



ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended

31 March 2021

Wheatley Housing Group Limited

Scottish Housing Regulator Registration No. 363
Registered No. SC426094

CHAIR'S REPORT

In crisis, an organisation is defined by how it reacts and responds: how it protects and supports staff, the people it works for, the products and services it provides, its reputation and the business itself, now and for the future.

In this, the year of the pandemic, Wheatley Group - its 2,700 frontline and support staff, leadership team and board members - came together not only to face head on the extreme challenges posed by Covid, but to ensure the Group emerged stronger, even more resilient.

That innate ability to adapt and adjust is part, of course, of our DNA: a willingness and readiness to embrace change, anticipating the future needs and demands of our customers. This culminated in the acceleration and implementation of many of the ground-breaking customer engagement, service delivery and digital innovations contained in our new five-year strategy, *Your Home, Your Community, Your Future*. It underlined not only our agility and ability to respond swiftly and effectively, but a fierce determination to support tenants, people in care and factored homeowners through the most difficult of years.

In "Making Homes and Lives Better" for communities across Scotland, Wheatley has played a prominent part in the national response to Covid-19. This included being part of the Social Housing Resilience Group set up at the start of lockdown by Scottish Government and including representatives of the Scottish Federation of Housing Associations, COSLA and Scottish Housing Regulator.

On the day the First Minister announced on national TV a £350,000 grant for Wheatley Foundation's *EatWell* service, a senior civil servant described the Group as "a trusted partner", recognising "our scope and scale to deliver a significant service" in conjunction with local authorities.

Pre-Covid, two *EatWell* staff in two vans were delivering around 120 emergency food packages a week in Glasgow. At the height of lockdown, more than 50 staff and a fleet of vans were delivering 2,000 packages weekly to households in need across our entire geographical footprint. The *Emergency Response Fund* was another prime example of how we rose to the challenge, providing essential items - from fridges, cookers and fuel top-ups to educational devices for children learning at home and activity packs for the elderly - to more than 6,500 households in hardship.

Despite the disruption and disorder on a huge scale caused by the pandemic, the Group finished the year on track, financially and operationally, completing the vast majority of objectives and targets set out in our 2015-21 strategy, *Investing in Our Futures*.

Our ambitious new-build programme, suspended for four months at the start of the 2020/21 financial year, still produced 413 affordable homes, 329 for social and 84 for mid-market rent. With work underway on a further 1,186 new homes across 24 sites, from Bishopton to Edinburgh and Sighthill in Glasgow to Monroith in Wigtownshire. This follows very strong performance across the period of the strategy, during which time we completed or had approval for more than 5,000 new homes and invested over £519 million. Today, Wheatley owns or manages over 93,000 homes across 18 local authority areas.

Another priority was to continue mitigating the impact of the roll-out of Universal Credit ("UC"). More than 15,500 Wheatley tenants were registered for UC at the end of the financial year, an increase of over 4,200 on the previous year. Despite severe financial difficulties faced by many

CHAIR'S REPORT (continued)

customers, impact on rent arrears was limited. In fact, excellent work and careful planning by management and housing and support staff resulted meant rent arrears at year end remained below 4.5%.

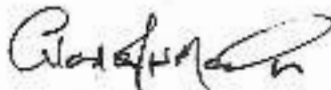
Wheatley Foundation supported over 24,000 people during the year, including creating 188 jobs, apprenticeships and training opportunities for customers and their children. Despite lockdown restrictions, £6.1 million was invested in programmes tackling poverty and promoting employability, digital inclusion, education and sports and the arts, including £1.6 million of external funding.

Strong progress was made in transforming Dumfries and Galloway Housing Partnership's service model, bringing it into line with those operated by the Group's other Registered Social Landlords ("RSLs"). Loretto Care and Barony completed successfully their merger as Wheatley Care and an overwhelming majority of Cube tenants in Glasgow who voted in an independent ballot did so in favour of joining GHG, which remains by far Scotland's largest RSL, while those outwith the city agreed to merge with Loretto Housing.

Throughout the pandemic, the Group's financial position remained strong and stable retaining sufficient liquidity, provided in part through the successful delivery of planned operational efficiencies achieved in the past 6 years of the *Investing in Our Futures* strategy. Our financial strength has allowed us to continue to serve and support our customers through the year. In a strong show of confidence, global credit ratings agency Standard & Poor's reaffirmed Wheatley's A+ (stable) rating in May, 2021, recognising our operational strength and financial performance, liquidity, improved debt profile and management of rental income and arrears.

In March 2021, we also took the opportunity to restructure some of our fixed rate loan arrangements which will reduce future interest costs for the RSLs in the Group and improve the financial strength of the business plan going forward.

My six years as Chair will end at the Wheatley AGM in September when Wheatley will be 10 years old. It has been a privilege to lead an organisation that is such a force for good in Scotland. I have no doubt Ju Armstrong, the unanimous choice of the Board as my successor, will continue to keep up the great work of the past decade. There are so many things of which I am proud, none more so than the commitment and dedication of staff and board members, past and present. Thank you for your support. It is reassuring to know Wheatley is in such good hands.



Alastair MacNish OBE

Chair of Wheatley Housing Group Board

CHIEF EXECUTIVE'S REPORT

Team Wheatley's performance in response during the first year of the pandemic was nothing short of exceptional.

The many working parts of the Group that continued to function throughout 2020/21 did so with remarkable fortitude, efficiency and agility. The staff who were furloughed, meanwhile, retained – as confirmed by staff surveys – both understanding and patience for the unprecedented circumstances we all had to endure and withstand.

The Group, I am proud to report, kept its shape and with morale remaining high delivered exceptional performance. Key to this was a total commitment to the safety of both staff and the people we work for across Scotland. This can be credited in large part to the outstanding efforts, creativity and persistence of the Procurement Team. At no time did we run short of any item of Personal Protective Equipment ("PPE"), a remarkable feat acknowledged by the UNISON union, who went public to voice their praise and appreciation.

The Employee Relations Team too played a major role in sustaining Team Wheatley's physical and mental wellbeing, organising a never-ending series of online activities and support initiatives, many of them on our award-winning *W.E. Connect* intranet.

Although the pandemic forced the postponement of the new Wheatley five-year strategy, *Your Home, Your Community, Your Future*, we drew heavily on its content from the outset, embedding quickly a flexible new service model based on home working and digital innovation to support households in hardship in lockdown.

The new operating model involved hundreds of housing, property-management and support staff being equipped to work from home. It is testimony to the excellence of the I.T. Team, for example, that the Customer Service Centre never missed a beat in moving from a traditional call centre set-up to all operators and advisors working from home.

All other parts of Team Wheatley – care colleagues, repairs and maintenance staff and Neighbourhood Environmental Teams - continued their essential work out and about in Wheatley communities and facilities, supplied with appropriate PPE and adhering strictly to safe-working practices.

The new ways of working reflected how much the thinking and digital innovations scheduled for the later years of our new strategy had been accelerated, and illustrated how nothing ever stands still at Wheatley as we continue on our unrelenting "Journey to Excellence".

The Wheatley Foundation played a huge part in our response to the challenges posed by the pandemic. While several services and programmes had to be suspended, others – notably *EatWell* and the *Emergency Response Fund* – were expanded hugely. The former supported no fewer than 11,325 vulnerable households over the year, delivering more than 33,000 emergency food packages or supermarket vouchers. The *Emergency Response Fund* provided essential household items ranging from cookers, microwaves and fridges to fuel and mobile phone top-ups to over 6,750 homes in need. In total, the Foundation supported over 24,000 people and despite the many Covid restrictions created 188 jobs, apprenticeships and training opportunities.

Other notable achievements included Wheatley retaining its title as the largest developer of social housing in the UK for the fourth consecutive year. This was due to the completion of 413 fuel-efficient, high-quality affordable homes (329 for social and 84 for mid-market rent), despite a suspension of housebuilding at the start of lockdown. Work started later in the year on 367 new homes on 12 sites, from Dumfries to Falkirk and Clydebank to Bathgate, bringing a total of 1,186

CHIEF EXECUTIVE'S REPORT (continued)

new homes under construction at the end of the year, as we set about building 5,500 affordable homes by 2026.

There was further alignment of the Group's structure when an overwhelming number of the Cube tenants in Glasgow voted, in an independent ballot, to join GHA, and those outwith the city, did so in favour of a merger with Loretto Housing. These votes pave the way for millions of pounds of additional investment in existing homes, the building of even more new affordable ones and the creation of hundreds of jobs, apprenticeships and training opportunities.

The launch of Wheatley Care on April 1, 2020, combining the expertise and experience of Barony and Loretto Care colleagues, enabled the Group to take the delivery of personalised care services to an even higher level. In October, 2020, YourPlace Property Management and Lowther Homes joined forces to create a new commercial subsidiary bringing private letting, factoring and the management of commercial properties under one roof as part of a new, refreshed Lowther brand.

In its first full year in the Wheatley family, Dumfries and Galloway Housing Partnership took giant strides to transform its operational model. This included doubling the number of housing officers, a new 24/7 customer service centre and the TUPE transfer of staff from Morgan Sindall to form a new in-house repairs team.

There was ongoing external recognition of the excellence of our services through our retention of platinum status by Investors in People and Investors in Young People. Acknowledgement of Wheatley's contribution to addressing Scotland's homelessness problem was widespread. This ranged from providing 474 homes to local authorities to use as temporary accommodation to supplying 129 to Housing First, the multi-agency partnership tackling rough sleeping.

Wheatley's digital presence grew considerably. Not surprisingly, as the impact of Covid deepened, more customers transacted online. Around half of the customer base, more than 46,500 people, have registered for an online account and over £25 million in rent and other payments was taken online in the year. The number of social media followers rose by 35%, with an average of 340,000 interactions and almost 90,000 websites visits each month.

On behalf of Team Wheatley, I'd like to pay tribute to Chair Alastair MacNish and all of the other board members across Group for their support and guidance through this most difficult of years. Alastair, who steps down later this year, has been part of the Wheatley journey from the start 10 years ago. His past five years as Chair are the culmination of a long and distinguished public-sector career and his calm, wise counsel, good humour and strong leadership will be missed sorely.

His successor, fellow Wheatley board member Jo Armstrong, is one of Scotland's leading independent business economists and was the unanimous choice of the board. I have no doubt, with Jo at the helm, we will continue to build on the outstanding achievements of the past decade.



Martin Armstrong

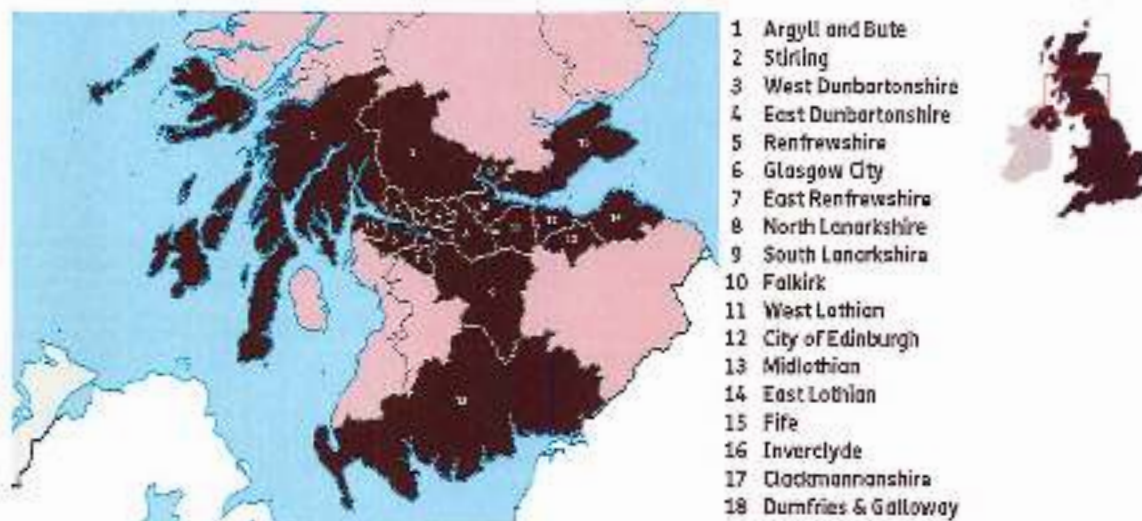
Wheatley Housing Group Chief Executive

STRATEGIC REPORT

Our mission is 'Making Homes and Lives Better'.

Where we are

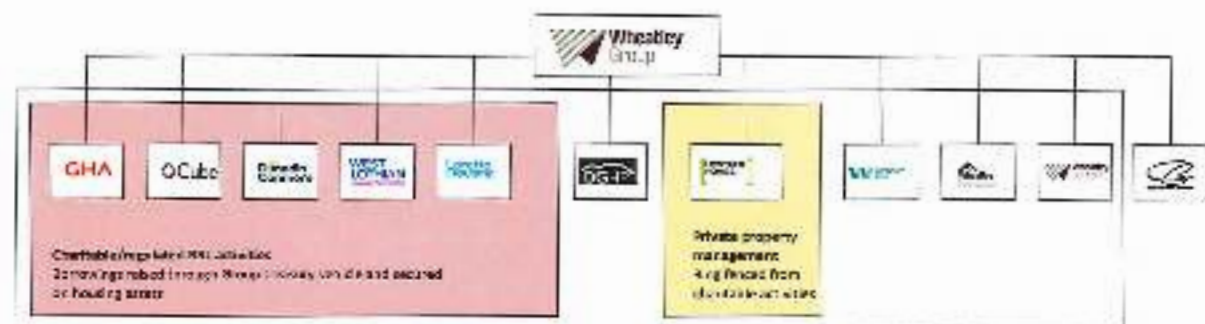
Headquartered in Glasgow, we serve over 210,000 customers in 18 local authority areas across central Scotland through our Registered Social Landlords, care organisation and commercial subsidiaries. Each part of the Wheatley family is focused on delivering excellence no matter what they do and each remains firmly rooted in their communities, providing services tailored to the needs of their individual customers.



Wheatley Housing Group Limited, as the the Group parent, does not own any homes but provides strategic oversight to all subsidiaries and is registered with the Scottish Housing Regulator.

What we do

Wheatley delivers its operational activities through ten wholly owned subsidiaries, supported by the joint venture with City Building (Glasgow) LLP. The Group's operating structure as at 31 March 2021 is shown below.



STRATEGIC REPORT (continued)

The largest part of the Group's operating footprint is in the west of Scotland, with over 45,700 homes owned and managed by Glasgow Housing Association ("GHA"), Cube Housing Association ("Cube") and Loretto Housing ("LHA"), with 300 new homes completed during the year. Our presence in the east of Scotland continues to grow with 101 properties completed in the year by Dundee Canmore Housing ("DCH") and West Lothian Housing Partnership ("WLHP"). Dumfries and Galloway Housing Partnership ("DGHP") completed a further 12 new homes bringing it to over 10,350 homes, with the RSLs in the Group owning a total of 62,954 homes by the end of the year.

Care is an important part of the Group, but in financial terms remains relatively small with less than 5% of turnover. At the start of the year Loretto Care and Barony care were formally combined in Loretto Care and traded under the name of Wheatley Care. They support over 1,700 people with specialist needs, many of whom live in properties owned by the Registered Social Landlords in the Group.

Lowther Homes Limited ("Lowther") owns a portfolio of 1,178 private rented homes and also provides management services to the Group's mid market rented homes. The planned transfer of the Group's factoring (common property management services) business from YourPlace Property Management Limited to Lowther completed in the year with Lowther now providing property management services to almost 30,000 customers.

Wheatley Solutions provides support services, ranging from finance, IT and procurement to governance, assurance, legal and communications and marketing to the Group's partner organisations. The Group's charitable arm, Wheatley Foundation, delivers our community and better lives activity.

The Group has a 50% interest in City Building (Glasgow) LLP ("CBG") under a 50:50 joint venture arrangement with Glasgow City Council. The joint venture provides repairs and investment services to the Group subsidiaries, principally those in the west of Scotland. A share of the results of CBG is included in the financial statements.

The year under review

The year to March 2021 marked the conclusion of our strategy *Investing in Our Futures*. A new five-year strategy, *Your Home, Your Community, Your Future* was approved by the Board during the year and sets out the Group's objectives for 2021-26.

Investing in Our Futures is built on the five strategic platforms of:

- **Customer Service Excellence**
- **Asset Growth and Partnerships**
- **Transforming the Care Environment**
- **Building Shared Capability**
- **A Strong and Diverse Funding Base**

STRATEGIC REPORT (continued)

We continued to deliver for our customers during the year, despite government restrictions on our operations due to Covid. A summary of our work under each theme is set out below.

Customer Service Excellence

- **Solid business performance**

Despite the extraordinary difficulties posed by the pandemic and the severe financial hardship faced by many customers, Wheatley's subsidiaries maintained high levels of performance across the indicators reported each year to the Scottish Housing Regulator.

Strong individual customer relationships, as well as the wide range of support we provided to people in financial difficulty, limited the impact on rent arrears. While median current tenant arrears increased by 0.5% across the UK sector, our arrears fell by 0.1% year-on-year. On average, the Group finished the year at 4.49%, compared to our target of 5.24%. Our largest RSLs' arrears – 4.8% for GHA and 3.9% for DGHP – were well below the Scottish average of 8.2% for organisations with more than 10,000 homes.

There was a 17% reduction in accidental dwelling fires in Wheatley's homes, despite Scottish Fire and Rescue reporting a national increase.

The Group's performance reflects the outstanding resilience and commitment of our staff, exemplified, for example, by a reduction in sickness absence, with only 2.13% of working days lost, compared with the sector median of 4.6%.

The impact of the pandemic on customers, and our strict adherence to social distancing, meant we did not carry out our annual survey of customers this year. Nevertheless, we will continue to build on the high levels of customer satisfaction previously reported.

