | | Sun |
| Mon | 31 | | | | 30 | | | | | 31 | | | Mon |
| Tue | | | | | 31 | | | | | | | | Tue |

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# FAMILY LEAVE POLICIES

## Board 17 November 2021

Report by Chief Executive

## Purpose of Report

1.1 To provide the Board with revised Maternity Leave and Paternity Leave Policies and an initial Shared Parental Leave Policy for approval for consultation with staff and the Union.

## Summary

2.1 The Maternity Leave & Shared Parental Leave Policy has been reviewed with a new, separate policy created for Shared Parental Leave. This is to take account of the increased importance and uptake of Shared Parental Leave in the workplace.

2.2 The Shared Parental Leave Policy is at Appendix 1. The Maternity Leave Policy and Paternity Leave Policy are at Appendices 2 and 3 respectively. The proposed consultation documents are at Appendix 4.

2.3 The new Shared Parental Leave Policy is based on the Model Policy provided by EVH. The revised Maternity Leave & Shared Parental Leave Policy has been renamed Maternity Leave Policy.

2.4 Paragraph 1.59 of the Maternity Leave Policy has been amended to remove the number of weeks of pregnancy in relation to stillbirth.

2.5 The Parental Leave policy review has been brought forward to be in line with the review of Maternity Leave and Shared Parental Leave Policies.

2.6 Consultation on the Shared Parental Leave Policy will take place with staff and the Union between 19 November 2021 and 17 December 2021 and the final Policy will be presented to the Board in February 2022, if required.

## Competence

3.1 The financial, legal and other constraints to the recommendations of this report are at paragraph 5.1 - 8.1.

## Recommendations

4.1 **It is recommended that the Board approve the:**

**a) draft Shared Parental Leave Policy at Appendix 1 for consultation with staff and the Union;**

**b) if there are no material changes to the Shared Parental Leave Policy arising from the consultation, that the Policy is approved, otherwise a revised version be presented to the next meeting of the Board; and**

**c) renamed and reviewed Maternity Leave Policy at Appendix 2; and**

**d) reviewed Paternity Leave Policy at Appendix 3.**

## Competence

*Financial*

5.1 There are no financial implications for the implementation of the recommendation. There may be short term resourcing implications if Shared Parental Leave is taken by an employee, but where additional resource is required, it will be accommodated within existing budgets as the leave to be taken is at the same rate as Statutory Maternity Pay (SMP) other than the first 6 weeks SMP is paid at 90% of earnings (with no maximum).

*Legal*

6.1 The reviewing and updating of the Policies ensures we are compliant with the current legal requirements for Shared Parental Leave and Maternity Leave. An Equalities Impact Assessment has been carried out.

6.2 The approval of Policies is a matter reserved to the Board.

*Regulatory Guidance*

7.1 The Regulatory Standards checklist has been completed and there is nothing in the report which would result in a breach of the standards.

*Risk*

8.1 There are no specific risks relating to the Policy and the updates ensure compliance with good practice and legal requirements.

## Report Details

9.1 The Shared Parental Leave and Maternity Leave Policies have been updated to take account of good practice and legal requirements as outlined in the following paragraphs.

9.2 The Maternity & Shared Parental Leave Policy has been renamed Maternity Policy and the rate of SMP has been updated. A new Shared Parental Leave Policy has been created.

*Shared Parental Leave*

9.3 The new Policy sets out the shared parental leave and pay entitlements and the procedures for employees to request shared parental leave. It is based on the statutory minimum requirements for shared parental leave and follows the EVH model Policy.

*Maternity Leave Policy*

9.4 The Maternity & Shared Parental Leave Policy has been renamed Maternity Leave Policy and has been amended with the SMP rates for 2021/22.

*Paternity Leave Policy*

9.5 The Paternity Leave Policy was reviewed with no changes required.

| | | |
|---|---|---|
| **APPENDIX 1:** | Draft Shared Parental Leave Policy | |
| **APPENDIX 2:** | Revised Maternity Leave Policy | |
| **APPENDIX 3:** | Reviewed Paternity Leave Policy | |
| **APPENDIX 4:** | Consultation for Shared Parental Leave Policy | |
| **Background Papers**: | None | |
| **Writer of Report**: | Katia Petteloot | Tel: 0300 123 0773 |

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# Shared Parental Leave Policy

**Effective Date:** November 2021
**Review Date:** November 2024
**Approved by HHP Board:**

## TABLE OF CONTENTS

# SHARED PARENTAL LEAVE

## INTRODUCTION

What is Shared Parental Leave?

1.1 Shared Parental Leave (SPL) enables eligible parents to choose how to share the care of their child during the first year from birth/adoption. SPL provides parents more flexibility in considering how best to care for, and bond with their child. All eligible employees have a statutory right to Shared Parental Leave and there may also be an entitlement to Shared Parental Pay. This policy sets out the rights and responsibilities of employees who wish to take shared parental leave and pay.

1.2 The following legislation relates to SPL:

- Shared Parental Leave Regulations 2014;
- Shared Parental Pay (General) Regulations;
- The Maternity and Adoption Leave (Curtailment of Statutory Rights Leave) Regulations 2014;
- Employment Rights Act 1996;
- Child and Families Act 2014; and
- Equality Act 2010.

## ELIGIBILITY

2.1 To be eligible for SPL, you must be:

- The mother/adopter or
- One of the following:
  - The father of the child (in the case of birth) or
  - The spouse, civil partner or partner of the child's mother/adopter.

2.2 To qualify for SPL **the mother** must;

- Have a partner,
- Be/have been entitled to statutory maternity/adoption leave and/or to statutory maternity/adoption pay or maternity allowance.
- Still be working for the organisation at the start of each period of SPL.
- Satisfy the continuity of employment test by having worked for us for 26 weeks at the 24th week of pregnancy or when the placement is confirmed.

2.3 To qualify a spouse/partner must:

- Be an employee,
- Share the primary care for the child with the other parent at the time of the child's birth/adoption.

- Have notified their employer of their entitlement providing any necessary evidence. Satisfy the requirements of the employment and earning test by having worked for us for at least 26 weeks in the 66 week period leading to baby's expected date of birth or adoption, and have earned an average of at least £30 a week in any 13 weeks within 66 weeks.

## ENTITLEMENT

Shared Parental Leave Entitlement

3.1 You are entitled to take up to 50 weeks SPL during your child's first year of birth/adoption. The number of weeks available will be calculated using the mother's/adopters entitlement to maternity/adoption leave which allows them to take up to the maximum of 52 weeks leave. If they decide to reduce their maternity/adoption leave then they and/or their partner may opt-in to the SPL system and take the remaining weeks as SPL.

3.2 A mother/adopter may reduce their maternity/adoption leave by returning to work before the end of their full 52 weeks entitlement or they may give notice to end their leave on a specified future date.

3.3 If the mother/adopter is not entitled to maternity/adoption leave but is entitled to Statutory Maternity Pay (SMP), Statutory Adoption Pay (SAP) or maternity allowance (MA), they must reduce their entitlement to less than the 39 weeks. If they chose to do this, their partner may be entitled to up to 50 weeks of leave. This is calculated by deducting from 52 the number of weeks of SMP, SAP or MA taken by the mother/adopter.

3.4 You can take SPL as follows:

- For mothers after the compulsory two weeks of maternity leave immediately after the birth of your child.
- For adopters you can take SPL after taking at least two weeks of adoption leave.
- For the father/partner/spouse immediately following the birth/placement of the child but may choose to exhaust any paternity leave entitlement (as paternity leave or pay can't be taken once any SPL or shared parental pay has been taken.

3.5 Where a mother/adopter gives notice to end their maternity/adoption entitlement then the partner can take leave while they are still on maternity/adoption leave.

3.6 SPL will normally start on your chosen start date which is specified in your booking notification, or any subsequent variation to their original notice.

3.7 Shared Parental Leave must end no later than one year after the birth/adoption of the child and any untaken leave will be lost.

Notification of Entitlement

3.8 You must give us at least eight weeks' notice before you are planning to start your leave. Please refer to Appendix 1 to complete the notice of eligibility form.

Requesting further evidence of eligibility

3.9 Within 14 days of receiving your notification, we can request the following further evidence of eligibility:

- Name and business address of your partner's employer.
- A copy of the child's birth certificate or a declaration as to the time and place of birth.
- Documentary evidence of the name and address of the adoption agency, the date on when you were notified of being matched with your child and the date on which the agency expects your child to be placed for adoption.

## TYPES OF SHARED PARENTAL LEAVE & VARIATIONS

4.1 Booking Shared Parental Leave

- You must give us your notice of entitlement as well as your notice to take the leave, both in writing, and both can be done at the same time.
- You can submit up to three notifications for leave which can be either for a period of continuous or discontinuous leave.
- SPL can begin on any day of the week but can only be taken in complete weeks.

Types of Leave

4.2 You can request either continuous or discontinuous leave:

1. **Continuous**' leave is when you take an unbroken period of leave e.g. six weeks leave. We will always agree to a request for continuous leave so long as you are eligible.
2. '**Discontinuous'** leave is taken over a certain period of time but with breaks in between full weeks (E.g. five weeks SPL followed by 4 weeks back at work, followed by a further two weeks SPL). We will try and accommodate your request for discontinuous leave but if we cannot do it for business reasons, we will try and reach an agreement with you. If we can't reach an agreement the following rules will apply:
   - Within 14 days: if no agreement is reached or we refuse your request, the total amount of leave in the request MUST be taken as one continuous block.
   - Within 15 days: you may still withdraw your discontinuous leave request and it will not count as one of the three allowed notifications.

- Within 19 days: you can choose when the continuous leave will commence. However, it cannot start sooner than eight weeks from the date of your request.

Responding to your Shared Parental Leave notification

4.3 Once the booking notification is received, we will confirm in writing that we have received it and give you an answer in writing within 14 days.

Variations to arranged SPL

4.4 You can cancel an agreed and booked period of SPL as long as you give us at least eight weeks' notice for any new arrangement.

Any notification/variation/cancellation, which includes notice to return to work early, will normally count as a new notification therefore reducing your total number of 3 requests allowed. This would be unless it is because your child is born early or because we requested the change.

## SHARE PARENTAL PAY

Shared Parental Pay (ShPP)

5.1 If you are eligible you are entitled to take up to 37 weeks of ShPP. The amounts of weeks available will depend on the amount by which your partner reduces their maternity/adoption pay period or maternity allowance. ShPP may be payable during some or all of SPL, depending on the length and timing of the leave.

5.2 To qualify for pay, you need to meet the following criteria:

- For mothers/adopters you must be/have been entitled to statutory maternity/adoption pay or maternity allowance.
- You must intend to care for the child during the week in which ShPP is payable.
- You must continue working for us until the first week of ShPP begins.
- You must give us notification as set out in Appendices 1 & 2.
- Your average weekly earnings for the period of eight weeks leading up to and including the 24th week of pregnancy or matching date are not less than the lower earnings limits in force for National Insurance contributions.

You need to give us eight weeks' notice advising of your entitlement to pay.

5.3 Any ShPP will be paid at the rate set by the government for the relevant tax year.

5.4 For a notification form for ShPP please see Appendix 2.

## TERMS AND CONDITIONS

6.1 Your normal contract of employment will remain in force during the period of shared parental leave. Pension contributions will continue to be made while you are receiving ShPP but not during any period of unpaid leave. Your contributions will be based on actual pay, while employer contributions will be based on your normal salary.

## ANNUAL LEAVE

7.1 Before you start your period of SPL, you should agree with us the dates of your annual leave. If it is not possible to take the leave within the annual leave year, we will transfer your remaining leave to the next year's entitlement. You cannot be paid instead of taking the leave.

7.2 If you plan to take annual leave before you return from SPL, you must notify us in writing giving at least 8 weeks' notice:

- The date you want your SPL to end,
- The period you then want to take as annual leave and,
- The date you will come back to work.

## MONITORING AND REVIEW OF POLICY

<u>Shared Parental Leave in Touch Days (SPLIT)</u>

8.1 If we agree, you may work up to 20 days under your contract of employment during your shared parental leave without losing your right to SPL or ShPP. The 20 days limit stands no matter how long your leave is. The 20 days can be worked at any time during your SPL apart from the first two weeks after you give birth.

8.2 You do not have to work these days and we do not have to agree to you working them.

8.3 Before you start your leave, we will discuss with you the type of work that may be done during your SPLIT days. Any work carried out on a SPLIT day or part of a day will count as a day's paid work.

<u>Returning to Work</u>

8.4 We will give you written notice on when your leave ends and you need to return to work on your next working day. If you do not return, we will treat this as an unauthorised absence.

8.5 If you want to return to work earlier than expected you must give us eight weeks written notice to vary the leave. This will count as one of your three allowed notifications.

8.6 If your combined maternity/adoption/paternity leave and SPL up to 26 weeks, you will return to the same job as the one you had just before your leave started.

8.7 If the combined leave is more than 26 weeks, you will return to the same job you occupied prior to commencing your last period of leave. If this is not possible we will offer you another job, which is suitable and appropriate and on terms and conditions which are no less favourable.

8.8 If you choose to take a period of 4 weeks or less unpaid parental leave it will have no effect on your right to return to the same job as held prior to the last period of maternity/adoption/paternity and SPL so long as it does not exceed 26 weeks.

