



THE ATRIUM GROUP

INTERNAL MANAGEMENT PLAN

2019-20

Section 1

Context

Background

1. Atrium began its landlord activities on 14 September 2000, when it bought 907 housing units and 99 lockup garages from Scottish Homes, for £8.5 million.
2. Over the years the application of Right to Buy reduced the initial stock by 126. The Right to Buy was removed by the Scottish Parliament in 2016 so Atrium will not lose any more stock to that route.
3. Atrium has added almost 400 units through new build activity or acquisitions. We have plans to add a further 27 units also in Shortlees, in 2020/21. Atrium is now the largest registered social landlord operating in East Ayrshire
4. At 31 March 2019, Atrium had over £5million cash in the bank or on deposit in interest bearing accounts; 1274 properties property valued at £38million; £21mill in long term loans at an average interest rate of just over 2% including margins; and an untouched loan facility of £3million. Atrium's debt to property value ratio (gearing) was 60%.
5. Regulatory involvement with Atrium has been light throughout its almost 20 year life as a landlord and for several financial years engagement has been "low". This reflects the good governance of Atrium by Board and senior staff. Under the new Regulatory Framework, there is no change to the regulatory requirements on us.
6. In 2005, Atrium Homes established a subsidiary company called Atrium Initiatives. It is used as the vehicle for delivering factoring services to owners, DLO repair and maintenance services to Atrium Homes properties, services to other organisations and private landlord activities.

Current Position

7. The independence agreement in place between Atrium Homes and Atrium Initiatives ensures that the overall strategic direction of the Group is within the remit of the Board of Atrium Homes.
8. In turn, the Board of Atrium Homes has had a number of discussions regarding the longer-term strategic direction and particular objectives of the organisation over the next 5 to 7 years. It has revised these in the light of our changing operating environment but the overall direction of travel remains the same:
 - a) We aim to be a Group that is relevant to our customers and their lives. This means listening to customers, consulting them and being prepared to change our approaches and our services to meet their requirements and aspirations.
 - b) We place great emphasis on the quality of our product, customer care, and management and maintenance services and intend to commit resources to the introduction of new supporting services.
 - c) Atrium Homes reviews its stock profile on an asset management basis and in addition to planned investment in existing stock, it has and will continue to consider selective stock re-profiling and ad hoc acquisitions. We have developed a "Homes Fit for 21st Century Living"

standard and consulted tenants on its contents and our plan to bring all our stock to that standard over a number of years.

- d) Atrium's Board still aspires to see the Atrium Group grow but it recognises that the operating environment makes significant growth less likely than previously. It will however, consider appropriate and affordable development opportunities.
 - e) The tight group structure of Atrium Homes and Atrium Initiatives continues to offer the best way of managing risk. Branded services will allow us to expand the range of services we deliver.
9. In 2018, we finalised our Business Plan and related financial strategy, based on a Customer First approach and delivering the Homes Fit for 21 Century Living Standard (HFF21CLS) to all our properties by 2025 as well as building up to 99 new houses and consulted tenants on the main elements, including the impact on rents. We reviewed the staffing structure needed to deliver it the Business Plan and subsequently recruited additional staff.
10. In 2018 we had RSM (UK) Audit LLP (our external auditors) conduct a review of the Atrium Group's compliance level with the Scottish Housing Regulator's Regulatory Standards of Governance and Financial Management, to give Board a level of assurance on our standing. The RSM (UK) report was presented to Board in March 2018 and Board noted their view that for Atrium Homes, there is generally good compliance and no areas for serious concern. The report made a number of recommendations and suggestions where improvements could be made within the Group and these were considered and acted upon over 2018-19.
11. Our governance structure reflects our activities and we operate with three sub-committees covering Operations, Investment, and Finance, Audit & Staffing respectively. We use ad hoc, short-life groups in addition to consider specific issues. We have also reviewed how we present information to Board and introduced technology to improve matters.
12. Succession planning, particularly at Board level will continue to be a critical aspect of our activities in the next few years. We anticipate that further change will take place with some existing Board members choosing to step down. We aim to ensure that we are capable of attracting new members who can continue to add value to our activities.
13. Atrium considers that regeneration of Shortlees is of intrinsic importance to Atrium's financial wellbeing and our presence here will help stabilize the area in the longer-term. It is equally important for us to assess the nature of our future relationship with customers in other areas to ensure we meet their needs also. We have begun to explore the use of technology to help improve speed and effectiveness of communications and will continue to do so.