- **Improving our repairs service**

At the start of financial year, our repairs and maintenance service was restricted to emergency and essential services only. Throughout the year, our overriding priority was the safety of our staff and customers. As lockdown restrictions were temporarily eased, we increased the range of essential repairs we could carry out, but reverted back to emergency and essential services as restrictions tightened again.

As a Group, emergency repairs were carried out on average within 2.76 hours, with each RSL providing this emergency service within the targeted time of three hours.

At DGHP, the creation of a new in-house repairs service, as well as a new dynamic scheduling system and a new supply chain, meant emergency repairs were carried out within an average of 1.9 hours, compared to 2.3 hours the year before.

Despite the challenges of strict health and safety guidelines, as well as restrictions on travel, we still managed to deliver more than 157,500 reactive repairs over the year. All our homes continue to have a valid gas certificate.

STRATEGIC REPORT (continued)

• External recognition

External recognition for excellence across our sectors continued in 2020/21. Even through the restrictions caused by the pandemic, we retained both Investors in Young People and Investors in People Platinum status. For the first time, these assessments were carried out through online interviews and focus group conversations.

• Homelessness

Over the year, Wheatley prioritised its support to the Scottish Government's initiative to provide housing for homeless people during the pandemic.

During 2020/21, the Group allocated 2,448 homes – 63% of relevant lets – to homeless applicants. The average figure for Scottish RSLs was 35%. We also 'flipped' 150 temporary furnished homes, turning them into permanent homes for the homeless people living in them.

Wheatley recognised the challenge all local authorities faced in fulfilling their statutory duty to the homeless, and provided 474 homes to local authorities to use as temporary accommodation for homeless people over the year.

Wheatley also provided 129 homes to new tenants under the Housing First approach, a multi-agency partnership set up to tackle rough sleeping.

• Support for customers

The pandemic left many of our customers facing severe financial hardship, while Universal Credit continued to present new challenges and hardship for many. We supported our customers and their families through this and many other difficulties with personalised help.

Our wraparound services, from money, benefits and fuel advice to help with furnishing their homes, offered vital support.

Our advisers supported almost 25,000 Wheatley customers over the year, and helped them claim more than £9million in benefits and tax credits they were entitled to. We also helped customers across Wheatley access almost £800k in external funding to alleviate fuel poverty.

More than 12,000 Wheatley households with children aged 16 and under received a £30 supermarket voucher this year, to help them buy food and presents over the festive period.

Working with the Wheatley Foundation and *Wheatley 360*, the Group wraparound services division, our subsidiaries:

- created 188 job and training opportunities which supported 104 customers;
- supported 1,692 new tenants with household budgeting, running a home and settling into their community through *My Great Start*;
- put food on the table in 11,325 homes through our *EatWell* service;
- helped 6,751 customers with one-off essential purchases through our *Emergency Response Fund*;
- gave 442 tenants upcycled furniture through our *Home Comforts* service;
- awarded 77 young people from our homes a bursary to go to university or college;
- provided free books every month for 619 children under five years in our homes through the Dolly Parton Imagination Library.

The Wheatley Foundation has raised almost £17 million to support these causes since 2016.

STRATEGIC REPORT (continued)

• Innovation in services

A key goal in our five year strategy has been to embed innovative new approaches to services and support to our customers. We have continued to develop our online channels and services, which offer our customers easy and convenient ways to pay bills, book appointments and access advice and information, with increasing numbers of our customers choosing to transact online.

Despite the restrictions caused by the pandemic, more than 46,500 customers were registered for an online account – almost 50% of our customer base – with over £25.2 million in rent and other payments taken online in the year.

Around 60,000 housing applications have been received since the launch of *MyHousing* in 2018, with customers successfully self-serving in a digital environment.

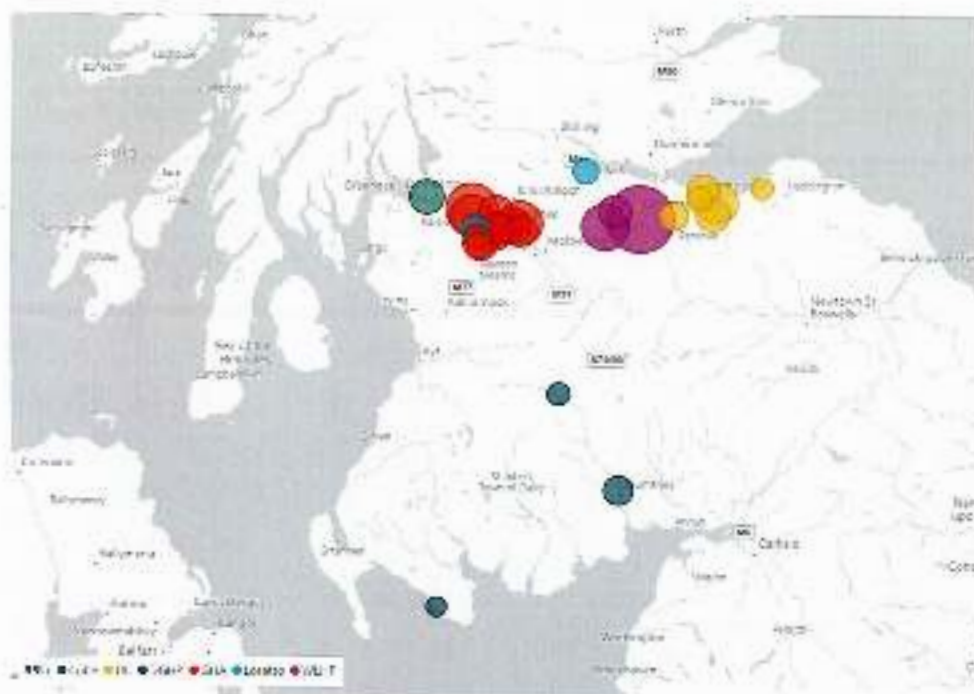
In 2020/21, 5,086 customers were registered for our online shopping portal *MySavings*, an increase of 1,470 from the previous year, helping customers save on a range of household spending such as supermarket and clothing discounts.

The number of followers on our social media channels rose by 35% over the year, and we received 2,721 enquiries from customer on social media, an increase of 84% on the previous year. We reached an average of more than 340,000 social media accounts every month, and close to 90,000 users visited our websites each month.

Asset Growth and Partnerships

• New build homes

In 2020/21 we built 413 new homes, 329 for social rent and 84 for mid-market rent, including the completion of DGHP's first new build project since joining the Group. We also started work on a further 1,186 new homes across 24 sites. Our new build programme included live sites in all of our RSLs.



STRATEGIC REPORT (continued)

Homes completed in the year included:

- 88 new GHA homes for social rent at Linkwood in Drumchapel
- 57 new GHA homes at Auchinlea, Easterhouse
- 49 new mid-market rent homes at Inglefield Street, Govanhill and another 49 social rent properties at Scaraway Street, Milton both for GHA
- 27 new social rent properties at Bellrock, Cranhill for GHA
- 41 new Dunedin Canmore homes at Beaverbank, north Edinburgh
- 19 new properties at Fountainbrige and another 16 at Greendykes both for Dunedin Canmore
- 24 new Cube homes at Westcliff/Talisman Avenue in Dumbarton
- 12 new homes for DGHP at Queensberry Square, Sanquhar
- Eight new WLHP homes at Dixon Terrace, Whitburn, completing an 85-home development

Our new build developments were recognised with a number of awards over the year. Loretto's conversion of a school at Buckley Street, Glasgow, won Housing Regeneration Project of the Year at the Scottish Home Awards, while GHA and Lowther's transformation of former police stables at Bell Street won the Affordable Housing Category at the Scottish Design Awards and Housing Renovation of the Year at the Scottish Home Awards.

Over the period of our strategy *Investing in Our Futures* we have completed or have approval for more than 5,000 new homes and have invested over £519 million.

- **New and consolidated partnerships**

This year represented a significant milestone for the Wheatley family.

Following extensive consultation and two independent ballots, Cube tenants voted overwhelmingly in favour of joining forces with GHA in Glasgow, while those outwith the city agreed to transfer their tenancies to Loretto Housing. Both moves, which pave the way for multi-million pound improvements, the transformation of communities and new jobs and training opportunities, took place in April and July 2021 respectively.

Wheatley Care, a new trading name for Loretto Care, was launched on 1 April 2020, bringing together the expertise and experience of Barony and Loretto to deliver the best possible personalised care services to the people we work for, supporting them to make the most of their lives and fulfil their individual goals.

Barony's tenants in West Lothian transferred their tenancies to WLHP, while those in Edinburgh and elsewhere joined Dunedin Canmore to consolidate our presence in Edinburgh and the Lothians, as well as to improve services.

In December 2020, Wheatley subsidiaries YourPlace and Lowther Homes joined forces to create a new commercial subsidiary bringing private letting, factoring and commercial properties together under a refreshed 'Lowther' brand, helping provide even better value and a platform for developing digital services.

It was also a year of consolidation for our newest partner, DGHP. In its first full year as part of the Wheatley family, DGHP made significant improvements to its service, including doubling its number of housing officers and the introduction of 24/7 customer service, as well as

STRATEGIC REPORT (continued)

completing the TUPE transfer of staff from Morgan Sindall to form an in-house repairs team that is already being recognised nationally for its services.

• Investment in existing homes

Despite the restrictions caused by the pandemic, we invested more than £47 million improving our existing homes over the year, making them safer, more energy efficient and more attractive places to live.

Key projects carried out over the year included:

- Smoke and heat detector upgrades for more than 10,000 homes;
- £1.1m on new lifts in the high-rise blocks at Townhead in Glasgow;
- £0.8m on repairing roofs and stonework on our pre-1919 tenements in Edinburgh;
- £1.8m on external wall insulation for 109 homes in Dumfries and Sanquhar;
- £1.0m on external wall insulation at deck access blocks in Darnley, in Glasgow;
- New CCTV for high-rise blocks at Cathkinview, Drygate, Archerhill and Northland Drive, in Glasgow;
- New lifts for sheltered housing at Fraser Court and Royston Mains Close, Edinburgh, as well as fire safety works and other improvements at Dunedin Harbour hostel, also in Edinburgh;
- £0.8m on new bin stores and paths in Summerston and Baillieston in Glasgow;
- £0.6m on environmental improvements across Dumfries and Galloway;
- Environmental improvements at Poplar Place in Blantyre.

Over the period of our 'Investing in our Futures' strategy, the Group has invested over £394 million in existing homes.

• Fire Safety

Keeping our customers and communities as safe as they possibly can be, is of paramount importance to Group and this is recognised within our new *Your Home, Your Community, Your Future* strategy in which we clearly state that fire safety will remain a top priority. As a Group we have continued to set challenging targets in relation to the reduction of accidental fires within our homes resulting in a 32% reduction over the last three years.

Scottish Government enacted key legislative changes in response to the Grenfell disaster. These include a legislative requirement for interconnected smoke and heat detectors in all homes by February 2022 which we are on track to meet and further guidance on fire safety for owners of high-rise buildings was published in December 2019. The Group has adopted the recommendations in the guidance and carries out fire risk assessments in all our multi-storey buildings on a three yearly cycle. Recommendations from these fire safety assessments and the status of actions are reviewed quarterly by the Group Audit Committee.

We have prioritised investment in this area with over £25 million spent on improvements and maintenance since March 2017 with further investment of over £7 million included in our business plans over the five year period of the new strategy. Across all of our high-rise buildings cladding meets fire safety standards; no rectification work was required on any of our multi-storey properties and no ACM cladding had been used in our buildings.

Within the context of fire safety our commitment to delivering excellence has been endorsed by the Scottish Government's, Building Safer Communities, and Unintentional Harm Hub who highlighted our Community Improvement Partnership ("CIP") Fire Safety Operating Model, where we work in partnership with the Scottish Fire and Rescue, as a Fire Prevention Exemplar.

STRATEGIC REPORT (continued)

- **Energy efficiency**

As Scotland's largest landlord with over 64,000 homes for social and mid-market rent, we are committed to ensuring our homes meet the energy efficiency and sustainability standards laid down by Scottish Government as we work together towards the target of net zero greenhouse gases by 2045.

Across the Group all our social housing properties meet the Scottish Government's current Energy Efficiency Standard for Social Housing ("EESH") which was introduced in 2014. We undertake an assessment of the energy efficiency and performance of our social homes on a change of tenancy and hold energy performance certificates ("EPC") for 72% or over 44,500 of our social rental properties. Where assessments have been carried out, over 95% of our social homes currently reach EPC band D or above and 71% of social homes are currently in band C or higher.

Looking to the future, longer term energy efficiency targets will be assessed using the new Energy Efficiency Standard for Social Housing post 2020 or EESH2. This requires all social housing to meet EPC Band B, or to be as energy efficient as practically possible by December 2032. The Group has provision for investment of more than £47million over the period of the new *Your Home, Your Community, Your Future* strategy allocated to projects that will improve the energy efficiency of our homes as we work towards meeting EESH2.

- **Supporting and creating employment**

Our work continued to generate and support jobs, training and apprenticeships for people who live in our communities as part of our *Better Lives* agenda.

In the year we helped 188 people into work or training either through opportunities created by our investment and new build contracts or through our own employability schemes such as Modern Apprenticeships.

Over the past six years, more than 3,000 apprenticeships and training places have been created. The majority, 55%, of the opportunities created this year were taken up by people who live in our homes. In some cases, people moved from a training place into a job.

Opportunities included:

- 75 training places, ranging from short *Environmental Roots* placements in our environmental services to work placements through our Community Benefits clauses in all our investment contracts;
- 40 apprenticeships, including trade apprentices at City Building (Glasgow) LLP, which we jointly own, and apprenticeships supported by our external contractors;
- 73 jobs, which includes people who progressed from training programmes into work and people supported into employment through our Wheatley Works programmes.

STRATEGIC REPORT (continued)

Transforming the Care Environment

It was a year of consolidation in our care services. Wheatley Care, as the new trading name for Loretto Care, was launched on 1 April 2020, combining the expertise and experience of Barony and Loretto Care colleagues to deliver the best possible personalised care services to the people we work for, supporting them to make the most of their lives and fulfil their individual goals.

In total, we supported 6,353 people across our services, helping them achieve their own positive outcomes. All our Self Directed Support ("SDS") services continued to grow, working with people in their communities to achieve a high quality of life and personalised outcomes.

In light of the pandemic, no inspections were conducted by the Care Inspectorate during the year, meaning 77% of our services remain at grade 5 (very good) or above, significantly higher than the sector average of 47%.

- **Tenancy Support Service**

Our Tenancy Support Service ("TSS") continued to help vulnerable tenants of Wheatley's social landlords maintain their tenancies through specialised support ranging from money and budgeting advice through to help with addictions and health and wellbeing.

The TSS supported 1,122 tenants over the year, with the vast majority saying they had achieved positive outcomes as a result.

- **Livingwell services**

Wheatley's Livingwell service helps older tenants live independently in their own homes for longer, supported by housing staff as well as a dedicated team of support staff with care expertise.

A total of 953 tenants were supported over the year at 30 Livingwell complexes in Glasgow. They enjoyed a range of activities such as language classes, line dancing, quizzes and art sessions, to help them get the most out of life and reduce isolation.

We also provided a hot meal for over 1,000 Livingwell tenants in the run-up to Christmas.

- **Bellgrove Hotel**

The Group took ownership of the Bellgrove Hotel, a private hostel in Glasgow's east end, representing the latest part of Wheatley's commitment to tackling the country's homelessness crisis.

Wheatley Care is providing specialist support for the remaining residents in the Bellgrove, and is working with Glasgow Health and Social Care Partnership to help the residents move on from the hostel into more suitable, modern homes, with tailored care and support in place for those who need it.

The move also unlocks the potential for a future phase of affordable homes in an area earmarked as a priority for regeneration.

STRATEGIC REPORT (continued)

- **Housing First**

We continued to play a leading role in Scotland's Housing First pathfinders, which are tackling rough sleeping and homelessness. We directly supported 37 people through Housing First in Edinburgh and Stirling, and seconded a staff member to a consortium of support providers in Glasgow which supported another 165 people.

Across the Group, Wheatley provided 129 homes to homeless people or households under the Housing First initiative during the year.

This year Wheatley Care, along with six partner organisations, was also awarded the contract for the Glasgow Alliance to End Homelessness ("GAEH"), a unique partnership which aims to radically transform the homelessness response in Glasgow and ultimately end homelessness.

In a wider sense, we tackle disadvantage in our communities through our charitable trust the Wheatley Foundation, which supported more than 24,000 people over the year with a range of opportunities including, jobs, training, apprenticeships and bursaries.

- **Reconfiguration programme**

Wheatley Care's reconfiguration programme will see 50 people we work for move into their own secure tenancies by 2022. This year, 10 people we work for moved from houses of multiple occupancy into their own new build homes in Edinburgh.

- **Community engagement**

We continued to support the people we work for to get the most out of their community through a wide range of activities to improve physical health, mental wellbeing, reduce social isolation and increase access to employment, volunteering and education.

Our flagship music project *The Ensemble* continued to develop over the year. *The Ensemble* is a unique engagement opportunity which sees people we work for collaborate with professional musicians to create music to help improve confidence, resilience and mental health. Since the end of the year, *The Ensemble* have launched their debut album.

Our Knightswood Connects project this year helped 137 older people in a Glasgow neighbourhood develop closer ties to their community and enjoy opportunities such as art and music to have a positive impact on their lives.

This year, the project delivered over 300 activity packs to promote wellbeing, and supported older people to access mindfulness exercises and other activities as well as helping them keep in touch with friends and family online.

Building Shared Capability

- **Learning and development**

One of our key aims is to attract and retain the best talent in our sectors, and to support colleagues across Wheatley to develop their skills, confidence and resilience.