8.9 This policy will be reviewed every three years in line with the policy review schedule.

## APPENDIX 1 NOTIFICATION OF ENTITLEMENT

Please complete all relevant sections of the form below in relation to your notification of entitlement to Shared Parental Leave. Remember you must submit this at least 8 weeks prior to any period of SPL commencing.

| | |
|---|---|
| **Employee Name** | |
| **Name of Partner/Spouse** | |
| **Start Date of Maternity/Adoption leave** | |
| **End Date of maternity/adoption leave** | |
| **Total amount of SPL available** | |
| **Maternity – Expected date for child to be born** | |
| **Actual Date of Birth of the child** | |
| **Adoption – Notification or being matched with child** | |
| **Date of placement for adoption** | |
| **Amount of SPL both you and your partner intend to take** | |

| | |
|---|---|
| **Signed declaration:**<br><br>**(Must confirm:**<br>• **Meet/will meet the eligibility criteria**<br>• **Information given is accurate**<br>• **Inform the organisation if you are no longer eligible**<br>• **If not the mother/adopter you must confirm you are either the father of the child, spouse or civil partner).** | Signed ……………………………………………<br><br>Date ……………………………………………… |

| **Signed declaration from your partner confirming the following:** | |
|---|---|
| **Name** | |
| **Address** | |
| **National Insurance Number** | |
| **Signature to confirm the following**<br>• **They are either the mother/adopter, father of the child, spouse or civil partner of the mother/adopter**<br>• **Consent to the amount of SPL that the employee intends to take.** | Signed …………………………………….. |
| • **They satisfy the employment and earnings test set out earlier.**<br>• **Consent to the organisation processing the information contained in the declaration form.**<br>• **Inform their partner should they cease to satisfy the conditions of eligibility.** | Date……………………………………… |

## APPENDIX 2 NOTIFICATION OF SHARED PARENTAL PAY

Please complete all sections of the form below in relation to your notification of entitlement to Shared Parental Pay. Remember you must submit this at least eight weeks prior to any period of SPL commencing.

| | |
|---|---|
| **Employee Name** | |
| **Start date of maternity/adoption pay** | |
| **End date of maternity/adoption pay** | |
| **Total amount of ShPP available** | |
| **Amount of SHPP you and your partner intend to claim** | |
| **Date you expect to claim ShPP from** | |
| **Signed declaration confirming the information you have given is correct and that you meet/will meet the criteria for ShPP.**<br><br>**In addition, you will advise the organisation if you cease to be eligible.** | Signed ……………………………………….<br><br>Dated ………………………………………….. |

| **Signed declaration from your partner confirming the following:** | |
|---|---|
| **Name:** | |
| **Address:** | |
| **Agreement to the employee claiming ShPP**<br>**For the organisation to process any ShPP payments to the employee**<br>**That the mother/adopter will inform their partner should they cease to satisfy the eligibility conditions** | Signature: …………………………………………… |
| | Date ………………………………………………… |

## POLICY CHANGE HISTORY

| Version | Change Applied | Date | By |
|---|---|---|---|
| *1.0* | Initial Policy | 21 Oct 2021 | Katia Petteloot |
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## INTERPRETATIONS & ABBREVIATIONS

The following interpretation and abbreviations are used in this policy:

| Word | Interpretation |
|---|---|
| *HHP or Partnership* | Hebridean Housing Partnership |
| *Board* | Means the Board of the Hebridean Housing Partnership |
| *Board Members* | All Members of the Board including co-opted Members |
| *Leave* | Leave is taken to mean both annual and public holiday entitlement subject to the statutory minimum |
| *SPLIT* | Shared Parental Leave in Touch Days |
| *Parent* | Includes biological and adoptive parents, as well as those who have acquired responsibility for a child, e.g. legal guardian or the new partner of a parent, provided they meet all the other eligibility criteria |
| *SPL* | Shared Parental Leave |
| *ShPP* | Shared Parental Pay |
| All references to the masculine gender in this policy shall read as equally applicable to the feminine gender | |

hebridean housing partnership


# Maternity Leave Policy

**Effective Date:** November 2021
**Review Date:** November 2024
**Approved by HHP Board:**

## TABLE OF CONTENTS

# MATERNITY LEAVE POLICY

## INTRODUCTION

1.1 Our policy is to comply with both the letter and the spirit of the law on maternity leave and statutory maternity pay. To this end its aim is to inform all female employees of their entitlement to statutory maternity rights and to ensure that those rights are understood by employees who qualify.

1.2 There is no distinction between live and still births in the granting of maternity leave.

1.3 Where a baby is due or a child is placed for adoption on or after 5 April 2015, subject to eligibility conditions being met, parents may share leave.

1.4 We will:

- Ensure that a pregnant employee is not treated unfavourably because of her pregnancy or because of illness suffered as a result of her pregnancy;
- Ensure a risk assessment is carried out as soon as they have been informed of the employee's pregnancy;
- Allow the employee paid time off for ante-natal appointments;
- Organise adequate cover for the pregnant employee until she returns from maternity leave;
- Continue all contractual terms (other than remuneration) during an employee's maternity leave;
- Inform the employee of her rights and responsibilities while she is pregnant and on maternity leave;
- Seriously consider any flexible working requests; and
- Where the employee's job becomes redundant during maternity leave, offer suitable alternative employment where possible.

1.5 Employees must

- Inform their employer that they are pregnant at least 15 weeks before the expected week of childbirth (EWC);
- Comply with any health and safety restrictions relating to pregnant employees; and
- Abide by any relevant notice periods relating to informing the employer of maternity leave dates, particularly where there are changes to such dates.

*Maternity leave and pay are separate entitlement. Entitlement to maternity pay will depend on length of service and on whether an employee returns to work following her maternity leave.*

Eligibility and Qualifying Conditions for Maternity Leave

1.6 Statutory maternity leave (SML) consists of a 26-week ordinary maternity leave (OML) period followed immediately after by a 26-week additional maternity leave (AML) period. All pregnant employees, whether working full time or part time, married or single, temporary or permanent, qualify for the full 52-week maternity period.

1.7 To qualify for maternity leave there are certain notification requirements that the employees must adhere to detailed in Para 1.8 to 1.11.

Maternity Leave Notification Requirements

1.8 In order to activate her statutory rights to take maternity leave and return to work, an employee must inform her employer (in writing) no later than the end of the 15th week before the expected week of childbirth (EWC):

a) That she is pregnant

b) When the EWC is by providing a medical certificate

c) The date on which she intends to start her maternity leave(in writing) which must not be earlier than the beginning of the 11th week before the EWC

1.9 If it is not reasonably practicable for the employee to give the necessary notice of her intention to take maternity leave (e.g. because of premature birth) she will still qualify for such leave provided that she gives notice as soon as is reasonably practicable to do so.

1.10 An employee does not have to inform us that she intends to return to work at the end of her SML period as it is presumed that she intends to take the full leave period.

1.11 However, an employee must notify us, in writing, of the date she wants to return to work if she intends to return before the end of the SML period or a date previously specified. The employee must give this notification at least eight weeks before the intended date of return.

Medical Evidence

1.12 The employee must provide a medical certificate confirming that she is pregnant and the expected week of childbirth (EWC). Such a certificate, normally supplied by the means of a MAT B1 form, obtainable by the employee from her doctor or midwife (both must be registered), must, in order to be valid, be dated no earlier than the 20th week before the EWC.

Changing the Start Date of Maternity Leave

1.13 An employee has the right to change the start date of her maternity leave, provided that she notifies us of the change.

1.14 Notification must be given at least

a) 28 days before the original start date, or

b) 28 days before the new start date

whichever is the earlier.

1.15 If the employee is unable to comply with these dates, notification must be given as soon as is reasonably practicable.

1.16 The employee must provide this notification in writing; the employee may not specify a date earlier than the beginning of the 11th week before the EWC.

## DUTY TO NOTIFY EMPLOYEE WHEN A MATERNITY LEAVE WILL END

1.17 Once we have received notification of the start date of an employee's maternity leave, we must, within 28 days of the date on which notice was received, notify the employee in writing, of the date on which her additional maternity leave will end.

1.18 The above notification will also apply when an employee notifies us that she has begun her maternity leave early because of a pregnancy-related illness that occurs sometime after the beginning of the fourth week before the EWC, or where it has not been reasonably practicable for the employee to let us know in advance, e.g. because of early birth.

Employee's request to return early from Maternity Leave

1.19 If an employee wishes to change the date of her intended return from maternity leave to an earlier date, she should notify her employer at least eight weeks before the earlier return date.

1.20 However, if an employee does not give the correct notice, we are entitled to postpone her return until the correct notice is provided (but will not postpone her return beyond the date her full maternity leave entitlement would have come to an end in any case).

## RELATIONSHIP WITH ADDITIONAL PATERNITY LEAVE (APL)

1.21 The right to APL has been available to parents of babies due on or after 3 April 2011. APL must be taken within a "window" that starts 20 weeks after and ends 12 months after the child's date of birth and is dependent on the employee's spouse, civil partner or partner having returned to work from their statutory maternity leave.

1.22 Where a baby is due or a child is placed for adoption on or after 5 April 2015 additional paternal leave will replace APL.

## THE TIMING OF A MATERNITY LEAVE

When Maternity Leave Can Begin

1.23 Statutory leave can be started in one of three ways:

- On the date the employee notified us she intends to begin her leave
- Four weeks before the EWC where she is absent from work due to a pregnancy-related illness
- On the day after childbirth

Giving Statutory Notice of the Start of Maternity Leave

1.24 Subject to some restrictions, a pregnant employee has the freedom to choose when to start maternity leave and when to return to work.

1.25 The earliest date on which maternity leave can begin is the beginning of the 11th week before the week in which the baby is due. However there is no obligation on the employee to commence maternity leave at this point. If she is in good health, she may elect to continue working right up to when the baby is born. Any pressure extended on an employee to commence maternity leave earlier than she wishes would amount to unlawful sexual discrimination.

Automatic Triggering of Maternity Leave

1.26 There are two circumstances where maternity leave may start earlier than planned.

- Where the employee is absent with a pregnancy-related illness in the four-week period leading up to childbirth.
- Where the employee gives birth earlier than planned

When Maternity Leave End

1.27 An employee with the right to take statutory maternity leave may simply resume work after the 52 weeks (or any earlier date previously notified) without any obligation to give notice.

1.28 If an employee wishes to return to work earlier, the employee must provide eight weeks' written notice. An employee is prohibited from returning to work within two weeks of childbirth.

1.29 As long as the appropriate notice is given, we will respect the employee's freedom of choice as to when she wishes to return from maternity leave.

Compulsory Maternity Leave

1.30 It is unlawful to allow an employee to return to work within two weeks of childbirth. This is the compulsory maternity leave period in the Employment Rights Act (ERA) 1996 s.72. The word "childbirth" means the birth of a child whether living or dead after 24 week pregnancy. The rule also covers sending work to an employee at home or while she is in hospital.

## PREGNANCY – RELATED ILLNESS

1.31 If a pregnant employee is off sick on account of a pregnancy-related illness during the four-week run up to the expected week of childbirth (EWC), we may lawfully insist that the maternity leave period begins straight away.

1.32 If an employee's maternity leave is triggered by HHP under these circumstances, the maternity leave period begins automatically on the day after the first day of the employee's absence from work.

1.33 An employee will not be entitled to maternity leave if she does not notify HHP as soon as reasonably practicable that she is absent from work because of a pregnancy-related illness. The employee must also notify the employer of the date on which her absence on such grounds began. She must confirm this in writing.

1.34 Any sick leave taken as a result of a pregnancy-related illness before the start of the fourth week before the EWC (and before statutory maternity leave has begun) will be treated as sick leave in the usual way, with statutory sick pay or occupational sick pay being paid to the employee.

## EMPLOYMENT RIGHTS DURING MATERNITY LEAVE

Terms and Conditions During OML and AML

1.35 During ordinary maternity leave (OML) and (AML) an employee has the statutory right to continue to benefit from all her terms and conditions of employment with the exception of those in relation to remuneration. The employee will receive statutory maternity pay (SMP) instead of her normal salary for the first 39 weeks of leave.

1.36 The 2019/20 levels for Statutory Pay Rates are

| Payment | Time | Level | Amount |
|---|---|---|---|
| *SMP* | 1st 6 Weeks | Higher | 90% of average earnings |
| | Next 12 weeks | Higher | 50% of average earnings |
| | Remaining 21 weeks | Lower | £151.97 or 90% of average earning (whichever is lower) |
| *OSPP* | 1 0r 2 weeks | | |

1.37 The employee will have the right to continue to receive contractual benefits during OML and AML.

1.38 An employee resuming work after OML and AML is entitled to benefit from any general improvements to the rate of pay (or other terms and conditions) that she would have received had she been at work. This may also lead to a re-calculation of her SMP entitlements.

Annual Leave

1.39 Annual leave will accrue during the period OML and AML period. Bank Holidays which take the total leave for the year over 28 days (statutory minimum) do not accrue.

1.40 Any annual leave accrued before maternity leave starts should be taken during that leave year.

1.41 Any annual leave that will accrue whilst on maternity leave during the annual leave year in which maternity leave begins should be taken

- Immediately on return from maternity leave, thereby effectively extending the employee's actual physical return to work (i.e. it is carried forward to the next annual leave year but must be taken immediately on return or it is lost)

1.42 Where it is agreed that an employee will return to work on the basis of reduced contractual hours of work, the employee's new reduced hours should not normally take effect until any leave accrued under the previous contractual hours has been taken.