Section 2

Direction of Travel

1. Board has considered the nature and type of organisation Atrium should aim to be and we have already set matters in motion to help us achieve it. Collectively, they show our direction of travel for the near future.
2. Our Vision is of **quality affordable housing, sustainable communities, life chances for people** and can be summarized as:

We will listen to understand your needs; we will work with you to sustain and grow your communities; and we will use our resources to create opportunities for positive change. Together, we will build strong foundations for the future.
3. We have developed a new Business Plan based on these principles, the fundamentals of which were shared with our customers in 2018 for their views. Whilst the number who responded was low, the vast majority of respondents agreed with what was being proposed.
4. In the course of the coming year the Atrium Group will continue to address specific Business Plan tasks related to:
 - **Taking care of our customers**
 - **Taking care of our housing**
 - **Taking care of our communities**
 - **Taking care of the business**
5. We have chosen to commit resources to these and other areas of activity in the short-term. These activities have capital and/or revenue implications over the coming years, as well as longer-term implications for Atrium as a business and registered social landlord.

Section 3

Governance, Compliance and Assurance

1. Governance of the organisation has never been more topical or more important. Demonstrating effective governance through compliance and assurance has always been central to our approaches but as we proceed into 2019/20 these matters will prove even more important.

2. Annual Assurance Statement

In the course of 2019/20 we must submit our first Annual Assurance Statement to the Scottish Housing Regulator confirming that the Board considers Atrium to be compliant with the Regulatory Standards of Governance and Financial Management. In the process we must highlight any areas where additional assurance is being sought or indeed if there are areas of material non-compliance. A Working Group has been set up to establish an appropriate framework through which compliance can be evidenced.

The Working Group is made up the Chair and Convenors of Atrium Homes and the Chair of Atrium Initiatives, supported by the Chief Executive and senior staff team.

In keeping with the notion of assurance, the Working Group is assimilating all the evidence which currently exists of compliance and tabulating this against the Framework. Through this process gaps can be identified and decisions taken regarding their materiality. Having undertaken a similar exercise last year with RSM(UK) we have a high degree of confidence in our approaches and outcomes.

3. Freedom of Information

Atrium, like all RSLs in Scotland will become subject the Freedom of Information (Scotland) Act from 11 November 2019. From this point, we may be subject to requests for information about our activities. We will also have a legal duty to publish information about our activities and to assist people making requests.

Early advice is that we should adopt a “publication scheme” which is known to be compliant with the Scottish Information Commissioner’s requirements and base our information release on that. There is no requirement to publish historic data. The SIC evidence suggests that a sound publication scheme will mitigate additional requests and many that do come in can be satisfied by directing the inquirer to pre-existing information.

The SIC itself has a model scheme for public authorities and the SFHA has produced an SIC approved scheme specifically for RSLs. It is in the process of updating this.

The assimilation and publication on our website of appropriate information is a significant task in itself but one which we should commit to achieve by November 2019.

Section 4

Other Objectives and Tasks 2019-20

1. In 2019-20, we require to consolidate further our approaches to services and service delivery to ensure we have established firm foundations for going forward.

2. **Taking care of our Customers**

We coined the phrase “Customer First” in our early drafts of our current Business Plan, to describe how we saw our approaches to customer service developing. Staff training since has focused on developing skills and approaches in this area to ensure we deliver person centred services. We encourage positive behaviours where Atrium staff actively look for positive outcomes for customers and use communication techniques which focus on what we can do for the customer rather than what we cannot.

We have made some inroads (customer satisfaction has increased in our 2018 survey) but we have a way to go before we can truly say that every customer feels that they enjoy an excellent customer experience and that they are delighted by our service levels.

Communication is key to customer service and we have plans to improve the means by which customers can engage with the organisation. We will introduce a customer portal which will allow tenants 24hour access to their rent and repairs accounts. We will also introduce two-way SMS messaging and email services.

We recognise that we are about to embark on a major investment programme aimed at improving the overall quality of our older housing stock for our customers (see below). We must ensure that keep our Vision firmly at the forefront of this activity and that we listen to and recognise the needs of our customers as we deliver it.

If we do not, then no matter how good the end product is in terms of quality affordable housing, we will have failed to deliver our Vision.

3. **Taking care of our housing**

Homes Fit for 21st Century Living Standard

At an Away Day held on 14 March 2018, Board considered the future investment strategy for Atrium Homes.

Approximately 33% of Atrium’s housing stock has been constructed since 2006 and is in very good condition. The remaining 67% is older and ranges from 1920 to 1975. The vast majority of our housing stock (including the older stock) meets the SHQS with minor exceptions only, but there is wide disparity between the age and in many instances the quality of our stock. By contrast, rents for properties of the same type and size have been standardised through rent rationalisation.