Our digital learning agenda was accelerated this year, and our online learning portal *MyAcademy* continued to provide a blended approach to digital and practical learning for all our 2,700 staff. Our learning team designed and built more than 60 new e-learning courses, a combination of development and mandatory learning.

STRATEGIC REPORT (continued)

This included:

- new courses on Freedom of Information, data protection and fire safety;
- cyber security and newly-developed coronavirus awareness training;
- 16 new modules launched during 'Learning at Work Week', including Equality, Diversity and Inclusion training;
- 53 new housing officers inducted into DGHP, with more than 50 hours of online learning for each person.

We also supported 50 Wheatley leaders through an enhanced 'Leading with Impact' module. A total of 91% of staff told us they were satisfied with access to learning via the Academy.

• **Creating opportunities**

This year we welcomed 30 new graduates on to our two year graduate programme *Ignite* – one of the biggest graduate training programmes of its kind in Scotland –helping us to remain an attractive employer to new graduates.

This year we recruited graduates from outside the central belt and, as a result, were able to offer them placements in our housing teams, corporate support services, and repairs and investment teams across the Group.

Graduates get on-the-job training across the organisation, as well as opportunities for further study, qualifications and the mentoring support they need to become future leaders in housing. Our earlier intake of graduates were able to apply for housing officer posts this year, and 14 have now taken up that role on a fixed-term basis.

Despite the challenges we faced this year, we also maintained strong connections with our communities, securing 188 training and employment opportunities for people living in our homes, including young people who joined our apprenticeship programme and our partner City Building's apprenticeship programme, as well as the community benefit clauses in our new-build and investment programmes and Environmental Roots, our four-week pre-employment training programme in environmental maintenance.

• **Reward and recognition**

Our rewards package continued to offer staff an exceptional range of benefits, including shopping discounts, help with childcare, help to buy a bicycle, as well as help with the costs of opticians and dental treatments and season ticket loans for travel to work.

Throughout 2020/21, the safety and welfare of our staff was more important than ever. In the early stages of the pandemic, many of our people with underlying health issues affecting them or their immediate family had to self-isolate. We ensured they remained connected and created a 'Family Hub' space on our intranet for staff and their families to take part in daily activities, including advice on home schooling, kids' clubs, cooking classes and arts and crafts. We also made hundreds of welfare calls to staff during this period, offering support, guidance and reassurance.

As we gradually remobilised, we created a programme to ensure those who had been out of the physical workplace were eased into the new ways of working, including a series of virtual coffee sessions with senior staff, an introduction to online learning and further welfare support to ensure they were in the best condition to return. More than 100 employees took part in this programme.

STRATEGIC REPORT (continued)

A Strong and Diverse Funding Base

The year was dominated by the impact of the Covid-19 pandemic which affected all parts of the Group's operations. Throughout the year our aims were to ensure the Group was well placed financially to continue to provide the best level of service possible to tenants while following Scottish and UK Government rules and guidance. A high level of liquidity was retained at the end of the 2019/20 financial year as the pandemic began to develop. This ensured the Group was well placed to adapt its operating model and maintain a high level of financial capacity and flexibility. This was essential as changes to rules and guidance were often made at short notice; we were able to respond quickly and effectively, focusing on providing the services our customers needed in a way that was most appropriate in the circumstances.

As the year progressed we adapted our operating model in line with the relaxation and tightening of restrictions and adjusted our financial projections and forecasts to ensure our assessments were undertaken using the most up to date information. We updated our business plan and stress tests to reflect changing economic forecasts and the impact of delays and longer development timelines in our new build programme. As anticipated at the start of the pandemic, more of our tenants moved onto Universal Credit during the year, creating potential pressure on arrears levels. Our frontline service model with small patch sizes allows our housing officers to help customers manage their financial circumstances and arrange early referrals to welfare benefit and money advice services. These personalised services have been key in maintaining overall arrears levels close to pre-pandemic levels at 4.49%. We also launched our new staff operating model, promoting more flexible and efficient ways of working and taking opportunities presented by the pandemic to modernise working practices with a number of staff being equipped to work from home.

Liquidity in place at the start of the year was maintained throughout with available net cash balances of £132.2m at the year end. As we return to a more normal service model, these funds will be utilised for planned investment in our existing social housing stock and for the development of new homes in line with plans set out in our new 2021-2026 *Your Home, Your Community, Your Future* strategy. At the end of the year, the Group had access to undrawn loan facilities of £314.1m and combined with cash balances, this provides sufficient headroom to mitigate financial risk including any short term deterioration in arrears levels when the UK Government's Job Retention Scheme comes to an end in September 2021. Financial covenants in place with the Group's lenders continue to be met and the updated financial projections also provide a comfortable level of headroom against the covenants.

A key goal in the financial theme of the strategy is the delivery of operational efficiencies with those targets embedded within our business plan and annual budgets. This year adjusted EBITDA after excluding non cash accounting adjustments for new build grant, investment property valuation movements and FRS 102 pension movements was £151.4m, with the Group's new partner DGHP adding EBITDA of £19.3m from its first full year of trading reported in the results on top of the £6.3m contribution reported in 2019/20. One of our key strategic objectives is the generation of sufficient levels of adjusted EBITDA to cover interest costs and capital investment in full and that milestone has been met for the first time this year, with EBITDA of £151.4m being £36.5m higher than interest costs and capital investment. The restrictions placed on the delivery of our investment programme during the pandemic have lowered planned capital investment spend, however our financial projections show that EBITDA exceeding interest costs and capital expenditure is sustainable looking forward as we catch up with the backlog of deferred repairs and investment expenditure next year.

STRATEGIC REPORT (continued)

The Group's turnover also rose 9% to £388.6m. We are focused on providing excellent services that represent value for money to our customers and over the period of the strategy, the Group has seen its headline social housing operating cost per unit reduce and management and administration cost per unit fall from £1,177 to £1,121.

During the year the opportunity was taken to restructure our fixed rate loan arrangements, moving onto lower variable rate arrangements whilst still maintaining a balance between fixed and variable rates in line with the range specified in our Treasury Management Policy. This will reduce future interest costs and improve the strength of the Group's business plan going forward.

The Group's balance sheet position strengthened, with gearing - as measured by net debt as a percentage of asset values - falling from 53% to 50%.

Our commercial factoring and private letting operations remained resilient, and reported a 5% increase in operating margin from 25% to 28%. This allowed gift aid of £3.2m to be paid to Wheatley Foundation for community investment projects.

The financial outlook for the Group is reviewed annually by Standard and Poor's with their most recent review in spring of 2021. The focus of the review was on the Group's response to the pandemic and the impact on financial performance. The exercise reaffirmed the credit rating at A+, "stable" outlook with Wheatley remaining one of the highest rated social housing groups in the UK.

STRATEGIC REPORT (continued)

Financial Performance – Group Highlights

The Group's key financial performance indicators over the period of the *Investing in Our Futures* strategy demonstrated the achievement of our financial and cost efficiency targets against a background of strong performance in non financial measures and the maintenance of a high level of customer satisfaction over the period of the strategy.

The results include the first full year of results from the Dumfries and Galloway Housing Partnership and its subsidiaries after joining the Group in December 2019.

Statement of Comprehensive Income

- The Group generated an operating surplus of £76.7m (2020: £314.8m) for the year after a loss on valuation of investment properties of £7.4m and £0.6m for the impairment of goodwill on the acquisition of GBG Enterprises Limited. The prior year operating surplus of £314.8m included a loss on the valuation of investment properties of £11.6m and a gain of £240.9m on the partnership with DGHIP.
- Investment properties are held on the Statement of Financial Position at valuation and on completion of new build properties. FRS 102 requires the associated grant income to be recognised through profit or loss under the performance model which results in an initial non-cash accounting loss on valuation being reported in operating surplus.

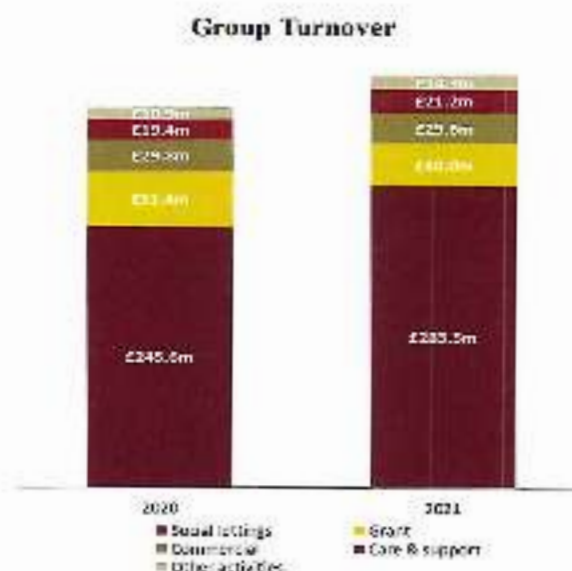
Table 1:

Five-Year Summary	2017	2018	2019	2020	2021
	£m	£m	£m	£m	£m
Statement of Comprehensive Income					
Turnover	275.7	304.5	333.6	357.1	388.6
Operating expenditure	(242.3)	(244.1)	(266.8)	(271.6)	(303.9)
Other gains and losses	17.9	1.8	(10.0)	223.3	8.3
Operating surplus	46.3	62.2	56.2	314.8	76.7
Gain on disposal of fixed assets	3.2	3.4	0.0	0.7	1.3
Net finance charges	(52.1)	(58.3)	(56.7)	(71.4)	(33.0)
Movement in fair value of financial instruments	1.0	(1.3)	(4.7)	0.5	(7.2)
Operating surplus for the year before tax	(1.0)	7.0	(5.2)	244.6	(22.7)
Operating surplus	46.3	62.2	56.2	314.8	76.7
Adjusted for:					
New build grant	(13.3)	(37.5)	(91.0)	(50.5)	(28.9)
Other gains and losses	(17.4)	(1.8)	10.6	(223.3)	8.0
Depreciation and other non-cash accounting items	62.8	68.8	88.3	95.0	95.5
EBITDA	82.9	91.7	105.1	120.0	151.4
Adjusted for:					
Investment in social housing	(71.7)	(33.6)	(53.8)	(66.7)	(47.0)
EBITDA MRI	11.2	58.1	51.3	53.3	104.4

- As shown in the summary of the Statement of Comprehensive Income in table 1 above, total turnover increased by 9% to £388.6m, up from £357.1m in 2020. This was an increase of £31.5m driven by the first full year's results for DGHIP reported in the Group financial statements.

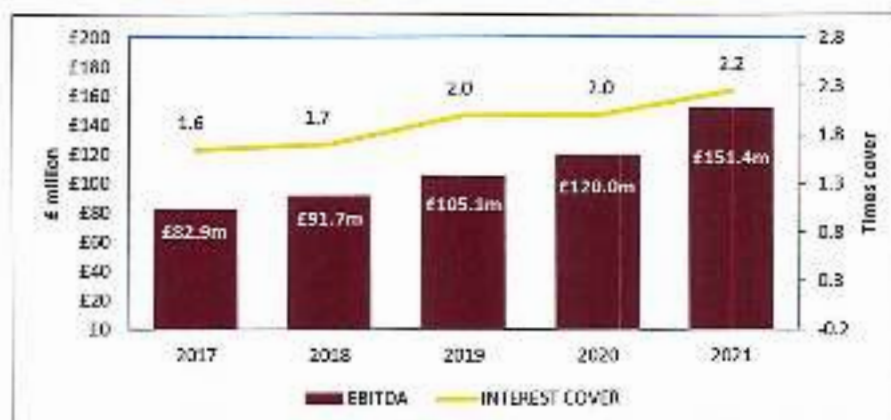
STRATEGIC REPORT (continued)

- Turnover generated in the Group's core social letting business from rents and service charges grew to £283.5m up from £245.6m in the prior year. Of the £37.9m increase in social letting turnover, £30.7m was generated by additional rental and service charge income from DGHP.
- As in previous years, non social housing activities continue to account for a relatively small proportion of the Group's overall turnover. In 2020/21, care and support income of £21.2m represented 5% of Group turnover. Commercial factoring and letting activities generated a further £29.6m or 8%. Other income of £14.3m includes grants and donations to the Wheatley Foundation, income from owners for improvements and commercial property income.

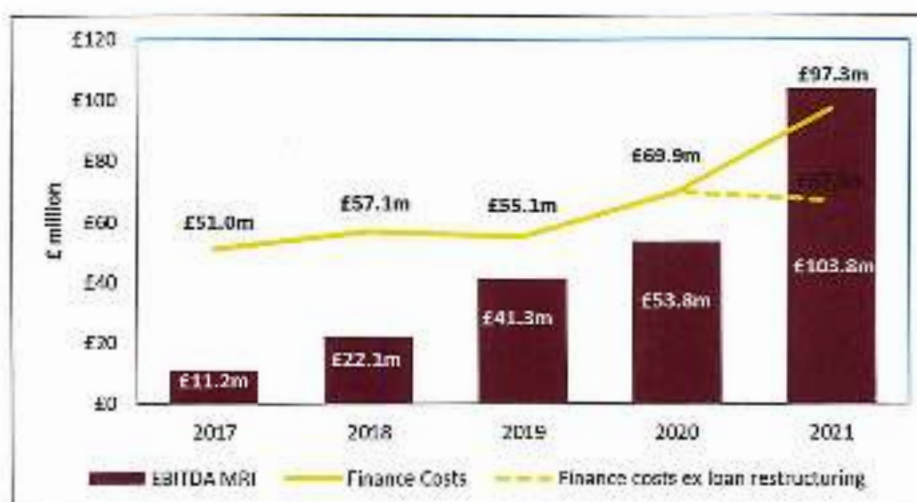


- EBITDA or earnings before interest, tax, depreciation and amortisation adjusted to remove new build government grant and non-cash accounting adjustments reported in other gains and losses and FRS 102 pension costs grew 26% to £151.4m, from £120.0m in 2019/20 as shown in table 1. Of the £31.4m growth in EBITDA in the year, £19.3m was attributable to the inclusion of the first full year's results for DGHP. Improvement in EBITDA over the five year period from 2016/17 reported a total increase of £68.5m or 83%.
- The Group's ability to meet interest payments due on borrowings from EBITDA also known as interest cover, has also shown sustained growth over the last five year period during our *Investing in our Futures* strategy from 1.6 times to 2.2 times in 2020/21.

STRATEGIC REPORT (continued)



- A measure of financial strength of the Group is the level of earnings or EBITDA after taking account of all fixed asset capital investment spend in existing social housing properties referred to as EBITDA MRI (as shown in table 1) relative to finance costs for the year. This measure shows the earnings available to service borrowings. Strengthening the ability of the Group to generate surpluses over and above the level required to fund capital investment and service debt, so that new borrowing is only for new build development is a key strategic objective.
- The chart shows the progress against this objective over the five years since 2016/17, a period covered by the *Investing in our Futures* strategy and achievement of this financial milestone for the first time in 2020/21. The gap of £9.8m between earnings less capital investment compared to interest in the prior year has been eliminated and an EBITDA MRI of £103.8m has been achieved this year compared to interest costs of £97.3m or 107% EBITDA MRI interest cover.
- Interest costs of £97.3m in 2020/21 include one off loan restructuring fees of £30.0m, which were incurred in moving some legacy fixed rate loan arrangements to lower floating rates which will reduce future interest costs and improve the strength of the Group business plan. Excluding these costs EBITDA MRI of £103.8m would be comparable against interest costs of £67.3m achieving 155% EBITDA MRI interest cover.



STRATEGIC REPORT (continued)

- The Group's capital investment programme has been subject to Scottish Government health and safety restrictions to a varying extent throughout the year which has seen investment spend below normal levels in 2020/21, however a position where EBITDA MRI is in excess of finance costs is sustainable going forward and confirmed in our financial projections.
- The trend over the period of the strategy on EBITDA, interest cover and EBITDA MRI shows a strengthening of the Group's financial position achieved through sustained efficiencies in the Group's operating cost base. Cost efficiencies have helped to grow earnings to a level that comfortably supports the servicing of borrowings, allowing the Group to meet the strategic objective of increasing the provision of new homes in our communities.

Statement of Financial Position

- Total reserves of £1,218.3m increased by £77.5m in the year. Social and mid-market rent housing properties increased in value by £137.0m representing the long term value of investment in customers' homes and the investment in the new build programme which has seen a total of 413 new homes completed in the year.
- Within current liabilities net rent arrears were £13.7m (2020: £7.0m), after taking account of the bad debt provision of £7.9m (2020: £7.7m). The value of rent arrears reported at the financial year end varies depending on the timing gap between the end of the four-weekly rental billing period and the year end date. The rent arrears reported at 31 March can include technical arrears for amounts due which are associated with the timing of direct payment for housing benefit. In 2019/20 an early receipt of housing benefit reduced rent arrears at the year end by £7.0m with the receipt for the same rent period in 2020/21 not due to be paid until after the year end.
- Debt and gearing levels remain sustainable, with long term loans of £1,479.4m (2020: £1,452.5m). Gross debt per unit was £23,192 (2019: £23,030), which remains below the majority of large UK housing groups. Gearing, measured by net debt as a percentage of asset values in the Statement of Financial Position, was 50% at 31 March 2021 (2020: 53%).