Contact during Maternity Leave

1.43 HHP and the employee are entitled to make reasonable contact with each other while the employee is on maternity leave. For example HHP may contact the employee to discuss whether or not her planned date or return has changed or is likely to do so, or to discuss any flexible working arrangement that would make her return to work easier.

Kit Days

1.44 Any employee may work for HHP during her maternity leave period for up to 10 days (known as "keeping-in-touch" KIT days) without bringing her maternity leave to an end. The purpose of these KIT days is to allow the employee to keep up to date with work changes, undergo training or simply undertake normal work.

1.45 There will be no loss of SMP for working KIT days and they will not extend maternity leave or bring it to an end.

1.46 An employee cannot undertake work on a KIT day until at least two weeks after the birth of the child. Otherwise the timing of KIT days is a matter for HHP and the employee to decide.

1.47 The work that an employee undertakes on a KIT day will be work she is entitled to perform under her contract of employment (including training) or any activity carried out for the purpose of keeping in touch with the workplace.

1.48 A KIT day will be counted as one KIT day regardless of the length of time the employee has worked on that day. Payment for KIT days will be paid at normal contractual rates for the actual hours worked and will be made when the employee returns to work.

1.49 The total duration of the statutory maternity leave period will remain at 52 weeks regardless of whether or not the woman has worked on a KIT day.

## RIGHT TO RETURN TO WORK AFTER MATERNITY LEAVE

The Right to Resume Work after OML

1.50 An employee who returns to work after OML is entitled to return to the job in which she was employed before her absence with her seniority and pension rights as they would have been had she not been absent (and on the same terms and conditions).

1.51 If an employee returns to work after two or more consecutive periods of statutory leave, including OML and AML, or OML and parental leave lasting more than four weeks and it is not reasonably practicable for the employer to permit her to return to that job, she will be offered another job that is more suitable and appropriate for her on no less favourable terms and conditions.

The Right to Return to Work after AML

1.52 An employee who returns to work at the end of (or during) AML has the right to return to a job under the same contract of employment and on terms and conditions no less favourable to her. An employee returning to work from maternity leave will benefit from any improvement in working conditions that she would have been entitled to had she not been absent.

1.53 If it is not practicable for the employer to allow the employee to return to the same job because of redundancy, she will be offered a suitable alternative vacancy (before the end of her employment under the existing contract).

Right to Delay Deciding whether to Return to Work

1.54 An employee entitled to additional maternity leave is under no obligation to decide at the commencement of maternity leave whether she will in fact be returning to work. Provided she meets all the statutory notification provisions in Maternity Leave Notification Requirements (Par 1.6 to 1.10), she will retain her right to return, but is free to change her mind later if she so wishes.

1.55 An employee may resign at any time during her maternity leave in accordance with the provisions of her contract or under statutory notice provisions. Resignations must be provided in writing.

Continuity of Service

1.56 All period of maternity leave will be counted as continuous service for the purpose of calculating an employee's statutory rights that are dependent on length of service e.g. entitlement to a statutory redundancy payment or pension rights.

1.57 Continuity is also preserved for as long as the contract of employment continues to exist, whether or not the employee returns to work at the end of the maternity leave period.

## DEFINITIONS

Week's Pay

1.58 The term "a week's pay" for employees whose remuneration for normal working hours does not vary with the amount of work done in the period, is the amount payable by the Partnership to the employee under the current contract of employment for working their normal hours in a week. Where there are no normal working hours, a week's pay is the average remuneration in the period of 12 weeks preceding the date on which the last complete week ended, excluding any week in which no remuneration was earned.

Childbirth

1.59 For the purposes of this policy childbirth means the live birth of a child or a stillbirth.

1.60 Where a mother or adopter returns to work before the end of the maternity or adoption pay period, Shared Parental Pay (ShPP) may be paid for the remainder of the period to a maximum of 37 weeks.

## POLICY REVIEW

1.61 This policy will be reviewed every three years in line with the policy review schedule.

## POLICY CHANGE HISTORY

| Version | Change Applied | Date | By |
|---|---|---|---|
| *1.0* | Initial Policy | 18 Nov 2015 | Dena Macleod |
| *2.0* | Amend Para 1.36 to correct error in maternity pay allowance | 20 Nov 2018 | Dena Macleod |
| *2.1* | Update the rate of statutory maternity pay for 2019/20 | 21 Jun 2019 | Dena Macleod |
| *2.2* | Update the rate of statutory maternity pay for 2021/22 | 15 Oct 2021 | Katia Petteloot |
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## INTERPRETATIONS & ABBREVIATIONS

The following interpretation and abbreviations are used in this policy:

| Word | Interpretation |
|---|---|
| *HHP or Partnership* | Hebridean Housing Partnership |
| *Board* | Means the Board of the Hebridean Housing Partnership |
| *Board Members* | All Members of the Board including co-opted Members |
| *Leave* | Leave is taken to mean both annual and public holiday entitlement subject to the statutory minimum |
| *Personal Section* | Director of Finance & Corporate Services and Chief Executive's Personal Assistant |
| *AML* | Additional Maternity Leave |
| *APL* | Additional Paternity Leave |
| *EWC* | Expected Week of Childbirth |
| Duty of Fidelity | The implied duty owed by every employee that required loyal and faithful service as defined by law |
| KIT day | Keep-in-touch day |
| OML | Ordinary Maternity Leave |
| OPL | Ordinary Paternity Leave |
| OSPP | Ordinary Statutory Paternity Pay |
| Parent | Includes biological and adoptive parents, as well as those who have acquired responsibility for a child, e.g. legal guardian or the new partner of a parent, provided they meet all the other eligibility criteria |
| SMP | Statutory Maternity Pay |
| SPL | Shared Parental Leave |
| All references to the masculine gender in this policy shall read as equally applicable to the feminine gender | |

hhp | hebridean housing partnership


# Paternity Leave Policy

**Effective Date:** November 2021
**Review Date:** November 2024
**Approved by HHP Board:**

## TABLE OF CONTENTS

# PATERNITY LEAVE POLICY

## INTRODUCTION

1.1 This Policy sets out paternity leave and pay entitlements and the procedure for employees to request such leave and pay. It is based on the statutory minimum requirements for paternity leave.

1.2 The two-week paternity leave period is known as paternity leave (PL).

## INTRODUCTION TO PATERNITY LEAVE

1.3 We recognise that more and more employees want to be involved in supporting their partner around the time of their child's birth or, in the case of adoption, the child's placement. Paternity leave gives the employee the opportunity to both spend time with their partner and get to know their new child.

1.4 Employees who meet certain qualifying conditions have a statutory right to take two weeks paid leave on the birth or adoption of a child for which they have or expect to have responsibility. Both opposite sex and same-sex partners may be eligible.

1.5 The leave must be used to provide care and support to the mother/primary adopter and/or the child and not for any other purpose.

## ELIGIBILITY

1.6 To be eligible for paternity leave (PL), the employee must have accrued a minimum of 26 weeks service by the end of the relevant week.

1.7 To be eligible for Occupational Paternity Pay (OPP) and Statutory Paternity Pay (SPP), the employee's average weekly earnings over a certain eight-week period must be not less than the lower earnings limit for National Insurance Contributions. Employees who earn less than this limit may still take PL, but they are not entitled to receive OPP or SPP. They must also meet certain notification requirements.

1.8 In the case of the birth of a child, the mother's partner may be eligible for paternity leave. In the case of adoption, the principal adopter's partner may be eligible. In both cases, the partner may be male or female.

## PAY AND BENEFITS DURING PATERNITY LEAVE

1.9 For those who qualify, the first week of paternity leave will be with full pay (OPP) and the second week SPP is paid at the standard rate or 90% of the employee's average weekly earnings, whichever is the lesser amount.

1.10 Absence from work due to a period of PL does not affect the employee's entitlement to annual leave.

1.11 The employee's contract of employment with us continues in full throughout the period of PL with the exception of normal remuneration.

## NOTICE REQUIREMENTS

1.12 Before taking PL, an eligible employee must give written notice of his intention to take PL by the end of the relevant week (for a newborn child) or within seven days of receiving notification of the child being matched with the adoptive parents. The Application for Paternity Leave should be used to provide notification.

1.13 To receive OPP and SPP, the employee must give at least 28 days' notice of the date on which he wants his OPP and/or SPP to begin. Once birth or placement has occurred, he should also inform Personnel section of the actual date of birth/placement, as soon as reasonably practicable.

1.14 An employee claiming OPP (and SPP) on the birth of a child must provide Personnel Section with a signed declaration that he:

- Is the baby's biological father, or is married to, is the partner/civil partner of the baby's mother (but not an immediate relative)
- Has responsibility for the child's upbringing
- Will take the leave to support the child and/or the child's mother

1.15 He must also set out:

- The date the baby is due (or the dates the baby was due/was born)
- The date he wants the PL (and SPP period) to begin
- Whether he is claiming one or two weeks' PL

1.16 An employee claiming PL (and SPP) on the adoption of a child must provide Personnel section with a signed declaration that he:

- Is the Primary Adopter;
- Is married to, the partner of, or the civil partner of the primary adopter
- Will have responsibility for the child's upbringing
- Will take the leave to support the child and/or the primary adopter
- Wants to claim PL (and SPP) not statutory adoption leave and pay

1.17 He must also set out:

- The date his partner received notification of the match with the child
- The date the child is expected to be/has been placed with them
- The date he wants the PL (and SPP) to begin
- Whether he is claiming on or two weeks PL

1.18 The actual date of childbirth/adoption placement can be difficult to predict. The employee can therefore choose to specify that the PL will commence:

- Immediately following the child's birth/placement, or a set number of days after the birth/placement (i.e. the baby's birth/placement triggers leave)
- On a specified date

1.19 As the notification to take PL takes place relatively early before the birth/adoption, the employee may subsequently change his mind. In such circumstances, provided the initial notification criteria have been met, the employee may amend the date by providing the Personnel section with notice 28 days before the new date.

1.20 An employee may lose his entitlement to PL (and SPP) if he does not give the correct notice to the organisation.

## LEAVE ARRANGEMENTS

1.21 Only one period of leave is allowed even in the case of multiple birth or adoption placements.

1.22 Leave cannot be taken in units of odd days. It must be taken in a single block of one or two weeks.

1.23 The leave must be completed within 56 days of the child's birth or placement. However if the baby is born prematurely, the employee may elect to take PL either:

- Immediately; or
- Within 56 days of the first day of the expected week of childbirth (as opposed to the actual date of the birth)

1.24 In the sad event of a child being stillborn, the employee is still entitled to PL and OPP/SPP provided they meet the eligibility criteria.

1.25 In the case of adoptions, if an employee is told before their PL starts that the placement is not going ahead, they will not be entitled to PL. If the child has been place and a disruption occurs to the placement (e.g. the child, for some reason, is returned to the adoption agency) the employee will still be entitled to paternity leave and OPP/SPP.

## ANTENATAL APPOINTMENTS

1.26 Employees are entitled to take unpaid time off to accompany their partner at up to two antenatal appointments for a maximum of six and a half hours for each appointment.

1.27 The right applies to agency workers who have completed the 12 week qualifying period as well as to employees who are:

- The husband, civil partner or partner of a pregnant woman
- The father or partner of an expected child
- An intended parent in a surrogacy situation

## MONITORING AND REVIEW OF POLICY

1.28 This Policy will be reviewed every three years in line with the Policy Review Schedule.

## POLICY CHANGE HISTORY

| Version | Change Applied | Date | By |
|---|---|---|---|
| *1.0* | Initial Policy | 18 Nov 2015 | Dena Macleod |
| *2.0* | Updated for antenatal appointments, Occupational Paternity Pay and to take account good practice and equalities | 22 July 2019 | Dena Macleod |
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| *Board Members* | All Members of the Board including co-opted Members |
| *Leave* | Leave is taken to mean both annual and public holiday entitlement subject to the statutory minimum |
| *Personnel Section* | Head of Executive Office and Chief Executive's Personal Assistant |
| APL | Additional Paternity Leave |
| EWC | Expected Week of Childbirth |
| PL | Paternity Leave |
| OPP | Occupational Paternity Pay |
| SPP | Statutory Paternity Pay |
| Parent | Includes biological and adoptive parents, as well as those who have acquired responsibility for a child, e.g. legal guardian or the new partner of a parent, provided they meet all the other eligibility criteria |
| SPL | Shared Parental Leave |
| *Relevant Week* | • For new-borns: the 15th week before the expected week of the child's birth<br>• For adoptions from within the UK: the week in which the adoptive parents are told they have been matched with the child<br>• For adoptions from overseas: the week in which the adopter received official notification or the week at the end of which the employee has been continuously employed for at least 26 weeks, whichever is the later |
| All references to the masculine gender in this policy shall read as equally applicable to the feminine gender | |



HHP is a registered society under the Co-operative and Community Benefit Societies Act 2014, Registered Number: 2644R(S),Registered Office: Creed Court, Gleann Seileach Business Park, Willowglen Road, STORNOWAY, Isle of Lewis HS1 2QP. It is a charity registered in Scotland, Charity Number:SCO35767, registered as Registered Social Landlord with the Scottish Housing Regulator, Registration Number:359 and registered as a Property Factor, Registration Number PF000183
Email: info@hebrideanhousing.co.uk
Web: www.hebrideanhousing.co.uk
Phone:0300 123 0773

hebridean housing partnership
Making our house your home

CONSULTATION RESPONSE FORM

Shared Parental Leave Policy

November 2021

| No. | QUESTION | RESPONSE |
|---|---|---|
| 1 | The Policy has been updated in line with the EVH's Model Policy. Do you foresee any difficulties in the application of this policy? | YES/NO (please provide comments if desired) |
| 2 | Is there anything we have not covered in this Policy that you think we should cover? | YES/NO (please comment if Yes) |
| 3 | If you have any additional comments, please use this space to let us know. | |

Return by **17 December 2021** to: Iona France

hebridean housing partnership

Making our house your home

ITEM NO 7.2

# POLICY REVIEW (SAFEGUARDING)

## Board 17 November 2021

Report by Chief Executive

## Purpose of Report

1.1 The purpose of this report is to update the Board regarding compliance of our Safeguarding Policies with OSCR guidance.