Our historic approach to stock maintenance has through financial necessity focussed on planned component replacement cycles. This SHQS driven approach, backed by a strong regulatory focus on measuring compliance has meant that with available resources focussed on delivering the SHQS, less has been available for addressing other defects, perceived and real within the older housing.

Tenant feedback from the customer satisfaction survey in 2016 indicated that the majority of our tenants (80%) were either satisfied or very satisfied with the quality of their home but that this still left a sizeable minority (20%) expressing some level of dissatisfaction. The Scottish average for dissatisfaction was 11%.

Board concluded, that moving forward, we should seek to move away from a component replacement based approach to one that sought to enhance the overall quality of our stock. Where feasible and practical, planned work will be advanced (or delayed) to create packages of work which along with improved finishes and external environmental work, will be aimed at improving not just the overall quality of the stock but the perception of it. The concept is called the Homes Fit for 21st Century Living Standard (HFF21CLS).

We have prepared detailed projections and consulted tenants in August 2018 on the HFF21CLS and what it work would be delivered to their home. We provided indicative rent projections to help ensure tenants has as full a picture as we could provide. Discussion were held with our Tenant Scrutiny Group before and after the consultation and their input influenced the consultation exercise and feedback process.

By May 2019, we will have identified framework contractors for the internal works and be able to identify work programmes, timescales and costs. We will issue further information to all tenants from June 2019 and begin detailed march-ins on the first tranche of properties at the same time.

Future New Build

In parallel, the Away Day addressed Atrium's appetite and capacity for further new build development activity. This was done with an awareness that need to borrow in order to invest in our older stock would impact on our ability to undertake extensive new build programmes in the future.

However, we do have a Scottish Government Programme Agreement for 28 units in two locations in 2020/21 along with private finance earmarked to deliver the units.

4. Taking care of our Communities

All our communities are important to us and we want to ensure that our they all can enjoy the services that we provide.

We will continue to identify community budgets, which our officers can use to support and develop activities and initiatives within communities and we will work collaboratively with others to help ensure that our communities are pleasant places to live.

We aim through our new staff structure to have a more visible presence within our communities and to ensure that our customers are aware of the services which we provide as well as those provided by other agencies. Through more effective sign-posting we will help and empower our customers to hold all agencies providing local services to account.

5. Taking care of the Business

In 2021, we anticipate increasing our borrowing commitment to allow us to complete delivery of the HFF21CLS works packages. In order to do this as smoothly as possible and to give us as wide a range of potential lenders as possible, we will use the intervening period to prepare. We are aware of a number of minor title issues affecting new build developments which if resolved would permit valuation to be on a more advantageous basis and we will begin work on these later this year.

In the course of the next few years, we will investing heavily in our stock and services and we will see our current cash reserves reduce commensurately. We will focus on cash flow management to ensure during this period the business remains financially secure and remains covenant complaint. In parallel, we will commence the exercise to "purify" the titles of currently unsecured stock so that if we need to, we can use them as security against new loans.

Succession planning at Board and senior staff level is crucial to the stability of the business. We have been able to recruit to vacant Board places and have added excellent skills to the Board in the process. We will continue with this process.

This coming year will see us submit our first Annual Assurance Statement to the Scottish Housing Regulator. Measures were taken in 2017/18 to give the organisation a useful start to this process. RSM(UK) Audit LLP undertook a review and their report confirmed that Atrium demonstrated a high level of compliance but identified some areas for improvement. These issues were addressed in 2018/19 and so we move towards the Annual Assurance Statement process with a high level of self-awareness and a degree of confidence, which falls well short of complacency. This leads us towards the judgement that, whilst we still have work to do, we are comfortable that there are no areas of material non-compliance.

Staff Terms and Conditions of Employment have not been comprehensively reviewed since 2010 and we will aim to undertake a comparative exercise against EVH norms to update our own.

ICT

Making our staff and services more effective and flexible is going to be a key factor in the business going forward. We have already looked at introducing mobile working and are piloting different hardware devices to see which is most effective. We intend to explore with staff their preferences for working hours and location to determine whether additional flexibility in these areas would lead to service enhancements.

We will introduce more up to date hardware (servers) with a view to speeding up our overall systems and improving system performance.

An important part of our activities involves keeping customers informed. We will develop the websites of both Atrium Homes and Atrium Initiatives to make them more user friendly, interactive and informative to customers. We will aim to have a workable tenant portal available through which customers can access some core services on a 24/365 basis.

We see speed and ease of communication as being a vital element in the delivery of both core services and the HFF21CLS works so we will aim to make electronic communications routes (SMS & email) with customers the norm rather than the exception and reduce our reliance on ordinary mail.