STRATEGIC REPORT (continued)

Table 2:

Five -Year Summary	2017	2018	2019	2020	2021
	£m	£m	£m	£m	£m
Statement of Financial Position					
Social housing and investment properties	1,689.7	1,908.1	2,087.5	2,573.6	2,710.9
Other fixed assets	71.6	75.3	70.9	72.9	85.2
Current assets	132.2	136.1	103.2	170.5	133.0
	1,903.5	2,119.5	2,261.6	2,817.0	2,929.1
Current liabilities	89.9	130.8	144.2	131.5	198.9
Long term loans	995.9	1,091.1	1,173.5	1,452.5	1,479.4
Other long term creditors	36.6	57.4	47.8	62.4	78.3
Provisions and pensions	85.4	57.0	50.1	79.7	29.8
Reserves	678.7	773.3	845.3	1,140.8	1,218.8
	1,905.5	2,119.6	2,261.6	2,817.0	2,964.8
	2017	2018	2019	2020	2021
	£m	£m	£m	£m	£m
Gearing					
Social housing properties	1,551.4	1,728.7	1,887.3	2,350.8	2,474.7
Market rent properties	135.6	167.8	188.6	206.8	222.8
Asset values	1,688.0	1,896.5	2,075.9	2,557.6	2,697.5
Loans	556.1	1,051.4	1,177.6	1,461.7	1,487.4
Cash	(26.7)	(53.3)	(33.6)	(115.4)	(132.2)
Net debt	569.4	1,099.1	1,144.0	1,545.3	1,556.2
Gearing %	57%	55%	55%	58%	58%

Cash flow and liquidity

Cash generation from core operations remained strong during the pandemic. The achievement of cost efficiencies over the strategic period have translated through improved adjusted EBITDA into cashflow strength and combined with the strength and reliability of the Group's core operating model, the Group has remained able to provide a high level of cash generation from operating activities. This is shown on the cashflow statement on page 56. Good levels of operational cashflow help to provide financial capacity to underpin the Group's significant new build programme and maintain a high level of investment in existing homes.

- The Group's core activities generated cash of £158.8m in the year, an increase of £46.8m from 2020, with £18.7m of the increase attributable to the cash generated by DGHP on its first full year in the Group. Cost efficiencies also contributed with management costs showing a reduction on a per unit basis once again this year. Rental cashflow also increased due to the full year effect of the addition of 803 new properties in 2019/20 and another 413 during the 2020/21 year and the 3.4% rent increase in April 2020.
- At 31 March 2021, cash and cash equivalents were £132.2m: an increase of £15.8m in the year. Borrowings drawn by the Group's funding entities and cash acquired with DGHP were available during the year to provide liquidity as the Covid-19 crisis developed. Restrictions during the pandemic caused some disruption to our planned capital investment and new build programmes, with the revised forward programme utilising these available balances.
- Grant income of £44.7m (2020: £41.5m) was accessed from the Scottish Government and local authorities to support the development of new housing.

STRATEGIC REPORT (continued)

Social Letting Activities highlights

In addition to the Group measures of operating surplus and EBITDA and EBITDA MRI, further key performance indicators ("KPIs") are used to assess and benchmark performance of our Registered Social Landlords against our strategic objective of delivering excellent services with a particular focus on services that represent Value for Money.

• Management and administration costs

Management costs are reported in note 4 to these financial statements. For the Group Registered Social Landlords, management cost per unit was £1,121, down from £1,138 in the prior year and down from £1,177 over the period of the strategy reflecting the savings achieved this financial year and in prior years in overhead costs achieved through the our group structure and shared working platforms. The introduction of our new operating model for staff in 2020/21 will provide access to further cost efficiencies going forward. Since, 2015/16 the measure has been consistently been below the median for the sector as compared against other mainstream Scottish RSLs with a majority of stock classified as general needs. This has been achieved against a context where around one in four of the Group's properties are high rise flats, where management costs are higher due to the investment in concierge and environmental management services we provide.

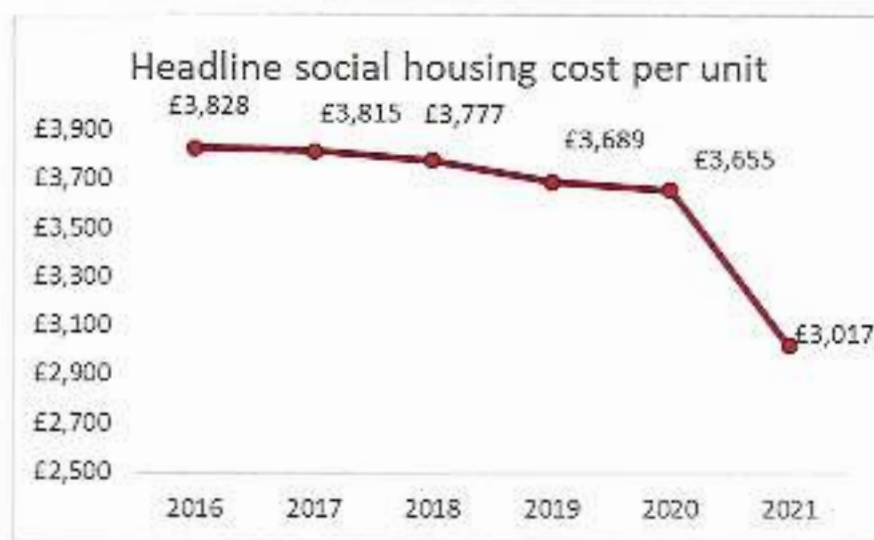


Source: Scottish Housing Regulator comparison of Scottish RSL unit costs 2018/19

• Operating cost per unit

The overall cost per unit of the Group's social letting activities also continued to reduce, falling to £3,017 from £3,655 in 2019/20 and reporting a reduction over the strategic period from £3,828. The pandemic related restrictions and associated disruption to the delivery of the Group's investment programme has reduced capital investment spend below planned levels and in turn lowered headline social housing cost per unit. On the return to planned levels of capital investment and as the Group's cost and other efficiency targets continue to be met and the underlying reducing trend in operating cost per unit is expected to continue.

STRATEGIC REPORT (continued)



Treasury Management

Long term debt facilities

As at 31 March 2021, Wheatley Group had £1,813.6m of bond and bank funding facilities in place with total Group drawn debt balances of £1,499.5m.

The debt facilities of GHA, Cuho, West Lothian Housing Partnership, Loretto Housing and Dunedin Canmore were provided through intra-Group arrangements with our RSL Group treasury vehicle, Wheatley Funding No.1 Ltd ("WFL1"). The funding facilities of WFL1 consisted of bank facilities from a syndicate of three commercial lenders, as well as two debt facilities from the European Investment Bank, a committed facility with HSBC, private note placements with BlackRock and bond funding raised on the debt capital markets. WFL1 facilities totalled £1,480.6m at 31 March 2021. These loans are secured on property assets of these RSLs through a security trust structure.

In addition to group funding through WFL1, Dunedin Canmore Housing has a £16.5m direct loan from The Housing Finance Corporation ("THFC") secured on DCII property assets and a £16.0m unsecured loan from Allia Social Impact Finance Limited ("Allia").

Dumfries and Galloway Housing Partnership Limited ("DGHP") joined the Wheatley Group in December 2019, with some legacy facilities refinanced at that time. DGHP currently has stand-alone funding arrangements, outside of the treasury funding vehicle, WFL1. DGHP's facilities totalled £224.0m at 31 March 2021 and consist of a private note placement with M&G, revolving credit facility from RBS and direct loans from THFC and Allia.

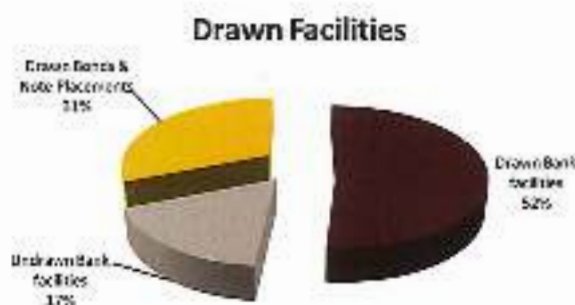
Wheatley Funding No.2 Ltd ("WFL2") is the funding vehicle for the commercial side of the Wheatley Group with a £76.5m debt facility in place with Scottish Widows, secured against properties for mid-market rent.

STRATEGIC REPORT (continued)

The funding facilities in place on 31 March 2021 comprised the following:

Group Co	Facility	Principal
WGC plc	Public bond - issued 2014/15	£500.0m
WFL1	Private Placement loan notes - issued 2017/18	£100.0m
WFL1	Private Placement loan notes - issued 2018/19	£50.0m
WFL1	HSBC facility	£100.0m
WFL1	Commercial bank syndicated facility	£652.0m
WFL1	European Investment Bank facilities (2003 & 2018)	£278.0m
DCH	THFC facilities	£16.5m
DCH	Allia loan	£16.0m
WFL2	Scottish Widows facility	£76.5m
DGHP	Private Placement loan notes - issued 2019/20	£114.0m
DGHP	RBS facility	£35.0m
DGHP	THFC facilities	£40.0m
DGHP	Allia facilities	£35.0m
		£1,813.6m

Total drawn balances as at 31 March 2021 were £1,499.5m. Group RSLs had drawn £1,201.5m from WFL1. DCH's direct loans were drawn at £16.5m from THFC and £16.0m from Allia. In WFL2, Lowther Homes had fully drawn the £76.5m facility. DGHP had fully drawn facilities from M&G, THFC and Allia, totalling £189.0m.



As at 31 March 2021, £314.1m (17%) of borrowing facilities were undrawn (2020: £345.6m, 19%).

The weighted average duration of drawn debt across the Group is 17.16 years. Under the Group Treasury Management Policy, no more than 10% of its total loan maturities fall due for repayment

STRATEGIC REPORT (continued)

in the immediate 2 year period. The historic weighted average cost of drawn debt, inclusive of margins and hedging activities, was 3.99% on a Group-wide basis at 31 March 2021 on an annual effective rate basis (2020: 4.95%). Asset value (for debt security purposes) was £2.5bn at 31 March 2021, with £398m (16%) of assets being unencumbered.

Counterparty risk

The national pooling of surplus cash across RSLs is used to enhance the Group's ability to earn interest on cash balances. Cash balances are held in accounts that earn interest and minimise balances held in zero interest accounts.

The Group operates a conservative counterparty risk management strategy that aims to minimise the risk of a financial loss, reputational loss or liquidity exposure as the result of counterparty to any treasury transaction becoming insolvent. As at 31 March 2021, all cash investments are held with counterparties who meet the criteria of the Group Treasury Management Policy.

Interest rate risk

The Group's Treasury Management Policy sets out an on-going objective in relation to the proportion of fixed versus floating rate debt, with the target proportion in the policy specified at 75 - 95% across the term of the debt. At 31 March 2021, 89% of Group borrowings were at fixed rates (94% at 31 March 2020). We restructured a number of legacy fixed rate arrangements within our Syndicated facilities at the end of the financial year, converting these to a floating rate basis at a cost of £30.0m which will reduce future interest costs and improve the strength of the business plan going forward.

In respect of bank loans, the Group hedges against interest rate risk through the use of embedded hedges within its bank facilities, the terms of which permit these loans to be classified as "basic" financial instruments under IFRS 102. The Group does not have any stand-alone derivatives across any of the debt instruments and no margin call clauses existed in any loan or derivative contracts entered into by Group entities.

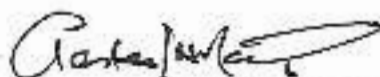
Currency risk

The Group borrows and invests surplus cash only in sterling and does not have any foreign currency risk.

Loan covenant compliance

Loan covenants relate to interest cover, borrowing levels relative to surplus generation and per unit, and asset cover, based on social housing asset values. Covenants are monitored monthly and were comfortably met throughout the year and at the year end for all loan facilities.

On behalf of the Board



Alastair MacNish OBE, Chair
26 August 2021

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2021.

Result for the year

The result for the year and an analysis of the performance of the Group has been included within the Strategic Report.

Wheatley Board, Committee structure and related matters

Wheatley Housing Group ("the company") is the parent company of the Group which comprises a range of subsidiaries, referred hereafter as 'partners'. Our partners include: six Registered Social Landlords; a commercial subsidiary; our care subsidiary; a group services company Wheatley Solutions, The Wheatley Foundation and a 50:50 joint venture with Glasgow City Council - City Building (Glasgow) LLP.

All members of the Group work collaboratively to ensure that each member can achieve more for their customers and communities through being part of the Group than they could on their own.

The Group is regulated by the Scottish Housing Regulator ("SHR") and complies with the SHR's Regulatory Framework and Regulatory Standards of Governance.

As at 31 March 2021, the company's Articles of Association allowed for the appointment of up to fifteen directors as follows:

- Up to eight Independent Non-Executive Directors
- Up to six subsidiary Chair Board Directors
- Up to two Co-opted Directors
- Up to one 'Other' Director

The Directors of the Group Board who served for some or all of the period from the start of the financial year to the date of signing the financial statements are listed below, together with any Group Committees served on at any point over the same period:

DIRECTORS' REPORT (continued)



Alastair MacNish OBE
Group Chair (Non-Executive Director)

Appointment

Alastair joined the Wheatley Group Board on 17 September 2012 and has been Chair since 31 March 2015.

Experience

Alastair spent his career in local government, initially in finance as a Councillor, Accountant and then five years as the Chief Executive of South Lanarkshire Council – Scotland's third largest local authority at the time. He was formerly the Chairman of the Accounts Commission and Audit Scotland and has advised the Scottish Government on a wide range of issues, including chairing the Leadership Advisory Panel on Local Government Leadership Capacity and providing expert assistance to the Scottish Parliament Local Government and Communities Committee on budget setting. Alastair also chaired Greenock Medical Aid Society and The Royal Caledonian Curling Club, as well as being a director of the Scottish Curling Trust and a Board director of British Curling. He has been Chair of Wheatley Housing Group Limited since 31 March 2015.

Directorships and Committee memberships

Wheatley Group Remuneration, Appointments, Appraisals and Governance Committee (Chair)
Wheatley Group Strategic Development Committee (Chair)
Wheatley Enterprises Limited (Non-Executive Director)



Sheila Gunn
Group Vice Chair (Non-Executive Director)

Appointment

Sheila joined the Wheatley Group Board on 6 November 2012 and was appointed Vice Chair on 28 October 2015.

Experience

A non-executive director with particular experience in remuneration, executive reward and pensions, and commercial adviser to a range of businesses, Sheila has a track record of Board-level success gained as counsel to numerous leading companies. A highly accomplished commercial lawyer and accredited mediator, Sheila worked in legal private positions for 25 years and left to pursue a management career in industry and undertake non-executive appointments. Sheila currently holds a number of Non-Executive roles across a range of sectors including as a member of the Accounts Commission, a member of the Reassurance and Standard Life Independent Governance Committee, a Non-Executive Director of the Scottish Building Society, a member of the ICAS Ethics Board and a trustee of the Chartered Barber.

Directorships and Committee memberships

Wheatley Group Audit Committee
Wheatley Group Remuneration, Appointments, Appraisals and Governance Committee
Wheatley Group Strategic Development Committee
Wheatley Solutions Limited (Chair)
Lowther Homes Limited (Non-Executive Director)
YourPlace Property Management (Non-Executive Director)
Wheatley Enterprises Limited (Non-Executive Director)



Jo Armstrong
Non-Executive Director

Appointment

Jo joined the Wheatley Group Board on 24 June 2015.

Experience

Jo is one of Scotland's leading business economists whose extensive professional career spans financial services, the Scottish civil service and the public sector. An experienced Non-Executive Director and Chair, she is currently joint member of the Competition and Markets Authority, a member of the Water Industry Commission for Scotland, Chair of Huh West Scotland and a member of the Institute of Directors Scotland Advisory Board.

Previously, Jo chaired OFGEM's expert panel for its Electricity Network Innovation Fund, was a budget advisor to two Scottish government committees, an honorary professor of Public Policy at Glasgow University and a co-founder chair of ENABLE Scotland. She holds two degrees in economics from the University of Strathclyde.

Group Boards and Committees

Group Development Committee (Chair)
Wheatley Group Capital PLC (Non-Executive Director and Chair)
Wheatley Funding No1 Limited (Non-Executive Director and Chair)
Wheatley Funding No2 Limited (Non-Executive Director and Chair)
Group Audit Committee
Group Strategic Development Committee
Group Remuneration, Appointments, Appraisals and Governance Committee

DIRECTORS' REPORT (continued)



Martin Armstrong
Director

Martin joined the Wheatley Group Board on 17 September 2012.

Experience

Martin is widely regarded as one of the foremost figures within affordable housing and the wider public sector. Under his leadership, Wheatley has established a formidable track record and reputation across the UK and in Europe as a leading housing, care and property management group. Wheatley – which owns or manages over 93,000 homes – has grown to encompass six Regional Social Landlords, two commercial subsidiaries, an award-winning care organisation and a charitable foundation. His housing career, spanning more than 25 years and covering the length and breadth of England and Scotland, has been marked by a string of national and international awards and nominations. These include the European Foundation for Quality Management's UK Award for Leadership and Quality Scotland's Leadership Award. In March 2014, Martin was named as Director of the Year in the large business category by The Institute of Directors Scotland. In 2014, he led Wheatley's £300 million debt bond issue on the capital markets.

Directorships and Committee memberships
Wheatley Enterprises Limited (Director)



Bernadette Hewitt
Subsidiary Chair Director

Appointment

Bernadette joined the Wheatley Board on 25 October 2016.

Experience

Bernadette has a wide range of governance, community development and Non-Executive experience across a range of public, regulated and not-for-profit organisations.

A passionate advocate of community engagement and empowerment Bernadette is the Vice-Chair of Remmellach Community Development Company and a member of the Unity Local Housing Committee. She is also a former member of the Glasgow Community Planning Partnership Strategic Board. Bernadette is a agent of GHA.

Directorships and Committee memberships
GHA Board (Chair)
Group Audit Committee
Group Remuneration, Appointments, Appraisals and Governance Committee
Group Strategic Development Committee
Wheatley Solutions (Non-Executive Director)
Wheatley Enterprises Limited (Non-Executive Director)
City Building (Glasgow) LLP (Wheatley appointed Vice-Chair)



James Muir
Subsidiary Chair Director

Appointment

James was co-opted to the Wheatley Group Board on 16 December 2015.