## Summary

2.1 OSCR expects Charity Trustees to review safeguarding policies on an annual basis, to ensure they are consistent with the Interim Guidance, issued in May 2018.

2.2 The guidance covers the welfare of children and vulnerable adults to protect them from harm including physical, emotional, sexual and financial harm and neglect.

2.3 We have various policies which have aspects of Safeguarding in them and their compliance with appropriate guidance is detailed at Appendix 1, with further details on our approach to Safeguarding in the body of the report.

## Competence

3.1 The financial, legal and other constraints to the recommendations in this report being implemented are at paragraph 5.1 – 8.2.

## Recommendations

4.1 **It is recommended that the Board note the review of policies at Appendix 1 in respect of Safeguarding.**

| | |
|---|---|
| **APPENDIX 1** | Policy Review (Safeguarding) |
| **Background Papers** | OSCR Safeguarding Guidance: Keeping vulnerable beneficiaries safe, May 2018 |
| **Writer of Report** | Iona France |

## Competence

*Financial*

5.1 There is no financial constraint arising from the recommendation to this report being implemented.

*Legal*

6.1 There is a legal requirement to comply with guidance issued from regulatory bodies, including the National Guidance for Child Protection in Scotland issued by Scottish Government in September 2021.

*Regulatory Guidance*

7.1 The Regulatory Standards checklist has been completed and there is nothing in the report which would result in a breach of the standards.

7.2 This report provides assurance of evidence GF1 and RS4.3 in relation to our Annual Assurance Statement.

*Risk*

8.1 The major risk of not complying with Safeguarding guidance from OSCR is that vulnerable beneficiaries may not be safe and could come to harm. We could compromise our charitable status or incur reputational damage.

8.2 Legislative changes are itemised at number 16 on the Risk Register, and data security and integrity is at number 13.

# Report Details

*Safeguarding Policies*

9.1 We can demonstrate that we are operating appropriately and in a manner consistent with safeguarding guidance in a number of ways:

- An Annual Assurance Statement is issued to the Scottish Housing Regulator, confirming that the Board are satisfied that HHP comply with all legal and regulatory standards and requirements. The mapping and ongoing provision of evidence to the Board to allow the Assurance Statement to be made, is an important part of this self-regulation.
- Codes of Conduct, based on model documents approved by regulatory bodies, are signed annually by all Staff and Board Members before they can take an active part in HHP's business functions;
- Full Disclosures of Interest are made by all Staff and Board Members annually, and further Declarations of Interest are recorded before each Board or Committee Meeting commences;
- Rule compliance is reviewed and approved at the last meeting before the AGM;
- Training requirements are reviewed during staff appraisals and worked into a Training Plan which is approved by Board;
- There is a Policy Review Schedule in place to ensure all policies are subject to a review within a timeframe consistent with the risk they carry;
- A Risk Register is reviewed and presented at each meeting of the Audit & Risk Committee;
- Our Business Plan and Financial Regulations are reviewed annually; and
- Various statutory returns are made to Regulatory Bodies annually.

9.2 In terms of our policies, those identified as having elements which addressed Safeguarding, of beneficiaries and staff, are detailed at Appendix 1.

9.3 It was agreed that the relevant policies would have an annual review in respect of Safeguarding, and a report would go to the Board each November to confirm the policies remain compliant with the latest guidance, or advise of any changes which may be required.

## POLICY REVIEW (SAFEGUARDING)

| POLICY | REVIEW CONDUCTED | DATE OF REVIEW | NEXT REVIEW DUE |
|---|---|---|---|
| Alcohol & Drugs | Policy updated in line with EVH's Model Policy. | August 2020 | August 2023 |
| Codes of Conduct | Model Codes, originally adopted in 2018 and updated in 2021, were approved by the Scottish Housing Regulator and drafted by SFHA. Consistent with all current guidance. Codes to be signed by staff and Board Members annually. | August 2021 | August 2024 |
| Comments, Compliments & Complaints | The Policy was updated in line with Scottish Public Service Ombudsman (SPSO) guidance and contact details were updated for both the SPSO and factoring complaints. | August 2020 | August 2025 |
| Disclosure of Interest | The Policy remains consistent with Codes of Conduct, which are consistent with current guidance. | August 2019 | August 2022 |
| Domestic Abuse | The Policy was implemented in 2020 and is appropriate with current guidance and legislation. An interim review took place in January 2021 with no amendments required. | Reviewed January 2021 | January 2024 |
| Entitlements, Payments & Benefits | The Policy is consistent with Codes of Conduct, which adhere to current guidance. The review cycle was amended to bring it line with the review of the Codes. | August 2021 | August 2024 |
| Equality & Diversity Policy | The Policy was updated to take into account best practice recommended by EVH. (Previously called Equal Opportunities Policy) | March 2021 | March 2024 |
| Fire Safety (Office) | Review took place in May 2020 and the Policy is appropriate with current guidance. | May 2020 | May 2022 |
| Fraud | The Fraud Checklist is reviewed annually. The Policy was updated to include reference to the Whistleblowing Policy and is consistent with regulatory and legislative requirement. | February 2020 | February 2024 |
| Gas Management | At September 2021 421 properties had gas heating systems and all had a gas safety certificate. | February 2019 | February 2022 |
| Health & Safety | Consistent with all current guidance and no amendments made at last review. | January 2021 | February 2022 |
| Landlord Health & Safety Policies | The suite of policies are based on ACS Risk Group Model policies. | May 2019 | May 2022 |
| Lone Working | Updated with the latest guidance from EVH and the requirements of the COVID-19 pandemic. The lone worker definition was updated to included home workers. Policy is consistent with EVH guidance and based on a Croner Model Policy. | August 2020 | August 2023 |
| Managing Violence and Aggression at Work | This is based on a Croner model policy which was compliant with all relevant guidance at the point of adoption. | May 2019 | May 2022 |
| Maternity & Shared Parental Leave | No major amendments required at review and Policy is consistent with Health & Safety at Work legislation. Based on Croner Model Policy. | June 2019 | November 2021 |

| POLICY | REVIEW CONDUCTED | DATE OF REVIEW | NEXT REVIEW DUE |
|---|---|---|---|
| New & Expectant Mothers | The Policy based on a Croner model policy which was compliant with all relevant guidance. | November 2020 | November 2023 |
| Openness & Confidentiality | Policy complies with GDPR and FOI legislation. | November 2019 | November 2023 |
| Particular Housing Needs | No major amendments required at review and Policy is consistent with current guidance. | August 2020 | August 2023 |
| Personal Relationships at Work | The policy was implemented in May 2019 and is based on EVH Model Policy and developed to ensure best practice. | | May 2022 |
| Repair & Maintenance | In line with Special Needs Housing Policy, Right to Repair and OT referral processes and consistent with relevant guidance. | March 2021 | March 2024 |
| Risk Management | Reviewed on an annual cycle and consistent with the risk HHP faces. The Strategy was updated to include our scoring mechanism for risk. | June 2021 | June 2022 |
| Scottish Secure Tenancy | Updated in line with Model Scottish Secure Tenancy Agreement following the introduction of the Housing (Scotland) Act 2014 in May 2019. | May 2019 | n/a |
| Smoking at Work | No major amendments required at last review and Policy is consistent with Health & Safety at Work legislation. Based on Croner Model Policy. | January 2021 | January 2024 |
| Special Leave | Policy updated to include reference to Pensions in accordance with Local Government Pensions Scheme (Scotland), and guidance from Highland Council. | May 2020 | May 2023 |
| Stress Management | The Policy is consistent with Health & Safety at Work legislation and incorporates EVH's Model Policy from May 2020. | November 2020 | November 2023 |
| Tenant Participation | Tenant Participation Strategy in place and updated annually. | August 2021 | August 2022 |
| Unacceptable Actions by Complainants | The policy has been updated in line with Scottish Public Service Ombudsman (SPSO) guidance. An additional section has also been incorporated at section six of the Policy to give guidance on complainants who unreasonably refuse to cooperate. | August 2020 | August 2023 |
| Vulnerable Consumers | All aspects of vulnerability covered by Policy and various staff took part in training courses in 2018 to cover: Child Protection, Landlords Facilities Health and Safety Awareness, Energy Awareness, Gas Safety Awareness, Full Service Universal Credit, Emergency First Aid, and Equalities. | March 2019 | March 2022 |
| Whistleblowing | No major amendments required, Consistent with Whistleblowing guidance following the Public Interest Disclosure Act 1998 (PIDA) and the Enterprise and Regulatory Act 2013. | February 2020 | February 2024 |

| POLICY | REVIEW CONDUCTED | DATE OF REVIEW | NEXT REVIEW DUE |
| --- | --- | --- | --- |
| Young Workers | No major amendments required at review and is consistent with Health & Safety at Work legislation. Based on Croner Model Policy. | January 2021 | January 2024 |

hebridean housing partnership

Making our house your home

ITEM NO 8.1

# QUARTERLY TREASURY REPORT TO 30 SEPTEMBER 2021

## Board 17 November 2021

Report by Director of Finance & Corporate Services

## Purpose of Report

1.1 To inform the Board of the Treasury Management activities for the second quarter of 2021/22, and to seek approval to increase purchase invoice approval limits. The report also requests approval of our hedging strategy with respect to the new borrowing facility.

## Summary

2.1 The quarterly Analysis of Investment and Borrowing report required by the Treasury Management Policy is at Appendix 1.

2.2 Financial covenants are forecast to be met for 2021/22.

2.3 A hedging strategy has been developed in conjunction with Chatham Financial (Treasury Advisors) which can be found at Appendix 3 & 4.

2.4 An increase to the Chief Executive's approval limits for purchase invoices from £1M to £1.5M is required to meet the Housing With Extra Care (HWEC) programmed costs.

## Competence

3.1 Financial and legal constraints arising from the recommendation to this report being implemented are detailed at 5.1 – 8.2.

## Recommendations

4.1 **It is recommended that the Board:**

- **a) note the quarterly report on the Analysis of Investment and Borrowing as shown at Appendix 1;**
- **b) note the outstanding loans at 30 September 2021 of £5M;**
- **c) note the cash balance at 30 September 2021 of £4.473M;**
- **d) approve an increase to the Chief Executive's purchase invoice approval limit to £1.5M for the remainder of the HWEC contract; and**
- **e) approve the hedging strategy at Appendix 4 and delegate authority to the Director of Finance and Corporate Services to conclude the Hedging strategy with RBS.**

## Competence

*Financial*

5.1 This report deals entirely with the cash resources utilised over the second quarter of 2021/22.

*Legal*

6.1 Rule 19.1 to 20.1 details the Partnership's borrowing powers.

6.2 The effecting of borrowing and lending money is in accordance with the Partnership's borrowing and lending policies and CIPFA's "Treasury Management in Housing Partnerships: A Code of Practice" and has been delegated to the Director of Finance & Corporate Services.

6.3 The Treasury Management Policy requires that as a minimum a quarterly report is provided to the Board in the form "Analysis of Investment and Borrowing".

6.4 The Treasury Management Policy requires that if the cash balances exceed £4M the funds should be spread over no fewer than four interest bearing accounts. The cash balances are in a special interest account with Royal Bank of Scotland (RBOS). The remainder is held in the current accounts with the RBOS.

6.5 The Treasury Management Policy states that we "will ensure at least 50% of net debt is to be hedged (either through entering into fixed rates or using another acceptable instrument) at any one time and so a maximum of 50% of forecast net debt exposed to the risk of rising interest rates".

*Regulatory Guidance*

7.1 The Regulatory Standards checklist has been completed and there is nothing in the report which would result in a breach of the standards.

*Risk*

8.1 There are a number of risks highlighted in the Risk Register in relation to Treasury Management. The risk scored as "high" is the impact of increases in the interest rate and inflation rate and this has been addressed in Appendix 1.

8.2 The COVID-19 pandemic has resulted in turmoil in the financial markets. The reduction in the bank interest rates mean that there will be a reduction in interest received on deposit accounts.

8.3 The hedging strategy has been developed to minimise our exposure to interest rate volatility whilst complying with our Treasury Management Policy (TMP). For a period of 7 weeks, until 31 December 2021, we will not be in compliance with the minimum hedge requirement of 50% fixed debt. During this period we will have fixed 35%/£3.5M of total borrowings of £10M. On 31 December 2021 this will change to 85%/£8.5M hedged of total borrowings of £10M.

# Report Details

### *Second Quarter Treasury Update*

9.1 £0.091M of borrowings were drawn down in the second quarter to ensure our new borrowing facility opened with a £5M drawn position in line with the restated finance agreement.

9.2 The second quarter of the year saw £8.111M expenditure of which £5.150M related to new build.

9.3 The income for the second quarter was £6.118M and comprised Rental Income (47%), Sale of Shared Equity Units (1%), Government Grants including new build (50%) and Other Income (2%).