Experience

James is a Chartered Accountant and experienced business leader with over 25 years' experience in financial, operational and strategic roles across a range of sectors including utilities, health, financial and outsourcing services.

He is currently the Chief Commercial Officer at V Group, a leading independent provider of vessel management and marine services. He previously held roles within the M&G as Commercial Director, Business Development Director and Operations Director as well as accounting and finance roles in private and public sector organisations.

Directorships and Committee memberships
Wheatley Care (Chair)

DIRECTORS' REPORT (continued)



John Hill
Subsidiary Chair Director

Appointment

John joined the Wheatley Board on 16 December 2015.

Experience

A qualified accountant, John retired having been Deputy Chief Executive of West Lothian Council. He has significant experience at executive and senior management level in local government, including senior roles leading the council's operational services, housing, construction and building services, Direct Labour Organisation, and business services.

John has experience in Non-Executive and Board roles, including having served on the Improvement Service DSIF Board, Clackmannon Recycling Ltd and as Scottish Secretary of the Association for Public Service Excellence.

Directorships and Committee memberships

West Lothian Housing Partnership Limited Board (Chair)



Peter Kelly
Subsidiary Chair Director

Appointment

Peter joined the Wheatley Board on 1 May 2016.

Experience

Peter is a Barrister Partner at Scotland's largest law firm, Boodle LLP, and holds both a LL.B (Hons) and BA(Hons) from the University of Glasgow. He acts for lenders and borrowers in leveraged, real estate and corporate finance transactions. Peter also specialises in healthcare, renewables and third sector deals and is recognised as a ranked individual for Banking and Finance by Chambers & Partners.

Peter also has significant experience in the care sector, having acted as a Non-Executive Director with the Dalhousie Group and as Company Secretary of nursing home.

Directorships and Committee memberships

Group Audit Committee

Cube Housing Association Limited Board (Chair)



Professor Paddy Gray
Non-Executive Director

Appointment

Joined the Wheatley Board on 26 April 2017.

Experience

Paddy is one of the UK housing sector's most eminent figures and is regarded as an authority on housing strategy and social policy nationally and internationally. In 2015, he was named the top "Power Player" in the UK housing sector by trade magazine 24 Housing.

He is Professor Emeritus of Housing at the University of Ulster and has led more than 300 publications on housing-related issues. He continues to regularly contribute to international conferences and seminars as well as act as an external examiner for housing degrees at several universities and professional bodies.

Paddy has a wide range of Non-Executive experience including as the first Irish President of the UK Chartered Institute of Housing, having previously served as Vice President and Treasurer. His awards include Honorary Fellowship of Royal Institute of Chartered Surveyors 2012, Belfast Ambassador of the Year Award 2014, Visit Britain, Outstanding Contribution to Work Experience, National Undergraduate Employability Awards UK 2015.

In 2020 he was awarded an OBE for services to housing.

He is a Visiting Professor at Fujian Jiaotong University China and Spiru Haret University Bucharest Romania.

Directorships and Committee memberships

The Glasgow Housing Association (Parent Appointee and Vice Chair)

City Building (Glasgow) LLP (Wheatley appointed)

Wheatley Foundation (Non-Executive director)

DIRECTORS' REPORT (continued)



Martin Kelso
Non-Executive Director

Appointment

Martin was appointed to the Wheatley Board on 1 June 2016.

Experience

A Chartered Accountant, also holding a MBA from Cranfield University, he has substantial senior experience in financial, general and change management roles. Martin Chairs the Group Audit Committee.

He has led successful programmes involving new business start-ups, merge and integration, business divestiture, reorganisation of central services, as well as a range of roles including as Interim Strategic Finance Director of Virgin Money, Finance Director of Intelligent Finance (HBOS) and commercial lending and finance roles at Lloyds.

Martin currently provides expert financial and change management consultancy services across a range of sectors and is a Trustee with his local Citizens Advice Bureau.

Group Boards and Committees

Group Audit Committee

Group Strategic Development Committee

Group Remuneration, Appointments, Appraisals and Governance Committee

Wheatley Group Capital PLC (Non-Executive Director)

Wheatley Funding No1 Limited (Non-Executive Director)

Wheatley Funding No2 Limited (Non-Executive Director)



Mary Mulligan
Subsidiary Chair Director

Appointment

Mary joined the Wheatley Group Board on 26 October 2017.

Experience

Mary is a former Member of the Scottish Parliament. She brings extensive governance experience from this role, having served in a range of roles including Deputy Minister for Health and Community Care and Minister for Housing and Communities as well as a member of serving on a number of parliamentary Committees.

Mary has also worked across the public, private and not-for-profit sectors and has significant experience in social policy, joint-ship working and community development and engagement. She has also an experienced Non-Executive, having served on the Board of a number of charitable organisations.

Directorships and Committee memberships

Dunedin Carecare Housing Limited (Chair)



Jo Bowden
Non Executive Director

Appointment

Jo joined the Wheatley Group Board on 17 December 2015.

Experience

Jo started her career as an Environmental Health Officer in Glasgow and has since held a number of senior roles in housing, regeneration and social policy across the UK in both the public and private sectors. Prior to her retirement, Jo was Chief Executive of the Northern Housing Consortium for 5 years.

An experienced Non-Executive, Jo is a member of the Board of the Regulator of Social Housing in England and Chair of Co-HE North and the Midlands Club – the UK collaborative centre for housing evidence. Prior to this Jo was Chair of Your Homes Newcastle, one of the largest property management organisations in the North East.

A former winner of the prestigious Woman of the Year title at the 2018 Women in Housing Awards, Jo was awarded a CBE for services to housing in 2018 and holds a LLB (Hons) and MBA.

Directorships and Committee memberships

The Glasgow Housing Association (Parent Appointee)

Group Strategic Development Committee

DIRECTORS' REPORT (continued)



Bryan Duncan
Non-Executive Director

Appointment

Bryan was appointed to the Wheatley Group Board on 17 January 2019.

Experience

A Chartered Surveyor, he has spent more than 35 years specialising in commercial and residential property investment, development and asset management. Bryan was an equity partner at Douglas's LLP, a senior director at DTZ and is currently the founder/partner of Henry Duncan, a niche commercial and residential property investors, developer and financier.

Bryan also has a wide range of non-executive experience and currently serves as a Non-Executive Director of a number of organisations including Uepo for Glasgow Ltd, Corhill Scotland and the London City Mission. Bryan holds an Executive MBA and Diploma in Management Studies.

Directorships and Committee memberships

Lowther Homes Limited (Non-Executive Director and Chair)
Group Development Committee
City Building (Glasgow) LLP (Wheatley appointee)



Angela Mitchell
Non-Executive Director

Appointment

Angela was appointed to the Wheatley Group Board on 3 May 2019.

Experience

A technology specialist, Angela is passionate about applying digital and IT to improve business outcomes. She has been a partner at Decite since 2010 where she oversees their public sector technology business across the UK as well as leading the Scottish public sector practice and being the Glasgow Office Senior partner. Angela has over 25 years' experience in IT, digital consulting and in delivering innovation programmes. She has a strong track record in leading complex projects for clients across the public sector, including government, health and policing. For the last 10 years, Angela has sponsored Deloitte's Technology Women's Network which supports women to continue their careers in technology and encourages girls from school age to consider careers in STEM. She is also a member of the CIPD's Women in Technology Group. Angela holds a BSc Hon (First class) in Laser Physics and Optoelectronics and a MSc in Business Information Technology Systems.

Directorships and Committee memberships

Group Audit Committee
Wheatley Solutions (Non-Executive Director)



Maureen Dowden
Subsidiary Chair Director

Appointment

Maureen was appointed to the Wheatley Group Board on 12 May 2020.

Experience

Maureen has worked in housing for almost 40 years, a career that started in local government and went on to include senior positions at The Glasgow Housing Association and Wheatley Group prior to joining in early 2018. She has a particular expertise in corporate governance in regulated environments, and community empowerment and engagement. An experienced Non-Executive, Maureen is Vice Chair of Tenure Housing and has previously held roles on the Boards of Quality Scotland Foundation, Lorne Housing Association and Supporting Communities Northern Ireland.

Directorships and Committee memberships

Dumfries and Galloway Housing Partnership (Chair)

DIRECTORS' REPORT (continued)

Attendance at meetings*

Name	Group Board	Group Audit Committee	Group Remuneration, Appointments, Appraisals and Governance Committee	Group Strategic Development Committee	Group Development Committee
Alexander MacNish	11/11	-	5/5	1/1	-
Shel'a Gunn	11/11	3/4	4/5	1/1	-
Marlin Armstrong	11/11	-	-	-	-
Jo Armstrong	11/11	4/4	4/5	1/1	5/5
Bernadette Hewitt	11/11	4/4	5/5	1/1	-
James Muir	11/11	-	-	-	-
John Hill	11/11	-	-	-	-
Peter Kelly	11/11	2/4	-	-	-
Professor Paddy Gray	11/11	-	-	-	-
Martin Kolso	11/11	4/4	5/5	1/1	-
Mary Mulligan	11/11	-	-	-	-
Jo Bardon	11/11	-	-	1/1	-
Bryan Duncan	11/11	-	-	-	5/5
Angela Mitchell	11/11	4/4	-	-	-
Maureen Dowdell	10/19	-	-	-	-

* During the year in response to the pandemic we operated with a smaller number of Non-Executive Directors forming a core Board which met on an as required basis. This flexibility was essential to allow us to convene additional Board meetings at short notice as part of our ongoing response to the pandemic. All other Non Executive Directors continued to review Board papers and provide direct feedback via the Chair and on this basis were considered to have attended.

The Group Board is responsible for the strategic direction of the Group and financial planning.

Key responsibilities are:

- approval of the Group strategy;
- approval of the Group Business Plan, budget and any variations and amendments to them, together with other matters which fall within the role of the Group Board;
- approval of the creation of new subsidiaries and partnerships;
- approval of the Group governance arrangements, systems of internal control and delegations and identification of risk;
- defining and ensuring compliance with our values and objectives as a registered social landlord; and
- approving each year's Group financial statements.

The main activities and approvals of the Group Board during the year were:

- ongoing oversight of the impact of the pandemic on the Group's activities and agreement of our associated response;
- review of existing and agreement of a refined 5-year Group strategy;
- approval of the Group's future operating model to reflect our 5 year strategy;
- review of the Group's Treasury Management Policy and funding position;
- interim review of governance arrangements and initiation of a group wide strategic governance review;

DIRECTORS' REPORT (continued)

- approval of the Group business plan and budget, including comprehensive stress testing of the business plan;
- creation of a new single vehicle within the Group for housing in Glasgow;
- agreement of the strategic acquisition of GBG Enterprises Limited, the company owning the Bellgrove Hotel;
- approved a new strategic homelessness policy;
- approved a new strategic approach to customer engagement; and
- oversight of partner financial and operational performance.

The Board is supported in discharging its duties by four sub-Committees: Remuneration, Appointments, Appraisal & Governance; Group Audit; Group Strategic Development and Group Development Committee

The role and remit of the Committees are set out below:

Group Audit Committee

The Committee is made up of up to seven members from the Group Board and co-opted members. The Committee is responsible for:

- reviewing the Group's system of internal control, compliance assurance and risk management;
- providing an overview of the internal and external audit functions;
- scrutinising the financial statements;
- appointing and agreeing the remuneration of the external auditor;
- monitoring the implementation of internal audit recommendations;
- reviewing internal audit reports and external audit reports and management letters, and monitoring the implementation of audit recommendations arising therefrom;
- reviewing the internal audit plan and scope of work; and
- reviewing the effectiveness of the overall risk strategy.

The main activities of the Group Audit Committee during the year were:

- overseeing the 2019/20 financial statements;
- reviewing key accounting judgements and estimates;
- agreed a new approach to Internal Audit;
- approving the Group's strategic assurance plan;
- reviewing the Group's assurance related policies;
- reviewing the Group's strategic risk register and making recommendations to the Board on changes to risk profile and mitigations; and
- reviewing the Group's approach to PPE, including value for money.

The Committee reports to the Group Board via its Chair.

Group Remuneration, Appointments, Appraisals and Governance Committee

The Committee is made up of up to five members inclusive of the Group Chair, Vice-Chair, and the Chairs of GHA and the Group Audit Committee.

It is responsible for:

- approving the process for recruitment, selection, succession planning and appraisal of Board members;
- ensuring Board members within the Group have the necessary balance of skills and experience to fulfil their roles;
- evaluation and review of Group's governance framework;

DIRECTORS' REPORT (continued)

- making recommendations to the Group Board regarding the appointment and remuneration of the Group Chief Executive and Group Board Directors; and
- succession planning arrangements across the Group.

The main activities of the Remuneration, Appointments, Appraisals and Governance Committee during the year were:

- oversight of the Group Chair recruitment process, including making a recommendation to the Group Board;
- development of recommendations to the Board in respect of the Group's succession planning arrangements;
- review and approval of changes to partner constitutions
- review of the Group's approach to Board appraisal and expenses, hospitality and remuneration policies;
- oversight of the Group's Board member recruitment and approval of all appointments to subsidiary Boards, and
- annual review of the remuneration and conditions of the Group Chief Executive.

The Committee reports to the main Board via its Chair.

Group Strategic Development Committee

The Committee is made up of up to six members of the Group Board. It is responsible for reviewing any new major strategic projects and initiatives on behalf of the Group Board.

The main activity of the Strategic Development Committee during the year was the review of the 2015-2021 Group strategy and agreeing the process to refresh the new 2021-2026 strategy.

The Committee reports to the Group Board via its Chair.

Group Development Committee

The Committee is made up of up to nine members inclusive of at least one Group Board member and up to six members drawn from partners Boards.

It is responsible for:

- approving the Group's development strategy;
- approval of individual development projects within agreed criteria;
- approval of non-material cost variations;
- approval of land acquisitions or options to acquire; and
- allocation of the Group Development Fund.

The main activities of the Remuneration, Appointments, Appraisals and Governance Committee during the year were:

- oversight of the impact of the pandemic on our development activity and remobilisation approach;
- financial risk and exposure monitoring of development counterparties
- approval of the 5 year Group Development strategy;
- approval of development projects;
- oversight of the approach managing, mitigating and monitoring development related counterparty risk; and
- oversight of development financial and operational performance

The Committee reports to the main Board via its Chair.

DIRECTORS' REPORT (continued)

Executive Team

The Executive Team provide day to day leadership of the Group and are responsible for the implementation of the strategic direction and financial planning on behalf of the Board.



Martin Armstrong
Group Chief Executive

Martin sits on the Board of Wheatley Housing Group and also leads the Group's Executive team.



Tom Barclay
Group Director Property and Development

Tom was previously chief executive of Clyde Valley Group ("CVG") in Lanarkshire, one of Scotland's largest affordable housing developers. Co-chair of the Scottish Government's Joint Housing Policy and Delivery Group, he led CVG to number five on the Sunday Times' Top 100 Companies in the UK to Work For and Best Companies' three star employee engagement status. A chartered quantity surveyor, he has extensive experience in project management, change management and organisational development. Tom, who has a MBA, is a former Scotland Chairman of the Royal Institute of Chartered Surveyors (RICS) and is Scotland representative on the RICS Global Board.



Olga Clayton
Group Director of Housing and Care

Olga joined Wheatley Housing Group in September 2013, and has over 25 years' experience in Scottish social housing. As Head of Housing at North Ayrshire Council, Olga led the transformation of the service achieving an 'A' rating from the Scottish Housing Regulation, winning Quality Scotland's top award for Business Excellence and achieving COSLA's Gold award for innovation in services. Olga also has substantial experience of developing partnerships and delivering services in the care sector.



Steven Henderson
Group Director of Finance

Steven Henderson joined Wheatley as Director of Finance in August 2013. He previously worked for the European Investment Bank in Luxembourg. An experienced Chartered Accountant, Steven has specialised in housing and regeneration finance throughout his career. He worked for Friestown House Coopers in Glasgow and also held a senior position with Ernst & Young before moving to the European Investment Bank, where he was responsible for investment of €250 million of EU Structural Funds, as well as lending activity for the Bank in the social housing and water sectors in the UK.



Graham Isdale
Group Director of Corporate Affairs

A former UK Brand director of one of the world's largest communications companies, Graham joined Glasgow Housing Association in 2009. He was previously instrumental in building two of the biggest independent PR consultancies in the UK and has handled major crisis, issues-management and communications assignments for multi-nationals all over the world, as well as FTSE 100 companies and Government departments and agencies. Graham is also a former regional newspaper editor.

DIRECTORS' REPORT (continued)

STATEMENT ON INTERNAL FINANCIAL CONTROL

1. Corporate Governance Statement

The Group complies with the Regulatory Standards of Governance and Financial Management issued by the Scottish Housing Regulator. In accordance with the UK Listing Authority's Listing Rule 17, details of the administrative, management and supervisory bodies which govern the Group, including Wheatley Group Capital plc, are set out on pages 28 to 37.

The internal control and risk management systems which cover the Group's consolidated annual financial statements are set out below.

2. Background and responsibility

The system of internal financial controls is designed to manage risk to a reasonable level (which is managed to within agreed levels of risk appetite) rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is designed to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised;
- manage them efficiently, effectively and economically;
- safeguard assets against unauthorised use or disposition; and
- manage the maintenance of proper accounting records.

3. Overview of main features of the system of Internal Financial Control

The Board of Wheatley Housing Group is responsible for ensuring that an effective system of internal financial control is maintained within all members of the Group. This system of internal financial control can provide reasonable but not absolute assurance against material misstatement or loss.

The key methods by which the Board establishes the framework for providing effective internal financial control are as follows:

- Corporate Governance arrangements as outlined in the Corporate Governance Statement;
- regular meetings of the Board, and Subsidiary Boards, which have a schedule of matters that are specifically reserved for approval and are the subject of regular standard reports as required;
- arrangements under terms of reference for the Group Audit Committee to meet regularly and receive reports from management and internal and external auditors on the system of internal control in operation across the Group, and to oversee arrangements for provision of reasonable assurance that control procedures are in place and are being followed.

DIRECTORS' REPORT (continued)

- written policies and procedures including Standing Orders setting out delegated authorities across Group Subsidiaries;
- an organisational structure to support business processes and with clear lines of responsibility;
- the employment of suitably qualified and experienced staff to take responsibility for key areas of the business. This is supported by a formal personal development programme;
- an Internal Audit function with an Audit Plan which produces an annual Internal Audit Report Opinion;
- adoption of a risk-based approach to internal control through evaluating the likelihood and impact of identified corporate risks, vesting responsibility for risk management and internal control with designated owners and with an ongoing process of monitoring and reporting progress against the company's key risks established through the corporate risk management framework;
- a Business Plan and Budget supporting strategic and operational plans, financial targets, regularly revised forecasts, a comparison of actual with budget and with forecast on a quarterly basis, operating cash flow and variance statements, and key performance indicators, all of which are reviewed by the Board; and
- measurement of financial and other performance against the Delivery Plan objectives and key performance indicators and targets.

4. Role of Internal Audit

The Group Audit Committee oversees the Internal Audit function which has a pivotal role in assessing the Group's internal financial controls. As part of Internal Audit work, reviews are directed by the Group Audit Committee using a risk-based approach to assess the robustness of the implementation of the Group's key systems of internal control.

Internal Audit provides information on the various strengths and weaknesses on the approach the Group has adopted, and provides recommendations where improvements are necessary and desirable for good governance and effective risk management. Management across the Group is responsible for the implementation of improvements and agreed actions identified from Internal Audit activity.

In line with good practice, Internal Audit provides the Group Audit Committee and the Board with an Annual Internal Audit Opinion which summarises all the work completed during the year. The overall Internal Audit opinion provided in the 2020/21 statement is detailed below:

"Based on our Group wide work undertaken in 2020/21 a substantial level of assurance can be given that there is a sound system of internal control, designed to support achievement of relevant organisational objectives. However, some weaknesses in the design and / or consistent application of controls exist. Management has agreed to the improvements to the control environment and the progress of implementing these additional controls will be reported to the Group Audit Committee."

DIRECTORS' REPORT (continued)

5. Risk and Control Framework

Wheatley Housing Group recognises the importance of effective identification, evaluation and management of all key strategic and operational risks, and this is a requirement set out by the Scottish Housing Regulator's Regulatory Standards.

"The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose."

Risk management is a key element of the Group's overarching governance arrangements as it demonstrates that the Group has considered those areas which put the achievement of its strategic objectives under threat, that it has analysed the consequences of things going wrong and identified the actions and controls needed to prevent or limit these consequences; in accordance with agreed levels of risk appetite.

As the parent company, Wheatley Housing Group oversees the governance arrangements to address the risks associated with control of activities, and managing the risks, of all subsidiaries; to ensure that there is an appropriate use of funds across the Group; to ensure that risks to the core business of the Group are managed and mitigated to within tolerance and that strong governance arrangements are upheld by all subsidiaries to protect the reputation of the Group.

Risk Management covers the whole spectrum of risks and not just those associated with finance, health and safety, business continuity and insurance. It also includes risks associated with service provision, effectiveness and continuity, public image (reputation), compliance with legislation and regulation and environment.

Roles and Responsibilities

Risk Management is the responsibility of everyone in the organisation, whether or not they have a formally defined role in the process.

To ensure the successful implementation of the Risk Management Policy and Strategy, clear roles and responsibilities for the Risk Management process have been established. The Board has overall responsibility for ensuring the effectiveness of this framework. The Board also agrees risk appetite levels that are embedded within strategic risk registers and used to determine the Group's approach to managing risk.

The Executive Team is the facilitator of the Risk Management Framework and processes. Its role is to ensure compliance with the Risk Management Framework, including monitoring of Departmental risk registers to ensure they are kept up to date, new and emerging risks are identified, and risk scores are challenged.

Risk Management forms an integral part of the culture and the way the Group is run. Risk Management plans are incorporated and embedded into business plans of all applicable sections of the organisation (e.g. service improvement plans, project plans, team plans, individual plans). In this way, Risk Management is not the responsibility of senior management alone, but more appropriately the responsibility of all colleagues.

DIRECTORS' REPORT (continued)

Principal risks facing the Group

The most significant financial and operational risks facing the Group and key mitigations are summarised below:

Risk	Mitigation
Risk of customer and staff confusion around service remobilisation as the Group moves through the Scottish Government's Covid-19 recovery phases	<ul style="list-style-type: none"> • Governance oversight by Group and Subsidiary Boards. • Well defined criteria for transition agreed. • Transition through remobilisation requires senior management approval and a full review of the previous stage. • Planning considerations include: <ul style="list-style-type: none"> • Health and safety implications and PPE requirements • Customer views/impact • Trade union engagement
Covid-19 future waves	<ul style="list-style-type: none"> • Contingency plan in place at both Group and local level for adapting service models. • Experience of previous lockdowns.
Building safety	<ul style="list-style-type: none"> • Regular external reviews of fire safety arrangements. • Community Improvement Partnership focussed on fire prevention and education. • Business continuity plans in place. • Fire prevention and mitigation framework in place including approach to high rise block inspections and fire risk assessments.
New (post Covid-19) operating model implementation	<ul style="list-style-type: none"> • Group Board oversight. • Detailed implementation and communication plans • Staff guidance issued on health and safety aspects of home working. • Protocols developed for non-essential office use when Scottish Government guidance allows. • Trade Union engagement and support.
Risk of a failure in Care and support services causes harm	<ul style="list-style-type: none"> • Clear governance and authorising environment in place. • Protecting People Policy Framework in place with Care Board oversight. • Care assurance framework in place to monitor compliance with policies and procedures and follow-up from Care Inspectorate visits. • Close monitoring of changeover in service users and focus on redeployment of resources and improvements to help retention of users.
Falling Customer Satisfaction	<ul style="list-style-type: none"> • Key element of the Group strategy. • Variety of methods used to collect customer feedback which is used to inform plans drawn up to include customer views. • Recognition of satisfaction drivers for different customer groups. • Small housing officer patch sizes to help personalise services under the <i>Think Yes</i> approach.
Rent arrears including Universal Credit	<ul style="list-style-type: none"> • Ongoing campaigns and programmes of contact with customers affected by financial hardship. • Dedicated Universal Credit team • Use of <i>GoMobile</i> for staff to assist customers with online transactions • Working with partners to influence UK and Scottish policy and funding environment. • Small housing patch sizes allow staff to work proactively with customers to avoid arrears. • Support available from Wheatley 360 welfare benefits advisors. • Group business plan contains sufficient headroom to mitigate the financial impact in relation to risk of increased bad debts and rent arrears. • Rent arrears reviewed by Boards at each meeting
Compliance with funders' requirements	<ul style="list-style-type: none"> • Regular meetings with funders and investors representatives to update on financial status of the Group. • Financial performance monitored monthly and reported to Group and Subsidiary Boards. • Quarterly covenant compliance monitored by the Group Board. • Covenant compliance monitoring tool implemented noting key dates and requirements • Ongoing dialogue with credit rating agencies. • Annual update and review by respective Boards of Group and Subsidiary business plans.

DIRECTORS' REPORT (continued)

Principal risks facing the Group (continued)

Risk	Mitigation
Governance structure	<ul style="list-style-type: none"> Governance arrangements regularly reviewed by Scottish Housing Regulator, external consultants, internal and external audit functions. Agreement of the Group's governing environment. Importance of skills balance and development of senior management and Board members recognised in the Corporate Strategy. Appropriate training initiatives in place, tailored in particular to tenant Board members. Formal succession planning in place for Board members.
Group Credit Rating	<ul style="list-style-type: none"> Group's business plan based on maintaining a strong standalone credit rating. Financial plans drawn up to maintain strong levels of liquidity to mitigate refinancing risk. Ongoing dialogue maintained with credit rating agencies to avoid unexpected rating changes. Mitigation drafting used in legal clauses avoiding cross default. Negotiation period on mitigation measures included in legal clauses. Maintenance of strong relationships with alternative funders.
New funding sources and adverse market changes	<ul style="list-style-type: none"> Strong levels of headroom maintained to provide sufficient cash resources with compliance reported to Group Board. Diversification of funding sources to provide options for future funding. Sterling borrowing only, no foreign currency exposure. Group IRR reviewed regularly to ensure projects are profitable. Annual ESG reporting in place. Third party accreditation to be undertaken.
Business continuity/disaster recovery	<ul style="list-style-type: none"> Business continuity implementation Group collates, reviews and updates Group disaster recovery and business continuity plans. Annual testing of plans. Group assurance team monitor progress and robustness of plans.
Failure to achieve planned growth in commercial operations	<ul style="list-style-type: none"> Robust monitoring arrangements in place to appraise the operational performance and delivery of strategic objectives. Responsibility and accountability allocated at an appropriate level within the organisation and reported regularly to senior management and Board.
Political and policy changes	<ul style="list-style-type: none"> Established stakeholder management framework. Relevant staff members focussed on responding to changes in policy and administration as they arise. Group does not build homes for sale mitigating potential property market risk.
Failure to recruit, develop, retain staff and succession planning	<ul style="list-style-type: none"> Performance appraisal system in place for all staff. MyAcademy provides in-house training across the Group. Training logs held for each staff member and completed as part of regular discussions. Wheatley leadership development programme, succession planning and talent management programmes in place. New graduate scheme, <i>Ignite</i>. Regular surveys of staff satisfaction undertaken. Group wide Scottish Housing Charter Assurance process established by Tenant Steering Panel to review covenants. FCA regulations considered when developing new products and services. Qualified personnel are employed by the Group to ensure compliance with legal and regulatory standards.
Compliance with laws and regulation	<ul style="list-style-type: none"> New product offerings follow a clear approval process. Compliance plan is monitored and issues raised to senior management and the Audit Committee. Group-wide approach to information management with Privacy Impact Statements implemented across the Group. Ongoing relationship with Scottish Housing Regulator. Appropriate professional advice is sought in response to changes internally, externally and in relation to new offerings to customers. Changes to legislation are identified and implemented by responsible officers.

DIRECTORS' REPORT (continued)

Principal risks facing the Group (continued)

Risk	Mitigation
Defined benefit pension liabilities	<ul style="list-style-type: none"> Group pensions policy in place setting out approach to management of pension costs. Wheatley defined contribution scheme established, default scheme for new joiners and auto-enrolment. Consolidation of legacy defined benefit arrangements to reduce risk of cessation liabilities being triggered.
Supply chain disruption	<ul style="list-style-type: none"> Supplier financial health assessment carried out and regular contract management meetings held. Monitoring of supply chains by operational leads. Regular engagement with Scottish Government as potential issues emerge. Use of procurement frameworks to mitigate the impact of: <ul style="list-style-type: none"> supplier price increase risk supplier insolvency Management of appropriate stock levels and where possible advance purchase in repairs and investment programmes. Specific contingency plans in place for key services and supplies. Regular engagement with new build contractors and testing of financial standing and adequacy of available resources to deliver obligations.
Cyber Security	<ul style="list-style-type: none"> IT cyber security live tests undertaken and results reported to the Group Board. Information and cyber security Group policy in place with training mandatory for all staff. Established processes across key risk areas. External assessment of group information security and IT general controls. Bi-annual cyber security assessment conducted. Internal Security Working Group established. Six-month cyber security update reported to the Group Audit Committee.
Implementation of DGHP partnership promises	<ul style="list-style-type: none"> Partnership implementation plan mainstreamed into the Group's strategy and included in the Group's performance framework.
Housing Policy and Grant availability	<ul style="list-style-type: none"> Regular engagement with Scottish Government representatives proactively presenting the case for housing investment directly and through representative bodies. Green investment Plan developed for discussion with Scottish Government. Financial planning sensitivities undertaken to understand the impact under a variety of future grant scenarios.
Covid-19 vaccination roll-out	<ul style="list-style-type: none"> Professional legal advice sought on employer's responsibilities in relation to Covid-19 vaccination. Approach developed in conjunction with Trade Unions and staff groups. Data privacy notices updated to capture vaccination status. Assignment of staff to appropriate roles.
Climate change	<ul style="list-style-type: none"> Strategic objective to reduce emissions from corporate activities to net zero by 2026. EFSD2 plan being developed and in discussion with Scottish Government in relation to the Wheatley Green Investment Plan. Business continuity plans include responses to severe weather scenarios. Annual Environmental, Social and Governance report published. Sustainability framework in development to support future access to sustainability linked finance. Increased focus in Group external communications with customers and stakeholders on work to address climate change.

DIRECTORS' REPORT (continued)

Other matters:

Board's Statement on Section 172 of the Companies Act 2006

The Directors act in a way they consider, in good faith, would be most likely to promote the success of the Company and the Group for the benefit of its members as a whole. Key decisions and matters of strategic importance are considered and informed by the requirements of section 172. The Strategic Report on pages 6 to 27 sets out how we delivered activity on behalf of our stakeholders in line with our Group strategy during the year.

The Group exists for the benefit of its key stakeholders - the customers we serve in our RSL subsidiaries and the People We Work For in our care businesses. The interests of our stakeholders are understood through an open and transparent dialogue conducted through many varied channels, such as:

- Feedback obtained through the annual tenant satisfaction survey carried out by an independent company;
- Tenants are represented on all RSL Boards. Across the Group 22% of our Board members are tenants or service users;
- Formal consultation with tenants on rent increase proposals;
- Local engagement structures such as Local Housing Committees;
- Social media and online engagement;
- Publication of regular tenant newsletters and annual report to tenants; and
- The establishment of the Tenant Scrutiny Panel to review performance of the organisation under the Scottish Housing Charter.

The Group's employees are key to delivering the objectives of the organisation, represent the business externally and maintain the reputation of the Group with our stakeholders. The Group operates a policy of providing employees with information about the Group through formal recognition of a number of trade unions as well as internal media methods in which employees have also been encouraged to present their suggestions and views on the Group's performance. Employees are encouraged to participate in regular discussions with their line managers as part of the Group's commitment to ensuring all staff are aware of their role in the Group's achievement of its five strategic platforms under the banner of "My Contribution". Regular meetings are also held between management and employees to allow a free flow of information and ideas.

In setting the strategy and through the preparation of the 30 year business plan, the Directors consider the likely consequences of decisions in the long term and ensure that the business continues to be financially viable and is able to meet all current and future financial commitments to its lenders.

The impact the Group has on its neighbourhood and the environment is a key element in the Group's purpose. More details of the Group's aims are set out in the Group's Statement on Environmental, Social and Governance.

Employees

Details of the Group's approach to employee engagement are provided in the s172 statement above. A large number of the Group's office based employees moved to home working at the start of the Covid-19 outbreak and continue to do so. Engagement with home working employees has been continued utilising alternative technology solutions and remote working tools. As restrictions around office working and social distancing which have been necessary through the pandemic start to relax the Group has, in the recently updated 2021-26 strategy, brought forward plans for a hybrid working model. One of the aims of which is to retain the flexibility and other benefits many homeworking employees have reported during the pandemic.

DIRECTORS' REPORT (continued)

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Streamlined energy and carbon reporting

For the year ended 31 March 2021, Wheatley Housing Group, including its wholly owned subsidiaries, reported the following energy usage and carbon emissions:

- Underlying global energy use for the organisation for the year ended 31 March 2021 of 38,094,060 kWh (2020: 54,420,086 kWh)
- Annual greenhouse gas ("GHG") emissions for the year reported in tonnes of carbon dioxide equivalent of 13,999.56 tonnes of CO₂ (2020: 19,999.38 tonnes of CO₂)
- Emissions intensity ratio of 0.367 kgCO₂/kWh (2020:0.367 kgCO₂/kWh). The ratio is reported as a composite measure of grid purchased electricity and gas carbon intensities which is judged to be reflective of the Group's energy usage and calculated using the UK Government Standard Assessment Procedure ("SAP") table 12 emissions factors for these types of energy uses.

The methodology used to measure usage and emissions complies with the Energy Saving Opportunity Scheme ("ESOS") legislation and has been registered with the Scottish Environmental Protection Agency ("SEPA"). Due to Covid restrictions throughout the year including staff working from home and restrictions on our normal business activities, the figure reported has reduced in line with the UK Government Department for Business Energy and Industrial Strategy calculation reported on 25 March 2021 and guidance from our internal carbon audit partner Planet Mark.

The Wheatley Group has set a strategic target of becoming a carbon neutral organisation by 2026 and is working towards the Planet Mark certification for sustainability. A number of measures arising from the first phase of our carbon neutral plan have been progressed during the year including the refurbishment of our head office incorporating heat pump technology with our solar PV, an increase in the proportion of energy usage sourced from renewable generated contracts and an increase in the migration of the corporate fleet from traditional petrol and diesel powered vehicles to electric.

Going concern

After making enquiries, including the update to the Group 30 year financial projections of the impact of ongoing Covid-19 pandemic, the Group Board has a reasonable expectation that the Wheatley Housing Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis continues to be adopted in the preparation of the Group's financial statements. More details of the Board's assessment of going concern are included in note 2 to the financial statements.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DIRECTORS' REPORT (continued)

Independent Auditor

A resolution to re-appoint KPMG LLP as auditor will be proposed at the forthcoming annual general meeting.

Future Developments

The Strategic Report sets out future strategic objectives. The new 5 year strategy *Your Home, Your Community, Your Future* as recently been launched.