9.4 Appendix 2 summarises the income and expenditure profiles for the second quarter.

9.5 The cash balances at 30 September 2021 decreased quarter on quarter by £1.3M to £4.473M. This was driven by the fact that the majority of developments on the ground have now fully drawn Scottish Government Grant.

9.6 All covenants are forecast to be complied with for 2021/22.

### *Financial Regulations*

10.1 The Board approved our financial regulations in June 2021. The delegations included a cap on the purchase invoice approval limit for the Chief Executive of £1M. Due to the slippage on the HWEC development at Goathill, monthly invoices will exceed this limit. We are requesting Board approval to increase this limit to £1.5M. The increase would only apply until the HWEC development has completed and would then revert back to £1M.

### *Hedging Strategy*

11.1 Our new borrowing facility is summarised below:

| Clause / term | Facility A | Facility B | Facility C |
|---|---|---|---|
| Amount (commitment) | £5.0m | £12.0m | £8.0m |
| Type | Term loan | Term loan | Revolving Credit Facility |
| Term (and expiry) | 20 years | 25 years | 10 years |
| | -2041 | -2046 | -2031 |
| Availability / drawdown period | At completion | 2 years | 10th anniversary |
| Repayment | Amortising | Amortising | Bullet – in full on expiry |
| | Will commence no earlier than 10th anniversary | Will commence no earlier than 10th anniversary | |
| Margin | 1.40% | 1.80% | 1.50% |
| Commitment fees (non-utilisation) | N/A | 0.72% | 0.60% |
| | | Not applicable in Year 1 availability period | |
| Security (asset cover) covenant | Minimum value | | |
| | **•EUV-SH 1.10x (or 110%)** and/or | | |
| | **•MVST 1.25x (or 125%)** | | |

11.2 Our financing agreement required that on day one of the new facility we were fully drawn on Facility A. Facility B is a 25 year facility split into 2 sub facilities B1 & B2. This facility is available for a period of 2 years and must be fully drawn by 30 June 2022. Facility C is a 10 year revolving credit facility.

11.3 A hedging strategy with respect to Facility B was developed in October 2021 by our treasury advisors Chatham Financial based on our 18 month cash flow forecasts. The hedging strategy outlined 3 options which can be found at Appendix 3.

11.4 An addendum to the strategy was produced in November 2021 which outlines the final hedging options and provides a recommendation on which option we should adopt. The addendum to the strategy can be found at Appendix 4.

11.5 The recommendation is to enter into a fixed rate loan (Option 3) where the amount increases over time, in line with cashflow projections, from the initial drawdown (which will be £5m in November 2021) to £12m at the projected drawdown of the final £4m instalment in November 2022.

11.6 Entering into a fixed rate loan now means the fixed rate would apply from the next interest payment date (31 December 2021). Consequently, there is a short window during the current interest period where we are under-hedged (or the proportion of floating rate debt exceeds that set out in the TMP). This will be corrected from 31 December 2021 and does not represent a treasury risk.

| | | |
|---|---|---|
| **APPENDIX 1:** | Analysis of Investment and Borrowings | |
| **APPENDIX 2**: | Quarterly Income and Expenditure Profile | |
| **APPENDIX 3:** | Hedging Strategy Paper – October 2021 | |
| **APPENDIX 4:** | Hedging Strategy Paper Addendum – Update November 2021 | |
| **Background Papers** | None | |
| **Writer of Report** | Donald Macleod | Tel: 0300 123 0773 |

30SEP21 ANALYSIS OF INVESTMENTS AND BORROWINGS

## INVESTMENTS

| | Mar-21 | Jun-21 | Sep-21 | Average |
|---|---|---|---|---|
| ***DEPOSIT ACCOUNTS*** | **£000's** | £000's | £000's | £000's |
| Royal Bank | **749** | 749 | 650 | 716 |
| CWS | **0** | 0 | 0 | 0 |
| BOS | **787** | 787 | 1 | 525 |
| Santander | **1,583** | 1,583 | 1,583 | 1,583 |
| Total Deposit | **3,119** | 3,119 | 2,234 | 2,824 |
| | | | | |
| ***CURRENT ACCOUNTS*** | | | | |
| General Account | **726** | **469** | **1,163** | 786 |
| Standing Order | **750** | **652** | **368** | 590 |
| Direct Debit | **150** | **750** | **261** | 387 |
| Office/Cash | **151** | **750** | **413** | 438 |
| Property Factoring | **31** | **33** | **34** | 33 |
| Total current | **1,808** | 2,654 | 2,239 | 2,234 |
| | | | | |
| Total | **4,927** | 5,773 | 4,473 | 5,058 |

*Balances shown are taken from the Bank Statements and not the ledger.*

The cash held at the Royal Bank is split between 5 operational accounts totalling £2.239m. 5 deposit accounts held with the 4 banks shown above total £2.234m.

## BORROWINGS

| **Core Funding Facility** | £m |
|---|---|
| | |
| Estimated debt outstanding (per Business Plan) | 10.00 |
| Actual amount outstanding | 5.00 |
| | |
| Difference | 5.00 |

## Interest Rates

The Interest Rate that applies to the Partnership is SONIA plus an agreed margin. SONIA is the Sterling Overnight Index Average and replaces LIBOR (London Inter Bank Offer Rate).

The Base Rate has remained at 0.1% since the COVID-19 lockdown was initiated. 3 month LIBOR remained to 0.08% as at 30 September 2021 with SONIA at 0.05%.

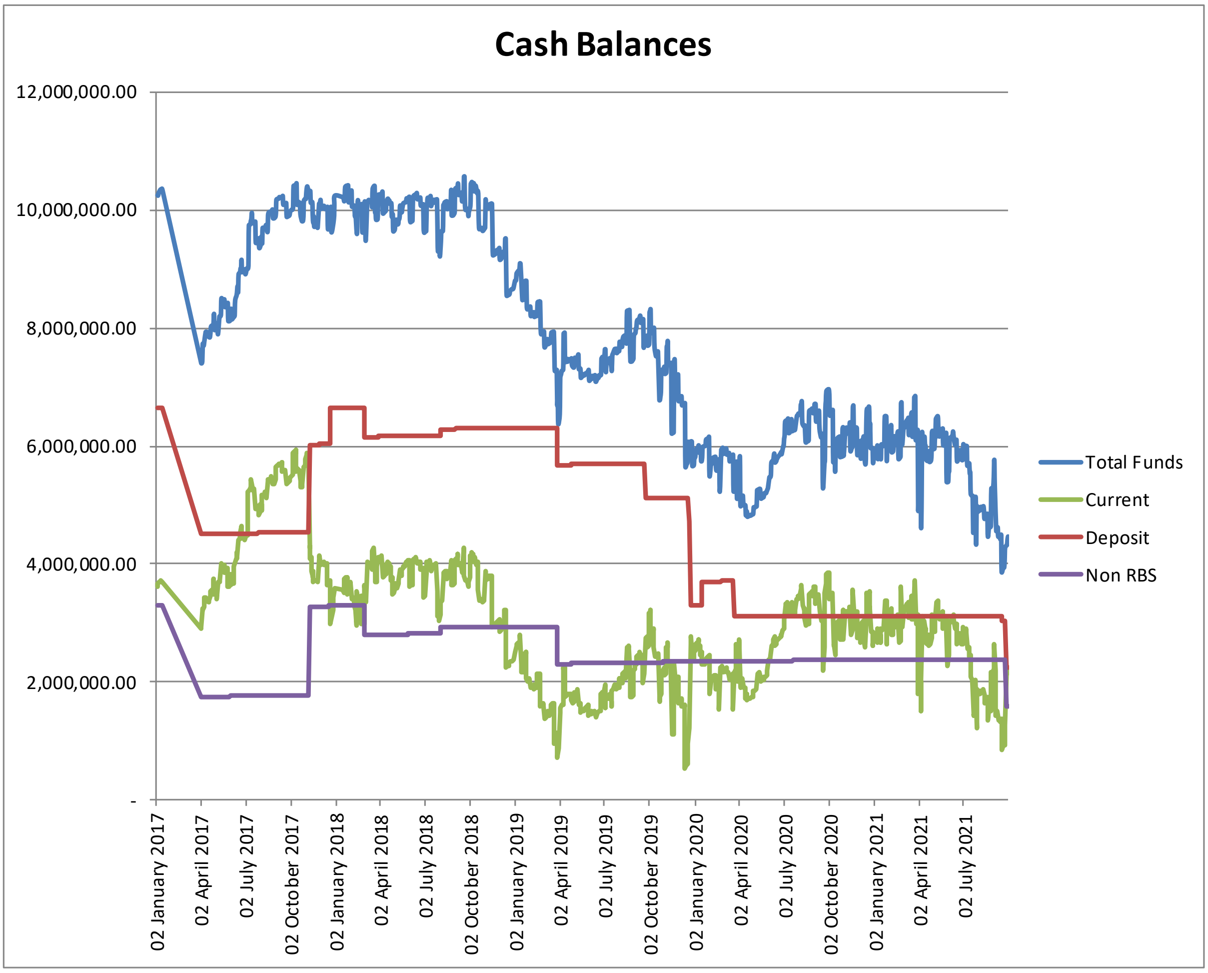
| **Borrowings** | **Mar-21** | **Jun-21** | **Sep-21** | **Average** |
|---|---|---|---|---|
| | £000's | £000's | £000's | £000's |
| Facilities arranged | 15,000 | 25,000 | 25,000 | 21,667 |
| *Loans outstanding* | 4,909 | 4,909 | 5,000 | 4,939 |
| *Variable/Fixed analysis-amounts* | | | | |
| Variable amount | 1,409 | 1,409 | 1,500 | 1,439 |
| Fixed amount | 3,500 | 3,500 | 3,500 | 3,500 |
| Other Hedging | - | - | - | - |
| | 4,909 | 4,909 | 5,000 | 4,939 |
| *Variable/Fixed analysis-Percentages* | | | | |
| Variable | 28.70% | 28.70% | 30.00% | 29.14% |
| Fixed | 71.30% | 71.30% | 70.00% | 70.86% |
| Other Hedging Products | | | | |
| | 100% | 100% | 100% | 100% |
| Lenders amounts | | | | |
| Core Facility (RBS) | 4,909 | 4,909 | 5,000 | 4,939 |
| Other Borrowings | - | - | - | - |
| | 4,909 | 4,909 | 5,000 | 4,939 |

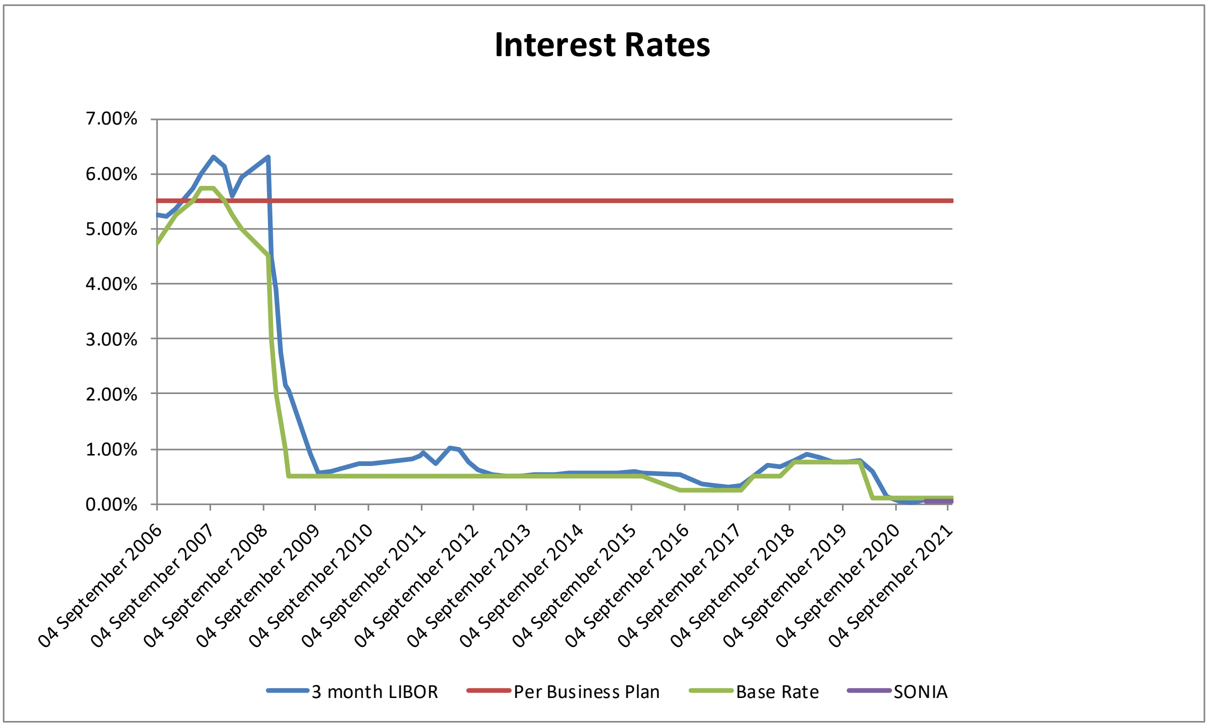
**Average cost of borrowing**

| **Amount £000's** | **Interest** | **Type** | **Annual Cost** |
|---|---|---|---|
| 3,500.00 | 5.55% | Fixed | 194,300 |
| 1,500.00 | 3.43% | Variable | 51,424 |
| 5,000.00 | | | 245,724 |
| Average cost of funds | | | 4.91% |