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the surplus or deficit for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group and parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006, Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements Order 2019. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and parent company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Alastair MacNish OBE, Chair
26 August 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHEATLEY HOUSING GROUP LIMITED

Opinion

We have audited the financial statements of Wheatley Housing Group Limited ("the company") for the year ended 31 March 2021 which comprise the Group Statement of Comprehensive Income, Company Statement of Comprehensive Income, Group Statement of Changes in Reserves, Company Statement of Changes in Reserves, Group Statement of Financial Position, Company Statement of Financial Position, Group Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's deficit and the result of the parent company for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements Order 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group and parent company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the association's business model and analysed how those risks might affect the association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the association's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of board members and management as to the association's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual suspected or alleged fraud; and
- Reading Board minutes.

As required by auditing standards, taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that entity management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to income recognition because of the limited opportunity and incentive for fraudulent revenue recognition and the limited judgement in respect of revenue recognition.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHEATLEY HOUSING GROUP LIMITED (continued)

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the association wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These include those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discuss with the board and other management (as required by auditing standards), and discussed with the board and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the association is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, charities legislation and registered social landlord legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statements items.

Secondly, the association is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: certain aspects of charities, health and safety, employment law, and social housing legislation recognising the association's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence of any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatements. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information, which comprises the Strategic Report, the Directors' Report, the Statement on Internal Financial Controls, the Chair's Report and the Chief Executive's Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements; and

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHEATLEY HOUSING GROUP LIMITED (continued)

- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

We are also required to report to you if, in our opinion:

- the Statement on Internal Financial Control on page 38 does not provide the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- the Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 47, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

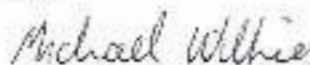
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 69 of the Housing (Scotland) Act 2010. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Michael Wilkie (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

23 September 2021

**GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Notes	2021 £ 000	2020 £ 000
Turnover	3	388,568	357,057
Operating expenditure	3	(303,844)	(271,594)
Other (losses)/gains	9	(7,993)	229,343
Operating surplus		76,731	314,806
Share of profit in joint venture		-	29
Gain on disposal of fixed assets	10	1,822	667
Finance income	11	420	503
Finance charges	12	(99,428)	(71,930)
Movement in fair value of financial instruments	13	(2,236)	549
(Deficit)/surplus on ordinary activities before taxation		(22,691)	244,624
Taxation	14	(519)	(981)
(Deficit)/surplus for the financial year		(23,210)	243,643
Unrealised surplus on the valuation of housing properties		109,956	44,559
Unrealised surplus on the valuation of office properties		798	257
Actuarial (loss)/gain in respect of pension schemes		(10,011)	6,393
Total comprehensive income for the year		77,533	294,852

All amounts relate to continuing operations.

The notes on pages 57 to 95 form part of these financial statements.

**COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Notes	2021 £ 000	2020 £ 000
Turnover	3	238	243
Operating expenditure	3	(238)	(243)
Operating surplus		-	-
Finance income		-	-
Finance charges		-	-
Surplus on ordinary activities before taxation		-	-
Taxation		-	-
Surplus for the financial year		-	-
Total comprehensive income for the year		-	-

All amounts relate to continuing operations.

The notes on pages 57 to 95 form part of these financial statements.

GROUP STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2021

	Revenue Reserve £ 000	Revaluation Reserve £ 000	Total Reserves £ 000
Balance at 1 April 2019	611,089	234,850	845,939
Total comprehensive income for the year	294,852	-	294,852
Transfer of reserves acquired on business combination	(157,076)	157,076	-
Transfer of reserves for the revaluation of housing properties	(44,559)	44,559	-
Transfer of reserves for the revaluation of office properties	(257)	257	-
Balance at 31 March 2020	704,049	436,742	1,140,791
Total comprehensive income for the year	77,533	-	77,533
Transfer of reserves for the revaluation of housing properties	(109,956)	109,956	-
Transfer of reserves for the revaluation of office properties	(798)	798	-
Balance at 31 March 2021	670,878	547,496	1,218,324

COMPANY STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2021

	Total Reserves £ 000
Balance at 1 April 2019	-
Result for the financial year	-
Balance at 31 March 2020	-
Result for the financial year	-
Balance at 31 March 2021	-

The notes on pages 57 to 95 form part of these financial statements.

GROUP STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2021

	Notes	2021 £000	2020 £000
Fixed assets			
Social housing properties	17	2,474,739	2,330,753
Other tangible fixed assets	18	59,338	59,276
Investment property	19	235,896	222,779
Investment in joint venture	19	116	116
		<u>2,770,109</u>	<u>2,632,924</u>
Pension asset	26	5,843	13,585
Current assets			
Stock	20	1,919	606
Trade and other debtors	21	54,676	53,563
Cash and cash equivalents		152,417	116,361
		<u>189,012</u>	<u>170,530</u>
Creditors: amounts falling due within one year	22	<u>(158,939)</u>	<u>(151,607)</u>
Net current assets		<u>30,073</u>	<u>38,923</u>
Total assets less current liabilities		2,806,025	2,685,432
Creditors: amounts falling due after more than one year	23	<u>(1,558,375)</u>	<u>(1,514,872)</u>
		1,247,650	1,170,560
Provisions for liabilities			
Pension liability	26	<u>(11,228)</u>	<u>(4,943)</u>
Provision for other liabilities	24	<u>(18,098)</u>	<u>(24,826)</u>
Total net assets		<u>1,218,324</u>	<u>1,140,791</u>
Reserves			
Share capital	25	-	-
Revenue reserve		670,828	704,049
Revaluation reserve		547,496	436,742
Total reserves		<u>1,218,324</u>	<u>1,140,791</u>

These financial statements on pages 57 to 95 were approved by the Board on 26 August 2021 and were signed on its behalf by:



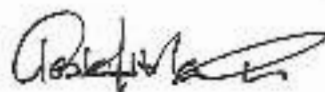
Alastair MacNish
Chair

The notes on pages 57 to 95 form part of these financial statements.
Company registration number SC426094.

COMPANY STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2021

	<i>Notes</i>	2021 £000	2020 £000
Trade and other debtors		-	-
Cash and cash equivalents		-	1
		<u>-</u>	<u>1</u>
Creditors: amounts falling due within one year	22	-	(1)
Net current assets		<u>-</u>	<u>-</u>
Total assets less current liabilities		-	-
Total net assets		<u>-</u>	<u>-</u>
Reserves			
Share capital	25	-	-
Total reserves		<u>-</u>	<u>-</u>

These financial statements were approved by the Board on 26 August 2021 and were signed on its behalf by:



Alastair MacNish
 Chair

The notes on pages 57 to 95 form part of these financial statements.

Company registration number SC426094.

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

	<i>Notes</i>	2021 £000	2020 £000
Net cash generated from operating activities	28	158,850	112,049
Cash flow from investing activities			
Improvement of properties		(47,255)	(66,330)
Acquisition of properties		(298)	(1,586)
Construction of new properties	17	(70,560)	(86,498)
Purchase of other fixed assets	18	(6,172)	(10,463)
Purchase of subsidiary undertakings	9	(825)	-
Proceeds from sale of properties	10	3,743	2,524
Grants received	23	44,654	41,493
Finance income	11	156	173
		(76,857)	(120,687)
Cash flow from financing activities			
Finance charges		(87,797)	(72,194)
Cash obtained through acquisition		-	46,168
Bank loan drawn down		72,000	299,043
Repayments of bank loans		(50,228)	(181,170)
Taxation		(114)	(492)
		(66,139)	91,355
Net change in cash and cash equivalents		15,834	82,717
Cash and cash equivalents at 1 April		116,361	33,644
Cash and cash equivalents at 31 March		132,195	116,361
Cash and cash equivalents at 31 March			
Cash		132,417	116,361
Bank overdraft		(222)	-
		132,195	116,361

The notes on pages 57 to 95 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. Legal status

Wheatley Housing Group Limited ("Wheatley", "Wheatley Group" or "the Company") is a limited company incorporated in Scotland under the Companies Act 2006. It is a housing association registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The Company and its subsidiaries are referred to as "the Group". The Group's subsidiaries include housing associations, incorporated entities and charities. The principal activity of the Group is the provision of social housing and associated housing management services. The registered office is Wheatley House, 25 Cochrane Street, Glasgow G1 1HL.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The financial statements of the Group and the Company are prepared in accordance with the Companies Act 2006, applicable accounting standards, the accounting requirements included within the Determination of Accounting Requirements 2019, and under the historical cost accounting basis, modified to include the revaluation of derivative financial investments, properties held for letting, office properties, investment properties and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2014 ("SORP 2014"), issued by the National Housing Federation and under FRS 102.

As noted in the Directors' report on page 45, the financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

The Group prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in February 2021 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan which included updated scenarios in recognition of the ongoing Covid-19 pandemic including severe but plausible downsides. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The Board, after reviewing the Group budgets for 2021/22 and the Group's financial position as forecast in the 30-year business plan, including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group has adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). In reaching this conclusion, the Board has considered the following factors:

- Rent and service charge receivable – arrears and bad debt assumptions have been increased to allow for customer difficulties in making payments and budget and business plan scenarios updated to take account of potential future changes in rent increases;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. Accounting policies (continued)

- The property market – budget and business plan scenarios have taken account of delays, remobilisation planning and reprofiled new build handovers;
- Maintenance costs – budget and business plan scenarios have been modelled to take account revised profiles of repairs and maintenance expenditure, with major works being rephased into future years;
- Development activity – forecast development expenditure has been modelled to take account of potential revised investment profiles;
- Liquidity – current available cash of £132.2m and unutilised loan facilities of £314.1m which gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;
- The Group's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties.

The Board believe the Group has sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Board is confident that the Group will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

The Wheatley Housing Group Limited is a public benefit entity.

Accounting judgements and estimations

Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts where required or appropriate and other factors.

Judgements have been made in:

- determining the appropriate discount rates used in the valuation of housing and investment properties;
- component accounting and the assessment of useful lives;
- the assessment of the fair value of financial instruments;
- determining the value of the Group's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds; and
- allocation of share of assets and liabilities for multi-employer pension schemes. Judgments in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Accounting policies (continued)

Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 31 March 2021. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 102.

New subsidiaries joining the Group are accounted for under section 19.6 of FRS 102, as combinations that are in substance a gift. Any gain on acquisition is recognised through the Statement of Comprehensive Income as a gain on business combination. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. On joining the Group, an exercise is undertaken to align subsidiary accounting policies to the Group policies which may result in a restatement of comparative figures in the subsidiary results prior to consolidation.

Joint Venture

Wheatley Housing Group is a 50:50 joint owner in City Building (Glasgow) LLP ("CBG"). The investment in the joint venture is accounted for using the equity method as outlined in FRS 102 Section 15. The investment is recognised in the Statement of Financial Position at cost less any impairment. The Group's share of profits or losses of the joint venture are recognised in the Statement of Comprehensive Income and the initial investment is subsequently adjusted to reflect the Group's share. Where the Group's share of losses equals or exceeds the carrying amount of the investment the share of these losses are recognised as a provision to the extent that the Group has legal or constructive obligations or has made payment on behalf of the joint venture. The investment in the joint venture is recorded in the investing entity's stand alone financial statements at cost less impairment.

Related party disclosures

The Company has taken advantage of the exemption, available under FRS 102, from disclosing related party transactions with wholly owned entities that are part of the Wheatley Housing Group.

Turnover

Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, fees receivable, grants and other income. In respect of the Group Statement of Comprehensive Income, turnover also includes factoring, care contracts and income from market and commercial rental activities.

Income from social lettings, service charges, factoring, market and commercial rental activities is recognised when it is receivable. Grant income is recognised when any associated performance conditions have been met and care contract income is recognised when services are delivered to customers as required under the agreement with each service commissioner.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Accounting policies (continued)

Grant income

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, it is recognised as income using the performance model in accordance with the SORP 2014. Prior to satisfying the performance conditions (e.g. on completion of new build properties), such grants are held as deferred income on the Statement of Financial Position. Grant income claimed under the UK Government's Coronavirus Job Retention Scheme is reported as income through the Statement of Comprehensive Income in line with the performance model.

Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

Supported housing

Expenditure on housing accommodation and supported housing is allocated on the basis of the number of units for each type of accommodation, except for staffing and running costs for which the level of expenditure is directly attributable.

Financial instruments

Financial assets

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Accounting policies (continued)

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies, bond finance and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Housing loans are classed as either basic or complex financial instruments under FRS 102. Loans are provided to RSL subsidiary members of the Group by its lenders through Wheatley Funding No. 1 Limited ("WFL1"). Loans are provided to commercial subsidiaries of the Group by Wheatley Funding No. 2 Limited ("WFL2"). All arrangements are classed as basic under the requirements of FRS 102, and are measured at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Any movement in the value of financial instruments recognised in the Statement of Comprehensive Income relates to any in-year adjustments for changes in the value of payment arrangement in place with customers, and the Scottish Government loan.

Deposits and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying values.

Pensions

Glasgow Housing Association participates in a defined benefit pension scheme arrangement with the Strathclyde Pension Fund ("SPF"). The Strathclyde Pension Fund is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. Dumfries and Galloway Housing Partnership participates in a defined benefit pension scheme arrangement with the Dumfries and Galloway Council Pension Fund ("DGCPF"). The Dumfries and Galloway Council Pension Fund is administered by Dumfries and Galloway Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. Both the SPF and DGCPF ("the Funds") provide benefits based on pensionable pay, which is contracted out of the State Second Pension. Assets and liabilities of both Funds are held separately from those of the participating entities.

Barny Housing Association previously participated in a defined benefit pension scheme arrangement with the Lothian Pension Fund ("LPF") which is administered by the City of Edinburgh Council in accordance with the Local Government Pension Scheme (Scotland)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Accounting policies (continued)

Regulations 1998 as amended. On 31 January 2020, all assets and liabilities held on behalf of Barony Housing Association were transferred to Strathclyde Pension Fund and the employment contracts of active members of LPF were transferred to the Glasgow Housing Association on the same date.

Glasgow Housing Association and Dumfries and Galloway Housing Partnership account for participation in the Funds in accordance with FRS 102 which requires disclosures presented for both the current and comparative period. FRS 102 also requires that quoted securities are valued at their current bid-price rather than their mid-market value.

The defined benefit fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The respective shares of, Glasgow Housing Association in the SPF and DGHP in the DGCPT, pension fund surplus (to the extent that it is recoverable) or deficit are recognised in full. The assumptions used in valuing the defined benefit pension arrangements result in a pension asset being recognised on the Statement of Financial Position, on the basis that the future level of employers contributions so as to match the required funding level for the scheme. The pension asset would be realised in line with the assumptions relating to longevity. The movement in the Fund's surplus / deficit is split between operating charges, finance items and in the Statement of Comprehensive Income under actuarial gain or loss on pension schemes.

Cube Housing Association, West Lothian Housing Partnership, Loretto Housing Association, Loretto Care and Dunedin Canmore Enterprise previously participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS") Defined Benefit Pension Scheme. Loremo members transferred to the SHAPS Defined Contribution Scheme on 1 July 2013 with Dunedin Canmore members transferring on 1 April 2014 and Cube and West Lothian members transferring on 1 September 2014. Following the transfer of the operations of Dunedin Canmore Enterprise on 30 March 2017, Dunedin Canmore Housing became the participating employer in SHAPS in place of Dunedin Canmore Enterprise. Retirement benefits to employees are funded by contributions from all participating employers and employees in the Scheme.

In respect of the defined benefit element of the scheme, payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole. In accordance with FRS 102, the Group's share of the scheme assets and liabilities has been separately identified and included in the Group's Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Group's share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the Statement of Comprehensive Income as actuarial gain or loss on pension schemes.

A Group defined contribution scheme arrangement administered by the Salvus Master Trust is available to employees in certain subsidiaries of the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Accounting policies (continued)

Fixed assets – social housing properties

In accordance with SORP 2014, the Group operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

• Valuation of social housing stock

All social housing properties owned by the Group's subsidiaries are valued annually on an Existing Use Value for Social Housing ("EUV-SH") basis by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation. Housing stock has been split into two streams of property for valuation purposes, namely housing retained for letting and demolition programme properties. This separation into categories is on the basis of the Group's 30-year Business Plan which identifies the core stock which will be the subject of the Group's investment expenditure going forward and the stock which forms part of the demolition programme, and consequently has limited investment expenditure attached to it.

The cost of properties is their purchase price together with the cost of capitalised improvement works that result in incremental future benefits to the landlord from the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

Increases in the valuation of social housing properties are reported as other comprehensive income, accumulated in equity and reported as a revaluation reserve. Revaluation decreases reduce the accumulated gains and thereafter are recognised in profit or loss. Subsequent valuation gains are recognised in profit or loss to the extent they reverse a valuation decrease previously recognised in profit or loss.

On disposal, the value of the property is offset against the proceeds of sale and the gain or loss on disposal is taken to the Statement of Comprehensive Income.

• Depreciation and impairment

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the Group's asset management strategy and the requirement of the Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Group has taken account of views provided by both internal and external professional sources. Freehold land is not subject to depreciation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Accounting policies (continued)

Major components are treated as separate assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following rates:

	<u>Economic Life</u>
Land	not depreciated
Bathrooms	25 yrs
External environment	20 yrs
External wall finishes	35 yrs
Heating system boiler	12 yrs
Internal works and common areas	20 yrs
Kitchens	20 yrs
Mechanical, Electrical and Plumbing	25 yrs
Structure and roofs	50 yrs
Windows and doors	30 yrs

Housing assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion.

Where there is evidence of impairment, the fixed assets are written down to the fair value after deducting costs to sell, and any write down is charged to operating surplus.

• **New Build**

Housing properties in the course of construction and land for future development is held at cost and are not depreciated. Completed new build units are transferred to completed properties when ready for letting.

The Group's policy is to capitalise the following:

- Cost of acquiring land and buildings;
- Interest costs directly attributable;
- Development expenditure including direct development staff costs; and
- Other directly attributable internal and external costs.