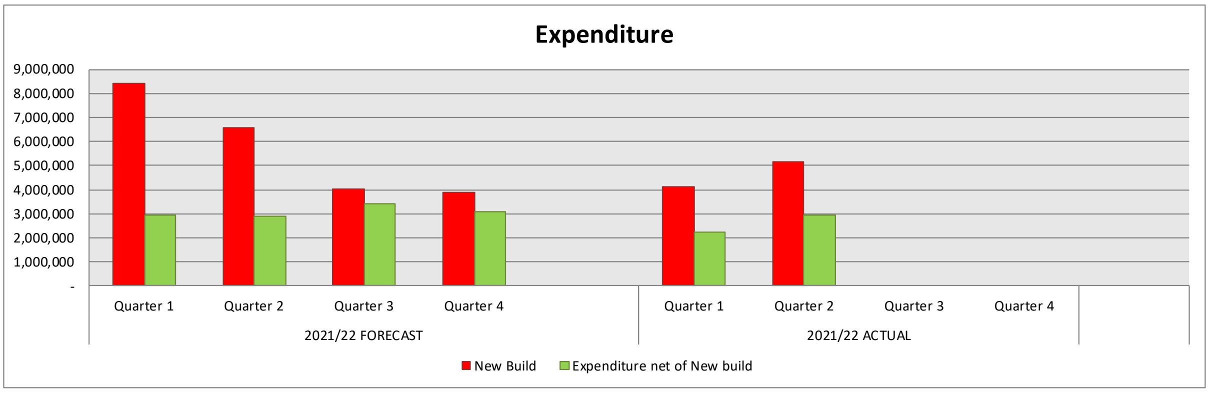
**Anticipated level of borrowing over next 5 years**

| **Year** | **2021/22 Est** | **AFS Forecast** | **Variance** |
|---|---|---|---|
| | **£m** | **£m** | **£m** |
| 2021/22 | 10.000 | 15.000 | (5.000) |
| 2022/23 | 17.000 | 17.000 | - |
| 2023/24 | 22.500 | 22.500 | - |
| 2024/25 | 25.000 | 25.000 | - |
| 2025/26 | 25.000 | 25.000 | - |


Cash Balances
12,000,000.00
10,000,000.00
8,000,000.00
6,000,000.00
4,000,000.00
2,000,000.00
-
02 January 2017
02 April 2017
02 July 2017
02 October 2017
02 January 2018
02 April 2018
02 July 2018
02 October 2018
02 January 2019
02 April 2019
02 July 2019
02 October 2019
02 January 2020
02 April 2020
02 July 2020
02 October 2020
02 January 2021
02 April 2021
02 July 2021
Total Funds
Current
Deposit
Non RBS

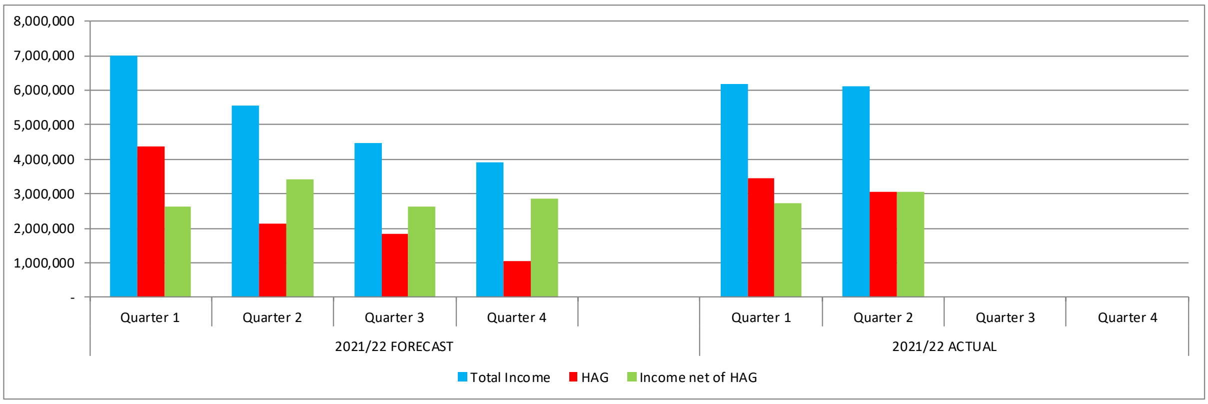

Interest Rates
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
04 September 2006
04 September 2007
04 September 2008
04 September 2009
04 September 2010
04 September 2011
04 September 2012
04 September 2013
04 September 2014
04 September 2015
04 September 2016
04 September 2017
04 September 2018
04 September 2019
04 September 2020
04 September 2021
3 month LIBOR
Per Business Plan
Base Rate
SONIA

# EXPENDITURE




Overall the expenditure for the second quarter (Q2) of 2021/22 is significantly down compared to forecast. Delays in getting onto site in a number of developments has resulted in development spend being less than initial budget. Expenditure net of new build is broadly in line with the initial budget.

# INCOME




Total Income for the second quarter of 2021/22 is up £0.568M compared to the initial budget. This is mainly driven by an increase in the Scottish Government grant received in Q2 for development. The grant for the HWEC development at Goathill was due to be fully drawn in Q2 but due to delays to programme, this was not fully drawn until August 2021. The reduction in income net of HAG is due to delays in shared equity sales receipts.

Chatham
FINANCIAL

# Hebridean Housing Partnership (HHP or the Partnership)

## Hedging Strategy Paper

October 2021

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## Background

In July 2021 the Partnership completed a Restated Facilitates Agreement with Royal Bank of Scotland (RBS). This increased the total facilities to £25.0m. The increased funding was required to fund HHP future capital expenditure and development programme.

Facility A (£5.0m) was fully drawn at the date of the Restatement. HHP's committed facilities (liquidity) to fund the projected expenditure within the business plan are under Facility B and Facility C. Facility C (£8.0m) is a 10-year revolving credit facility which can be drawn (repaid and drawn) throughout the term.

Facility B is a term loan facility with a final repayment date of 31 March 2046 (25-year term). The total Facility B commitment is £12.0m which is split across facilities B1 and B2, i.e., the aggregate drawn across B1 and B2 cannot exceed £12.0m.

Critically, for the purposes of this exercise, the Facility B Availability Period is the second anniversary of the Restated Facility (assumed to be at / around 30 June 2023). This availability period was extended in negotiation with the Bank to build greater flexibility into the facility given uncertainty over the drawdown profile due to inherent uncertainty over the development programme.

HHP is now preparing to make its first drawdown under Facility B. This is projected to be £5m and occur in November 2021. HHP has prepared an updated monthly cashflow projection to March 2023 which forecasts Facility B will be drawn in full by the end of November 2022. This cashflow projection is set out at Appendix 1.

This Paper considers how HHP can balance the treasury objectives of liquidity and flexibility of drawdown with hedging its interest rate risk including compliance with the Treasury Management Policy. HHP's TMP stipulates that 50% of its drawn debt (minimum) should be floating.

Under its existing drawn facilities (Facility A), £.5m is subject to a pre-exiting (i.e. prior to the restatement) fixed rate loan and the balance of £1.5m is drawn on a floating rate basis. The preexisting FRL which pays a rate of 5.225% expiry April 2027 (c5.5 years outstanding).

## Facility B

The key commercial terms of Facility B are as follows

- Facility **B1 & B2**
- Amount **12,000,000 (in aggregate)**
- Availability Period **June 2023**

Facility B was split into two tranches (B1 & B2) to increase flexibility within the structure of the wider Facility. Under the terms of the Bank's offer, the long-dated term loan (*here Facility B*) must normally be fully fixed or fully floating for the full term of the facility from the end of the availability. Increasing the availability period and splitting the facility into two allowed more optionality in terms of what proportion of Facility B was fixed.

The key drawdown parameter is that HHP must fully drawn the Facility B commitment by the end of the Availability Period, or any undrawn commitment is cancelled at that time.

There are a number of sub-conditions attached to the drawdown of Facility B that need to be taken into consideration. The references in brackets in the relevant clauses of the Restated Facilities Agreement:

- B1 may only be drawn on a Fixed Rate Basis (**5.3**) whereas Facility B2 may only be drawn on a Compounded Rate Basis (5.4). A Compounded Rate Basis refers to a floating rate basis.
- There can be no more than one Loan outstanding under B1 at any time (**5.6.2**); and
- There can be no more than 4 Loans outstanding under B2 at any time (**5.6.3**)
- On expiry of the (2-year) Facility B2 Availability Period all outstanding Loans under Facility B2 (maximum of 4 – see above) are consolidated into a single loan.

The issue that arises from the above is: were HPP to fix it the projected £5m at drawdown in November 2021 it would be unable to enter into another fixed rate loan under B1, as there can be no more than 1 loan outstanding under B1 at any time. This would effectively limit the amount of fixed rate borrowings, until such time the Partnership was in a position to fix any debt subsequently drawn under facility C (*see Facility C below*). Consequently, once Facility B was fully drawn (at £12.0m) HHP may be in breach of its TMP fixing threshold and. More importantly exposed to interest rate risk.

Other operational parameters that HHP needs to consider in its cashflow projections is the £12.0m can only be drawn in a maximum of 4 instalments (floating rate basis, B2) or 5 if 4 are drawn on a floating rate and a further loan is drawn on a fixed rate under B1.

Additionally, the Facility B1/B2 Repayment Profile may be subject to amendment on expiry of the Availability Period. Although, as we assume Facility B will be drawn in full prior to that date, the profile is likely to reflect that set out in Schedule 5 Part 2, £200,000 per quarter commencing 30 June 2031.

## Hedging alternatives

To address this potential problem, we have explored several hedging alternatives with RBS that are summarized in the table below along with the perceived benefits and risks associated with each option.

If no new hedging is entered into in respect of Facility B, the ratio of fixed rate debt is projected to fall from 70% (current: £3.5m/£5.0m) to 35% on drawdown of the initial £5.0m and further to 21% of total drawn debt at the time Facility B is drawn in full at £12.0m (i.e., £3.5m/£17.0m).

3 options were originally considered and presented to the Bank as follows

1. To fix approximately £5m of debt at / around drawdown prior to the end of (calendar year) 2021;
2. To fix the full amount of Facility B (£12m) now but with the fixed rate loan to commence on expiry of the 2-year availability of Facility B. The debt would be drawn in no more than 4 instalments against B2 and converted to a fixed rate loan under B1 on expiry of the Availability Period; and
3. Fix Facility B in two stages: for example, fix £6m between Jan – March 2022 and subsequently fix the balance of £6m on expiry of the 2-year availability of Facility B (June 2023).

During our initial discussions, option 3 was ruled out as the Bank confirmed there can be no more than one loan drawn under B1 and replaced with a n option to enter a fixed rate loan now (at or around drawdown) but the amount of debt covered by that fixed rate would increase over time to £12m under a pre-agreed profile prior to end of the Availability Period. This is referred to as an accreting hedge profile.

These profiles have been overlaid against HHP projected 18-month cashflow projection at Appendix 1. It is important to note this is a projected cashflow and remains heavily dependent on the amount and timing of drawdowns and, in turn, the development programme. However, Facility B must be drawn in full by the end of the Availability Period.

### Hedging strategies summary

| Option | Description | Benefits | Risks | RBS response |
|---|---|---|---|---|
| 1 | **Fix £5m initial drawdown**<br><br>Of total projected drawn debt*:<br>Maximum fixed: 85%<br>Minimum fixed: 50%<br><br>**over the term of Management's 18 month cashflow projections* | • Maintains compliance with TMP throughout drawdown and availability period | • As described above, this would represent HHPs "one shot" at fixing Fac B under B1<br>• The projected fixed % at the end of the Availability Period (or when FB is fully drawn) is 50%; therefore, HHP would have to fix some of Fac C to maintain 50% threshold as Fac C drawn (see below)<br>• Only fixes £5m (42%) of total £12m of Fac B; balance would remain exposed to floating rate risk | Confirmed this is permitted under the Restated Facility |
| 2 | **Fix £12m out of the end of the Availability period (assumed to be June 2023)**<br><br>Of total projected drawn debt:<br>Maximum fixed: 91%<br>Minimum fixed: 21% | • Facility B fully fixed from end of Availability Period<br>• Fixed Rate Loan rate and profile agreed (contracted) now, rate "locked-in" offering protection against rising interest rates<br>• Complete flexibility on drawdown profile during Availability period<br>• HHP will benefit if interest rate do remain low (not guaranteed)<br>• High level of fixed rate borrowing does allow flexibility in subsequent drawdown of Facility C (RCF) | • HHP exposed to interest rate risk on Fac B drawings throughout the Availability Period (prior to fixed rate loan start) – but this is a known term<br>• No compliance with TMP fixed threshold throughout the Fac B Availability Period (*but this can be revised / addressed if required*)<br>• HHP very highly fixed at end of Availability Period / when FRL commences | Confirmed this is permitted under the Restated Facility |

| Option | Description | Benefits | Risks | RBS response |
|---|---|---|---|---|
| 3 | **Fix under an accreting profile to match projected drawdowns under Facility B**<br><br>Of total projected drawn debt:<br>Maximum fixed: 91%<br>Minimum fixed: 70%<br>(as current) | Overlap with option 2<br>• Facility B fully fixed from end of Availability Period<br>• Fixed Rate Loan rate and profile contracted now – protection against rising interest rates<br>• High level of fixed rate borrowing does allow flexibility in subsequent drawdown of Facility C (RCF)<br>• Maintains compliance with TMP throughout the Availability Period<br><br>• Hedging (fixed rate loan) profile better matches the projected utilisation of the facility<br>• Subject to the 2 follow up questions (see risks) a more balanced strategy | • All drawdown on fixed rate basis<br>• Less flexibility on drawdown profile during Availability period: HHP has to draw contracted FRL debt whether required or not (eg if delays to development programme)<br>• HHP very highly fixed at end of Availability Period / when FRL commences<br>• HHP should confirm whether this option limits drawdown flexibility in advance should liquidity requirement be accelerated – liquidity is the overriding treasury risk (follow up A)<br>• HHP should also confirm the process for "flipping" B2 floating loans to the B1 FRL profile again if drawn in advance of the agreed profile (follow up B) | The Bank is amenable to HHP entering into an irrevocable fixed rate loan based on a starting notional that will increase to an agreed amount at the end of the Facility B1 availability period.<br><br>This option will require small amendment to the Facility Agreement to accommodate<br><br>*CF Comment: Clearly not a fixing strategy that RBS envisaged when the loan was agreed. We have not seen it replicated in any other facilities which use the long-dated loan option.* |

## Facility A FRL

The preexisting FRL (*Facility A - £3.5m*) is due to expire in 2027. This will reduced the amount of fixed rate debt accordingly. However, under the Restated Facility, HHP has retained it right to fix amounts outstanding under Tranche A and HHP could either fix the balance of Facility A (£1.5m) or, more likely, extend the amount and term of the facility A FRL from £3.5m / 2027 to £5.0m/2046, subject to the repayment profile at Schedule 5 Part 1 whereby repayment commence June 2036.

This certainly merits consideration but would only increase the fixed amount by £1.5m. We have not included an increase/reprofiling of the Facility A FRL in our analysis of the hedging strategies for Facility B in the table above and at Appendix 1.

## Facility C

Finally, HHP should consider the implications of the preferred hedging strategy for Facility B on Facility C. The key advantage of Facility C is it is fully revolving for the term of the Facility (10 years).

- Under Option 1, the projected amount of fixed rate debt at the end of the Facility B Availability Period is 50%. Given that no more of Facility B may be fixed under B1, any additional hedging would require to be undertaken against Facility A and ultimately Facility C to maintain the 50% threshold as Facility C is drawn. This may be feasible if an amount of the debt drawn under Facility C can be identified as "core" debt which will remain drawn for the full term.

- As a result, we do not recommend HHP adopts Options 1
    - to maintain Facility C flexibility
    - the uncertainty of Facility C utilisation / expenditure two years from now against a short-term (18-month cashflow)
    - low level of fixed rate debt (TMP minimum) and therefore exposure to interest rate risk.

- Under Options 2 and 3, hedging 100% of the Facility B amount **at** (Option 2) or **prior to** (Option 3) the end of the Facility B Availability Period leaves HHP highly fixed at a projected 91%. However, this does provide increased flexibility in terms of drawdowns under Facility C. The projected cashflow is only for 18 months but *as an illustration only* if Facility A, B and C were to be fully drawn on the fixed / floating basis as set out below the projected fixed rate percentage would be as follows:

Fully drawn basis

| £m | A | B | C | Total (£m) | % |
|---|---|---|---|---|---|
| Floating | 1.5 | - | 8.0 | 9.5 | 38% |
| Fixed | 3.5 | 12.0 | - | 15.5 | 62% |

On expiry of current Facility A FRL (2027)*

| £m | A | B | C | Total (£m) | % |
|---|---|---|---|---|---|
| Floating | 5.0 | - | 8.0 | 13.0 | 52% |
| Fixed | - | 12.0 | - | 12.0 | 48% |

*this position would only occur if no replacement or additional hedging was undertaken in respect of Facilities A or C. This illustrative position is 6 years from now and is heavily dependent on the future drawdown profile of the Restated Facility

## Recommendation and Next Steps

This paper highlights the potential misalignment between treasury objectives of liquidity and interest rate risk management, between flexibility and embedded fixed rate hedging.

It is critical that the Board bears in mind that the overriding treasury objective of the restatement was (and remains) to secure the additional funding (committed liquidity) required to fund the business plan on as flexible terms (availability) as possible given the uncertainty of the development programme timetable. Securing the additional facilities allows HHP to enter into contractual commitments for that expenditure.

The management of interest rate is of course a key treasury objective however the hedging strategy should be adapted to fit the drawdown profile / debt requirement and facility obligations, not the other way round.

For the reasons set out on the previous page we do not recommend proceeds with Option 1.

We recommend HHP considers the following

1. Raise / confirm the two follow up questions highlighted under Risks, Option C with RBS. This is a critical first steps as maintaining flexibility to draw liquidity as the need arises is paramount

2. Agree the Fac B Fixed Rate Loan Profile with RBS. This needs to take account of the Interest Payment Dates (quarterly) and the repayment profile at Schedule 5, Part 2.

3. Ask RBS for indicative pricing (including credit charges) for FRLs based on two hedging strategies:

    a. Option 2: forward starting FRL based on the full £12.0m amount of Facility B commencing at the end of the Availability Period.
    *As noted in the table this maximises drawdown flexibility <u>but</u> exposes HHP to interest rate risk in the period to the start of the FRL and will require an temporary exception / variation the TMP to address non-compliance*

    b. Option 3: the accreting FRL which increases from £5m at / around the initial drawdown to £12m at the projected drawdown of the final £4m instalment in November 2022.

4. Therefore, we recommend that HHP adopt a hedging strategy that results in fixed the full amount of Facility B by the end of the Facility B Availability Period. This recommendation is predicated on HHP projecting to subsequently draw floating rate debt under Facility C, reducing the fixed percentage.

5. HHP model the indicative FRL rates and profiles against it business plan

6. RBS to provide the Borrower (HHP) with product guides for a fixed rate loan, including a guide to breakage costs (see IMPORTANT NOTE below) and confirm it has all the compliance documentation in place to trade (RBS's Fixed Rate Loan Checklist) – *the Bank's regulatory and compliance process is already underway*

## IMPORTANT NOTE

As we highlighted under previous correspondence at the time the facility was agreed with the Bank and in Board training, under any of the strategies available to HHP under the terms of the Restated Facility and considered in this Paper, HHP will be entering into a long dated fixed rate loan. Early termination of fixed rate debt obligations may result in the Borrower being liable for termination costs which can be significant depending on prevailing (market) rates for the outstanding term and profile of the contracted Fixed Rate Loan.

This is contractual obligation to pay a fixed rate (excluding margin) against a pre-determined profile. In this case a fixed rate loan of between 23 and 25 years, approximately, which will amortise in accordance with the repayment profile at Schedule 5 Part 2.

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# APPEDNDIX 1

## Projected 18 month cashflow and potential hedging strategies

| | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Hebridean Housing Partnership** | | | | | | | | | | | | | | | | | | | | | | | |
| **(extract of Management 18 month cashflow adapted by CF)** | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | Period not included in 18 month cashflow | | |
| Existing drawn debt | | Sep-21 | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 | May-23 | Jun-23 |
| Floating | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| Fixed | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 |
| Fixed % | | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% |
| New drawdown profile | | | | 5,000,000 | | | | | | | 3,000,000 | | | | | 4,000,000 | | | | | | | |
| New Loan (floating) | | 0 | 0 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 |
| Total debt (drawn) | | 5,000,000 | 5,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 13,000,000 | 13,000,000 | 13,000,000 | 13,000,000 | 13,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 |
| | | | | | | | | | | | | | | | | | | | | | | | |
| If no new hedging | | | | | | | | | | | | | | | | | | | | | | | |
| Fixed | | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 |
| Floating | | 1,500,000 | 1,500,000 | 6,500,000 | 6,500,000 | 6,500,000 | 6,500,000 | 6,500,000 | 6,500,000 | 6,500,000 | 9,500,000 | 9,500,000 | 9,500,000 | 9,500,000 | 9,500,000 | 13,500,000 | 13,500,000 | 13,500,000 | 13,500,000 | 13,500,000 | 13,500,000 | 13,500,000 | 13,500,000 |
| Fixed % | | 70% | 70% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 27% | 27% | 27% | 27% | 27% | 21% | 21% | 21% | 21% | 21% | 21% | 21% | 21% |
| | | | | | | | | | | | | | | | | | | | | | | | |
| Max no of drawdowns less than 4 | | | | | | | | | | | | | | | | | | | | | | | |
| No drawings / fixing under Fac C - what about F/Fl position post availability TC drawings - Strategy 1 | | | | | | | | | | | | | | | | | | | | | | | |
| Assumes draw floating in B2 | | | | | | | | | | | | | | | | | | | | | | | |
| As embedded FRL must have debt drawn prior to / at fixing | | | | | | | | | | | | | | | | | | | | | | | |
| Align to loans - check quarter ends for start dates and step ups | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | |
| Strategy 1 - hedge on drawdown | | | | | | | | | | | | | | | | | | | | | | | |
| FRL1 | FRL1 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 |
| FRL2 (new) | FRL2 (new) | | | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Floating | Floating | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 4,500,000 | 4,500,000 | 4,500,000 | 4,500,000 | 4,500,000 | 8,500,000 | 8,500,000 | 8,500,000 | 8,500,000 | 8,500,000 | 8,500,000 | 8,500,000 | 8,500,000 |
| | | 5,000,000 | 5,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 13,000,000 | 13,000,000 | 13,000,000 | 13,000,000 | 13,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 |
| | | 70% | 70% | 85% | 85% | 85% | 85% | 85% | 85% | 85% | 65% | 65% | 65% | 65% | 65% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% |
| *check* | | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| | | | | | | | | | | | | | | | | | | | | | | | |
| Strategy 2 - hedge on expiry of availability period / Apr 23 | | | | | | | | | | | | | | | | | | | | | | | |
| FRL1 | FRL1 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 |
| FRL2 (new) | FRL2 (new) | | | | | | | | | | | | | | | | | | | | 12,000,000 | 12,000,000 | 12,000,000 |
| Floating | Floating | 1,500,000 | 1,500,000 | 6,500,000 | 6,500,000 | 6,500,000 | 6,500,000 | 6,500,000 | 6,500,000 | 6,500,000 | 9,500,000 | 9,500,000 | 9,500,000 | 9,500,000 | 9,500,000 | 13,500,000 | 13,500,000 | 13,500,000 | 13,500,000 | 13,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| | | 5,000,000 | 5,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 13,000,000 | 13,000,000 | 13,000,000 | 13,000,000 | 13,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 |
| | | 70% | 70% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 27% | 27% | 27% | 27% | 27% | 21% | 21% | 21% | 21% | 21% | 91% | 91% | 91% |
| *check* | | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| | | | | | | | | | | | | | | | | | | | | | | | |
| Strategy 3 - hedge accreting profile (at projected drawdown) | | | | | | | | | | | | | | | | | | | | | | | |
| FRL1 | FRL1 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 |
| FRL2 (new) | FRL2 (new) | 0 | 0 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 |
| Floating | Floating | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| | | 5,000,000 | 5,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 13,000,000 | 13,000,000 | 13,000,000 | 13,000,000 | 13,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 |
| | | 70% | 70% | 85% | 85% | 85% | 85% | 85% | 85% | 85% | 88% | 88% | 88% | 88% | 88% | 91% | 91% | 91% | 91% | 91% | 91% | 91% | 91% |
| *check* | | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |

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# Hebridean Housing Partnership (HHP or the Partnership)

## Hedging Strategy Paper

## ADDENDUM

## UPDATE NOVEMBER 2021

## Introduction

This Paper is an Addendum to a Hedging Strategy Paper prepared for Hebridean Housing Partnership (HHP or the Partnership) in October 2021 (**the October Hedging Strategy Paper**). The October Hedging Strategy Paper set out three hedging strategies in respect of the Partnership's Restated Facilitates Agreement with Royal Bank of Scotland (RBS) which was completed in July 2021.

The October Hedging Strategy Paper summarised Benefits and Risks associated with the following three alternative strategies (Options) and made a series of Recommendations for the Board to consider.

- Option 1 - Fix £5m initial drawdown
- Option 2 - Fix £12m out of the end of the Availability period (assumed to be June 2023)
- Option 3 - Fix under an accreting profile to match projected drawdowns under Facility B

It is important to remember these hedging options relate only to Facility B of the Restated Facilitates Agreement. Facility B is a 25-year term loan facility for an amount of £12.0m, in aggregate, which is split across Facilities B1 & B2. Facility B has an Availability, or drawdown, Period which runs to June 2023, although Management's latest projections forecast that Facility B will be fully drawn by November 2022.

The October Hedging Strategy Paper described certain restrictions to both the drawdown and hedging (fixing) of Facility B set out within the Restated Facilitates Agreement. This exercise has essentially concerned balancing the primary objectives of securing liquidity on the most flexible basis and compliance with the Restated Facilitates Agreement conditions with HHP's TMP which states that 50% of the Partnership's drawn debt should be fixed. In particular, there is an inherent trade-off between flexibility and fixed rate hedging and, as we comment below, at least one of the options under consideration will require amendments to the Restated Facilitates Agreement.

Under all three Options, HHP would be entering into a fixed rate loan (FRL) which is an embedded derivative. We draw your attention to the important note concerning the potential risks associated with early termination of fixed rate debt obligations (including fixed rate loans).

The current hedging associated with Facility A and considerations relating to possibly hedging Facility C in the future are discussed in the October Hedging Strategy Paper and are not addressed in this Addendum.

## Hedging Strategy and Indicative Pricing

The Bank has confirmed all three of the Options under consideration are available to the Borrower (HHP). Option 1 was discounted within the October Hedging Strategy Paper, by both Management and Chatham, due to the relatively low level of hedging (50%) at the end of the Facility B availability period and restrictions on future hedging (see October Hedging Strategy Paper). The two remaining Options are as follows:

### Option 2: Forward starting fixed rate loan

- This is a forward starting FRL based on the full £12.0m amount of Facility B and commencing at the end of the Availability Period. The Availability Period runs to July 2023, the second anniversary of the Restated Facilities Agreement. However, the start date of the FRL is assumed to be 31 March 2023 because (a) this means the hedging will be in place for the start of FY2023/23, and (b) Management's drawdown projections forecast Facility B will be fully drawn by November 2022.

- As noted in the October Hedging Strategy Paper this strategy maximises drawdown flexibility during the Availability Period but exposes HHP to interest rate risk in the period to the start of the FRL and will require a temporary exception report or variation to the TMP to address non-compliance.

- It is important to remember that, although the fixed rate would not commence until 31 March 2023, HHP would be entering the FRL (contractual commitment) now (upon execution) and locking in both the fixed rate and the requirement to have £12.0m drawn on a fixed rate from 31 March 2023.

### Option 3: Accreting (increasing) fixed rate loan

- Here, HHP enters a FRL where the amount increases over time, tracking Management's drawdown cashflow projections, from the initial drawdown (which will be £5m in November 2021) to £12m at the projected drawdown of the final £4m instalment in November 2022.

- A profile for this fixed rate loan is set out at Appendix A but, in summary: £5m is fixed from 31 December 2021; a further £3m (total £8m) from 30 June 2022, with the final £4m fixed from November 2022 at the fully drawn £12.0m Facility B amount.

- HHP requires to draw the initial drawdown around mid-to-end November. As we stated in October Hedging Strategy Paper, securing additional liquidity was the key strategic objective underpinning the restatement. The Partnership must draw funds in advance of requirement to fund the business plan. However, there are two features of this hedging strategy that the Board should consider:

    a. HHP would enter the fixed rate now (as soon as possible) but the rate would apply from the next interest payment date (referred to as an IPD and, here, 31 December 2021). Consequently, there is is a short window during the current interest period where the Partnership is underhedged (or the proportion of floating rate debt exceeds that set out in the TMP). This is very short term and corrected from 31 December 2021 and we do not consider a material treasury risk; and

b. A FRL is a contractual commitment to draw, or have drawn, the minimum amount of debt covered by the FRL by the date stated in the profile. The Bank has confirmed that, should HHP require funds in advance of the FRL profile, it may draw such funds on a floating rate basis under Facility B2 and these would "flip" into the fixed rate profile – the fixed rate loan being Facility B1.

   Conversely, HHP must draw the minimum amount fixed under the FRL profiles regardless of whether or not it requires the funding, for example if the development, and therefore drawdown profile, was delayed.

- It is apparent that the Bank did not originally envisage an accreting profile in the original loan structures. However, it has confirmed in writing that it can accommodate this option. However, certain clauses within the Restated Facilities Agreement (*8.1.5.2 and 8.1.5.3*) will have to be amended to allow for this "flipping" of floating to fixed rate debt (assuming drawdowns are required under B2 before they are added to the B1 profile). Furthermore, it has stated such redrafting can take place after both the initial drawdown and HHP entering the FRL should it wish to do so now.

## Pricing Summary Table

- In accordance with the Recommendations in the October Hedging Strategy Paper, a request for pricing was submitted to the Bank for Options 2 and 3. This pricing summarised in the pricing summary table. Please note that the pricing was carried out on *29 October 2021* and is subject to market movement, although the execution spreads and charges will not change.

- Under both options the full amount of Facility B (£12.0m) is fixed under Facility B1 from 31 March 2023. It is only the 15-month period between 31 December 2021 and 31 March 2023 where the profile differs under each Option.

| **Strategy Option** | **OPTION 2** | **OPTION 3** |
|---|---|---|
| **Description** | Forward starting FRL | Accreting FRL |
| **Initial notional amount** | £12.0m | £5.0m |
| **Start date** | **31 Mar 2023** | **31 Dec 2021** |
| **End date** | 31 Mar 2046 | 31 Mar 2046 |
| **Swap rate** | 0.9875% | 0.9854% |
| **Credit spread** | 27.5bps | 27.5bps |
| **Execution charges** | 2.5bps | 2.5bps |
| **Indicative all in fixed rate*** | **1.2875%** | **1.2854%** |

**excluding loan facility margin*

- As the table demonstrates, based on the indicative pricing there is little to differentiate the options in terms of the rate payable by the borrower. Both strategies offer HHP the opportunity to fix long term funding at a low rate: relative to both the business plan floating interest rate assumptions and therefore "lock in" improved cashflows and against historical rates.

- We consider the total credit and execution charges quoted by the Bank (30basis points or 0.30%) high based on other comparable transactions. We have typically seen the RBS credit spread priced at 25bps under this long-term loan product and, although the bank argues these are calculated based on a borrower-specific credit model, we recommend asking if these can be improved.

- Therefore, the preferred hedging strategy is largely a matter of assessing the flexibility of OPTION 2 with short term interest rate protection and compliance with the TMP offered by OPTION 3. We can support HHP hedging either strategy although, on balance, OPTION 3 does appear to strike a middle ground. The risk of drawing in advance of need to meet the FRL profile is time-limited as the facility must be drawn in full, in any event, by the end of the Availability Period.

- We understand Management prefers **OPTION 3** based on the following criteria and we are comfortable supporting that recommendation to the Board:

    - Compliance with HHP's TMP, allowing for the short intra-period non-compliance between drawdown and the 31 December 2021 first fixing date
    - Matching of the drawdown cashflow and FRL profile under a clear, pre agreed drawdown profile over the availability period
    - Agreement that either floating rate debt can be drawn under Facility B2 (subject to amendments to Restates Facilities Agreement) and flipped to the FRL if debt / liquidity is required in advance of the profile (Facility C could also be used for this purposes)

## Next steps

1. HHP issues a drawdown notice for the initial drawdown (£5m – November 2021). This will be on a floating rate basis

2. HHP informs RBS of its preferred hedging strategy (OPTION 3, Accreting FRL)

3. RBS issues HHP with relevant hedging documentation

4. RBS confirms it has all required compliance and KYC documentation in place and is "trade-ready"

5. Request updated pricing and benchmark (**RBS and Chatham**) based on OPTION 3

6. Trade / execution call (**RBS, Borrower authorised signatory and Chatham**). Therefore, the Board will have to approve / confirm delegated authority of authorised signatory to enter such hedging which will be contractually committed from the trade date but effective 31 December 2021

7. Intrust legal counsel to prepare and review required revisions to the Restated Facilities Agreement (can be concurrent or indeed post-drawdown and trade)

## APPENDIX A Accreting fixed rate loan profile (OPTION 3)

| | | | |
|---|---|---|---|
| **Indicative accreting FRL profile (OPTION 3)** | | | |
| | | Amount | Increase (informaiton only) |
| Period start date | 31-Dec-21 | 5,000,000 | 5,000,000 |
| | 31-Mar-22 | 5,000,000 | |
| | 30-Jun-22 | 8,000,000 | 3,000,000 |
| Fully drawn (and fixed) | 30-Sep-22 | 12,000,000 | 4,000,000 |
| | 31-Dec-22 | 12,000,000 | |
| | 31-Mar-23 | 12,000,000 | |
| End of Availability Period | 30-Jun-23 | 12,000,000 | |
| | 30-Sep-23 | 12,000,000 | |
| | 31-Dec-23 | 12,000,000 | |
| | 31-Mar-24 | 12,000,000 | |
| | 30-Jun-24 | 12,000,000 | |
| | 30-Sep-24 | 12,000,000 | |
| | 31-Dec-24 | 12,000,000 | |
| | 31-Mar-25 | 12,000,000 | |
| | 30-Jun-25 | 12,000,000 | |
| | 30-Sep-25 | 12,000,000 | |
| | 31-Dec-25 | 12,000,000 | |
| | 31-Mar-26 | 12,000,000 | |
| | 30-Jun-26 | 12,000,000 | |
| | 30-Sep-26 | 12,000,000 | |
| | 31-Dec-26 | 12,000,000 | |
| | 31-Mar-27 | 12,000,000 | |
| | 30-Jun-27 | 12,000,000 | |
| | 30-Sep-27 | 12,000,000 | |
| | 31-Dec-27 | 12,000,000 | |
| | 31-Mar-28 | 12,000,000 | |
| | 30-Jun-28 | 12,000,000 | |
| | 30-Sep-28 | 12,000,000 | |
| | 31-Dec-28 | 12,000,000 | |
| | 31-Mar-29 | 12,000,000 | |
| | 30-Jun-29 | 12,000,000 | |
| | 30-Sep-29 | 12,000,000 | |
| | 31-Dec-29 | 12,000,000 | |
| | 31-Mar-30 | 12,000,000 | |
| | 30-Jun-30 | 12,000,000 | |
| | 30-Sep-30 | 12,000,000 | |
| | 31-Dec-30 | 12,000,000 | |
| | 31-Mar-31 | 12,000,000 | |
| Repayments commence | 30-Jun-31 | 11,800,000 | -200,000 |
| | 30-Sep-31 | 11,600,000 | |
| | 31-Dec-31 | 11,400,000 | |
| | 31-Mar-32 | 11,200,000 | |
| | 30-Jun-32 | 11,000,000 | |
| | 30-Sep-32 | 10,800,000 | |
| | 31-Dec-32 | 10,600,000 | |
| | 31-Mar-33 | 10,400,000 | |
| | 30-Jun-33 | 10,200,000 | |
| | 30-Sep-33 | 10,000,000 | |
| | 31-Dec-33 | 9,800,000 | |
| | 31-Mar-34 | 9,600,000 | |
| | 30-Jun-34 | 9,400,000 | |
| | 30-Sep-34 | 9,200,000 | |
| | 31-Dec-34 | 9,000,000 | |
| | 31-Mar-35 | 8,800,000 | |
| | 30-Jun-35 | 8,600,000 | |
| | 30-Sep-35 | 8,400,000 | |
| | 31-Dec-35 | 8,200,000 | |
| | 31-Mar-36 | 8,000,000 | |
| | 30-Jun-36 | 7,800,000 | |
| | 30-Sep-36 | 7,600,000 | |
| | 31-Dec-36 | 7,400,000 | |
| | 31-Mar-37 | 7,200,000 | |
| | 30-Jun-37 | 7,000,000 | |
| | 30-Sep-37 | 6,800,000 | |
| | 31-Dec-37 | 6,600,000 | |
| | 31-Mar-38 | 6,400,000 | |
| | 30-Jun-38 | 6,200,000 | |
| | 30-Sep-38 | 6,000,000 | |
| | 31-Dec-38 | 5,800,000 | |
| | 31-Mar-39 | 5,600,000 | |
| | 30-Jun-39 | 5,400,000 | |
| | 30-Sep-39 | 5,200,000 | |
| | 31-Dec-39 | 5,000,000 | |
| | 31-Mar-40 | 4,800,000 | |
| | 30-Jun-40 | 4,600,000 | |
| | 30-Sep-40 | 4,400,000 | |
| | 31-Dec-40 | 4,200,000 | |
| | 31-Mar-41 | 4,000,000 | |
| | 30-Jun-41 | 3,800,000 | |
| | 30-Sep-41 | 3,600,000 | |
| | 31-Dec-41 | 3,400,000 | |
| | 31-Mar-42 | 3,200,000 | |
| | 30-Jun-42 | 3,000,000 | |
| | 30-Sep-42 | 2,800,000 | |
| | 31-Dec-42 | 2,600,000 | |
| | 31-Mar-43 | 2,400,000 | |
| | 30-Jun-43 | 2,200,000 | |
| | 30-Sep-43 | 2,000,000 | |
| | 31-Dec-43 | 1,800,000 | |
| | 31-Mar-44 | 1,600,000 | |
| | 30-Jun-44 | 1,400,000 | |
| | 30-Sep-44 | 1,200,000 | |
| | 31-Dec-44 | 1,000,000 | |
| | 31-Mar-45 | 800,000 | |
| | 30-Jun-45 | 600,000 | |
| | 30-Sep-45 | 400,000 | |
| | 31-Dec-45 | 200,000 | |
| | 31-Mar-46 | 0 | |

## IMPORTANT NOTE

As we highlighted under previous correspondence at the time the facility was agreed with the Bank and in Board training, under any of the strategies available to HHP under the terms of the Restated Facilities Agreement and considered in this Paper, HHP will be entering into a long dated fixed rate loan. Early termination of fixed rate debt obligations may result in the Borrower being liable for termination costs which can be significant depending on prevailing (market) rates for the outstanding term and profile of the contracted Fixed Rate Loan.

This is contractual obligation to pay a fixed rate (excluding margin) against a pre-determined profile. In this case a fixed rate loan of between 23 and 25 years, approximately, which will amortise in accordance with the repayment profile at Schedule 5 Part 2 of the Restated Facilities Agreement