Expenditure on schemes which are subsequently aborted will be written off in the year in which it is recognised that the schemes will not be developed to completion.

• **Properties held for demolition**

Demolition programme housing properties have a negative valuation for accounting purposes due to the impact of demolition costs on the EUV-SII calculation, and so are held at nil on the Statement of Financial Position. Under FRS 102 there is no constructive obligation at the year-end to provide for these costs.

Investment properties

Housing for mid-market and market-rent is valued on an open market value subject to tenancies basis ("MV-T") at 31 March. The valuation is carried out by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation. The properties are held as investment properties not subject to depreciation. Where it is considered that there has been any impairment in value this is provided for accordingly. The cost of properties is their purchase price together with capitalised improvement works.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Accounting policies (continued)

Commercial properties are held as investment properties and not subject to depreciation, they are held at existing use value and are subject to revaluation by an independent professional advisor qualified by the Royal Institute of Chartered Surveyors to undertake valuation. Commercial properties are re-valued at least every five years. Changes in the valuation of investment properties are reported in the Statement of Comprehensive Income in profit or loss and disclosed within other income and gains.

New Build Grant and other capital grants

New Build Grant is received from central government and local authorities and is utilised to subsidise the costs of housing properties. New Build Grant is recognised as income in the Statement of Comprehensive Income under the performance model. In the case of new build this will be when the properties are completed. New Build Grant due or received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the Statement of Comprehensive Income within turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

Properties are disposed of under the provisions contained in the Housing (Scotland) Act 2010. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is accounted for as a liability. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay is disclosed as a contingent liability.

Other tangible fixed assets

For other tangible fixed assets, depreciation is charged on a straight line basis over the expected useful economic lives of fixed assets to write off the cost, less estimated residual values over the following expected lives. Assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion, at the following rates:

	<u>Economic Life</u>
Office premises (valuation)	40 yrs
District heating (cost)	30 yrs
Furniture, fittings and office equipment (cost)	5-7 yrs
Computer equipment (cost)	3-7 yrs
Community Infrastructure (cost)	20 yrs
Office premises are held at valuation, and are depreciated, on a straight line basis, over a useful life of 40 years. Valuations are made at the end of each reporting period.	

Provisions

The Group only provides for liabilities at the year end where there is a legal or constructive obligation incurred which will likely result in the outflow of resources.

Taxation

As charities, The Glasgow Housing Association Limited, Cube Housing Association Limited, West Lothian Housing Partnership Limited, Loretto Housing Association Limited, Loretto Care Dunedin Caamore Housing Limited, Barony Housing Association Limited and Dumfries and Galloway Housing Partnership Limited are exempt from corporation tax on their charitable

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Accounting policies (continued)

activities by virtue of Section 478 Corporation Tax Act 2010 and from capital gains tax by virtue of Section 256 Capital Gains Tax Act 1992. A charge for taxation is made in the Group's non-charitable subsidiary companies, based on their taxable profit for the year. In accordance with FRS 102, full provision is made for all material timing differences.

Value Added Tax

The Group is registered for VAT. A large portion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure with recoverable VAT is shown net of VAT and expenditure with irrecoverable VAT is shown inclusive of VAT. VAT on Glasgow Housing Association refurbishment works expenditure included in the development works agreement with Glasgow City Council is substantially recoverable. Expenditure on these works is shown net of VAT.

Development Agreement

Glasgow Housing Association has entered into agreements with Glasgow City Council whereby the undertaking of catch-up repairs and improvement works remained with the City Council, with that obligation sub-contracted to Glasgow Housing Association. This has been shown on the Group's Statement of Financial Position as a debtor offset by a provision of an equal amount. As work progresses, both amounts will be reduced by the appropriate amount.

3. Particulars of turnover, operating costs and operating surplus

Group	2021				
	Turnover	Operating Costs	Other gains/(losses)	Operating surplus/(deficit)	Operating surplus/(deficit)
	£ 000	£ 000	£ 000	£ 000	£ 000
Social lettings (note 4)	323,579	(228,977)	-	94,602	89,236
Other activities (note 5)	64,989	(74,867)	-	(9,878)	(3,773)
Other income and gains (note 9)	-	-	(7,993)	(7,993)	229,343
Total	388,568	(303,844)	(7,993)	76,731	314,806
Total for previous reporting period	357,057	(271,594)	229,343	314,806	

Company	2021			2020
	Turnover	Operating Costs	Operating surplus	Operating surplus
	£ 000	£ 000	£ 000	£ 000
Other activities (note 5)	238	(238)	-	-
Total	238	(238)	-	-
Total for previous reporting period	243	(243)	-	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

4. Particulars of turnover, operating costs and operating surplus from social letting activities

Group	General Needs	Supported Housing	Other	2021 Total	2020 Total
	£ 000	£ 000	£ 000	£ 000	£ 000
Rent receivable net of service charges	269,503	10,761	1,584	281,848	241,782
Service charges	4,092	1,478	61	5,631	5,763
Gross income from rents and service charges	273,595	12,239	1,645	287,479	247,547
Less rent losses from voids	(3,260)	(501)	(169)	(3,930)	(1,942)
Net income from rents and service charges	270,335	11,738	1,476	283,549	245,605
Grants released from deferred income – new build	28,547	359	-	28,906	50,521
Revenue grants from Scottish Ministers	893	561	-	1,254	-
Other revenue grants	9,044	826	-	9,870	878
Total turnover from social letting activities	308,819	13,284	1,476	323,579	297,002
Management and maintenance administration costs	65,961	3,085	338	69,384	61,558
Service costs	6,236	1,058	133	7,427	6,978
Planned and cyclical maintenance including major repairs costs	22,788	823	194	23,805	21,796
Reactive maintenance costs	39,547	1,056	240	40,823	38,916
Bad debts – rents and service charges	2,218	67	10	2,295	3,015
Impairment of housing under construction	498	-	-	498	-
Depreciation of social housing	81,118	3,027	600	84,745	75,503
Operating costs from social letting activities	218,366	9,096	1,515	228,977	207,766
Operating surplus from social lettings	90,453	4,188	(39)	94,602	89,236
Operating surplus from social lettings for the previous reporting period	84,919	4,487	(170)	89,236	

Company

There were no activities in the Wheatley Housing Group Limited entity results classified as social letting.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

5. Particulars of turnover, operating costs and operating surplus/(deficit) from other activities

Group	Grants From Scottish Ministers £ 000	Other Income £ 000	Supporting People Income £ 000	Total Turnover £ 000	Total Operating Costs £ 000	2021 Operating Surplus/(Deficit) £ 000	2020 Operating Surplus/(Deficit) £ 000
Wider role activities to support the community	-	668	-	668	(11,066)	(10,398)	(10,607)
Care activities	-	18,828	-	18,828	(18,357)	471	464
Factoring	-	12,146	-	12,146	(11,517)	629	1,236
Investment Property	-	17,457	-	17,457	(4,223)	13,234	10,542
Support activities	-	2,225	120	2,345	(2,744)	(399)	(593)
Owners' improvement activities	-	359	-	359	(277)	82	(114)
Demolition activities	-	-	-	-	(183)	(183)	(354)
Other income	-	7,848	-	7,848	(2,460)	5,388	6,827
Depreciation – Non Social Housing Organisation	-	-	-	-	(5,522)	(5,522)	(6,694)
Restructuring	-	-	-	-	(12,812)	(12,812)	(4,180)
Development & Construction of Property Activities	-	5,338	-	5,338	(5,706)	(368)	(300)
Total from other activities	-	64,869	120	64,989	(74,867)	(9,878)	(3,773)
Total from other activities for the previous reporting period	2,558	57,497	-	60,055	(61,828)	(3,773)	

Company	Grants From Scottish Ministers £ 000	Other Revenue £ 000	Supporting People Income £ 000	Total Turnover £ 000	Total Operating Costs £ 000	2021 Operating Surplus £ 000	2020 Operating Surplus £ 000
Provision of Group services	-	238	-	238	(238)	-	-
Total from other activities	-	238	-	238	(238)	-	-
Total from other activities for the previous reporting period	-	243	-	243	(243)	-	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

6. Board members' emoluments

Board members received emoluments of £220,386 (2020: £217,039) in respect of their services to Wheatley Housing Group Limited. These amounts are fully recharged to Wheatley Solutions and onwards to operational subsidiaries.

Emoluments were paid to the following Board members.

	2021 £	2020 £
Alastair MacNish	32,370	32,370
Sheila Gunn	19,961	19,961
Mike Blyth (part year)	-	7,893
Bernadette Hewitt	19,961	19,961
Paddy Gray	12,408	12,408
Jo Armstrong	16,185	16,559
John Hill	12,408	12,408
Ronnie Jacobs (part year)	-	7,893
Peter Kelly	12,408	12,408
Martin Kelso	16,185	14,359
James Muir	12,408	12,408
Mary Mulligan	12,408	12,408
Angela Mitchell	12,408	11,252
Bryan Durcan	16,185	14,545
Jo Broaden	12,408	12,408
Maureen Dowden (part year)	12,683	-
	<u>220,386</u>	<u>217,039</u>

In addition, £781 (2020: £6,003) was paid to Board members for reimbursement of expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

7. Key management emoluments

	2021 £ 000	2020 £ 000
Aggregate emoluments payable to key management (including pension contributions and benefits in kind)	1,589	1,401
Emoluments payable to the highest paid key management	336	296
Employer pension contributions	57	55
Total emoluments payable to the highest paid key management	394	351

During the periods the key management's emoluments (excluding pension contributions) fell within the following band distributions:

More than £110,000 but not more than £120,000	1	-
More than £160,000 but not more than £170,000	-	1
More than £170,000 but not more than £180,000	1	-
More than £180,000 but not more than £190,000	2	4
More than £190,000 but not more than £200,000	1	-
More than £290,000 but not more than £300,000	-	1
More than £330,000 but not more than £340,000	1	-

The senior officers are defined for this purpose as the Chief Executive and any person reporting directly to the Chief Executive earning at the rate of over £60,000 per annum. Emoluments include relocation expenses where appropriate.

The senior officers are eligible to join the Strathclyde Pension Fund and employer's contributions are paid on the same basis as other members of staff.

There were six senior officers in post during the year ended 31 March 2021. Key management personnel in the year were as follows:

Martin Armstrong	Group Chief Executive
Tom Barclay	Group Director of Property and Development
Olga Clayton	Group Director of Housing and Care
Steven Henderson	Group Director of Finance
Graham Isdale	Group Director of Corporate Affairs
Elaine Melrose – to 30 September 2020	Group Director of Resources

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

8. Employees

In the year to 31 March 2021, the average full time equivalent number of employees of the Group, including senior officers, was 2,730 (2020: 2,597). The total number of staff employed was 2,988 (2020: 2,678). No staff are directly employed by the Company.

Group	2021 £ 000	2020 £ 000
Staff costs (for the above persons)		
Wages and salaries	76,127	72,585
Social security costs	8,310	8,197
Employer's pension costs	11,914	12,206
FRS 102 Pension adjustment	4,385	2,886
	<u>100,736</u>	<u>95,874</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

9. Other (losses) and gains

	2021 £000	2020 £000
Group		
Loss on revaluation of investment property (note 19)	(7,418)	(11,595)
Impairment of goodwill on acquisition of GBG Enterprises Limited	(575)	
Dumfries and Galloway Housing Partnership group		
Fair value of net assets acquired	-	240,938
Consideration	-	-
Gain on business combination	-	240,938
Total other (losses) and gains	(7,993)	229,343

Loss on revaluation of investment properties:

A loss of £7,418k (2020: £11,595k) has been recognised on the annual revaluation of investment properties. On completion of new build investment properties, which are held on the Statement of Financial Position at valuation, FRS 102 requires the grant income relating to the properties to be recognised through profit or loss under the performance model. On the first formal annual valuation after completion, the results of the initial valuation are compared against the gross new build development costs held in the Statement of Financial Position; this requirement results in an initial non-cash accounting loss being reported on investment properties.

Impairment of goodwill on acquisition of GBG Enterprises Limited:

On 30 March 2021, Lowther Homes, a fully owned subsidiary of the Wheatley Housing Group Limited, acquired 100% of the share capital of GBG Enterprises Limited ("GBG"), the company owning the Bellgrove Hotel. A total consideration of £825k was paid for GBG. The net assets acquired have been assessed to have a fair value of £250k with £575k attributable to goodwill at the acquisition date. Subsequent to the acquisition, an assessment of the carrying value of goodwill has been undertaken informed by the future plans for the assets and business of GBG which has resulted in the impairment of the full value of the goodwill on acquisition and a loss of £575k taken to profit and loss on the Statement of Comprehensive Income. No material trading has been reported for GBG Enterprises Limited in these financial statements.

Dumfries and Galloway Housing Partnership Limited:

Dumfries and Galloway Housing Partnership Limited, Novaatic Limited and DGIIP 3 Limited joined the Group on 12 December 2019, with 100% of all three entities being acquired within the normal course of the Group's operations. No fundamental reorganisation or restructuring occurred as a result. In accordance with FRS 102, the gain arising on business combination is therefore recognised within operating surplus.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

The following amounts were recognised at the acquisition date:

Fixed assets	£000
	365,902
Investment properties	8,537
Current assets	50,793
Current liabilities	(6,759)
Net current assets	44,034
Long term liabilities	(174,494)
Provisions	(3,041)
	<u>240,938</u>
Revenue reserve	83,862
Revaluation reserve	157,076
Total reserves	<u>240,938</u>

10. Gain on disposal of fixed assets

This represents net income from the sale of properties including Shared Ownership sales.

Group	2021 £ 000	2020 £ 000
Proceeds from disposal of properties	3,743	2,524
Value of properties disposed	(1,921)	(1,857)
Surplus on sale of fixed assets	<u>1,822</u>	<u>667</u>

11. Finance income

Group	2021 £ 000	2020 £ 000
Bank interest receivable on deposits in the year	156	173
Net return on pension asset	264	330
Total	<u>420</u>	<u>503</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

12. Finance charges

Group	2021 £ 000	2020 £ 000
Interest payable	66,102	62,551
Other financing costs	3,223	2,892
Loan restructuring fees	30,000	6,399
Net cost on pension	105	188
Total	99,428	71,930

Other financing costs include commitment, non-utilisation fees, the amortisation of transaction costs on the Group's funding arrangements, the amortised interest on the contingent efficiencies loan and costs for refinancing of group loan arrangements.

Interest of £1.8m (2020: £3.7m) has been capitalised at a weighted average interest rate of 4.60% (2019: 4.89%). The rate is specific to the funding drawn in the year and invested in housing under construction.

13. Movement in fair value of financial instruments

Group	2021 £ 000	2020 £ 000
Movement in the Scottish Government loan	(2,222)	549
Movement in discount to arrears balances (note 21)	(14)	-
	<u>(2,236)</u>	<u>549</u>

14. Tax on surplus on ordinary activities

Group	2020 £000	2020 £000
Total tax expense recognised in the Statement of Comprehensive Income:		
Current (tax):		
Current tax on income for the year	46	435
Adjustment in respect of prior periods	11	-
	<u>57</u>	<u>435</u>
Deferred tax:		
Origination and reversal of timing differences	461	259
Effects of changes in tax rates	-	287
Adjustment in respect of prior periods	1	-
	<u>462</u>	<u>546</u>
Total Tax	<u>519</u>	<u>981</u>

The Company had no tax charge for the year (2020: nil).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

14. Tax on surplus on ordinary activities (continued)

The charitable status of Glasgow Housing Association, Dunedin Canmore Housing, Cube Housing Association, West Lothian Housing Partnership, Loretto Housing Association, Dumfries and Galloway Housing Partnership Limited, Loretto Care and Wheatley Foundation Limited means that no corporation tax is payable on their activities. Tax is payable on the profits from the activities of the Group's other non-charitable subsidiary companies.

Factors affecting the tax charge for the current period

Group	2021 £000	2020 £000
Reconciliation of effective tax rate		
(Deficit)/surplus for the year	(23,210)	243,643
Total tax expense	519	981
(Deficit)/surplus excluding taxation	(22,691)	244,624
Tax using the UK corporation tax rate of 19% (2020: 19%)	(4,311)	46,479
Effects of:		
Charitable deficit/(surplus) not subject to tax	5,175	(45,520)
Qualifying charitable donations	(672)	(570)
Under provision in prior year	11	-
Expenses not deductible	316	307
Tax rate changes	-	287
Gain on disposal of chargeable assets	-	3
Total tax expense included in Statement of Comprehensive Income	519	981

The Company has no tax charge for the year (2020: nil).

15. Auditor's remuneration

	2021 £'000	2020 £'000
The remuneration of the auditor (excluding VAT) is as follows:		
Audit of these financial statements	14	14
Audit of financial statements of subsidiaries pursuant to legislation	237	229
Other audit related services	6	8

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

16. Financial commitments

Capital commitments

All capital commitments of the Group were as follows:

Group	2021 £000	2020 £000
Expenditure contracted for, but not provided in the financial statements	168,256	130,326
Expenditure authorised by the Board but not contracted	53,449	52,670
	<u>221,705</u>	<u>182,996</u>

The Group has access to sufficient funding through cash or bank lending facilities to meet the capital commitments.

Operating leases

At 31 March the Group had commitments under non-cancellable operating leases as follows; the Company had no such commitments:

Group	2021 Land and Buildings £000	2021 Other £000	2020 Land and Buildings £000	2020 Other £000
Operating lease payments due:				
Within one year	554	160	697	172
In the second to fifth years inclusive	253	352	1,259	282
Over five years	68	-	86	70
	<u>975</u>	<u>512</u>	<u>2,042</u>	<u>527</u>

Lease commitments include the timing of the full payment due under contract as required by FRS 102. The Group's social housing properties are held under operating leases and are tenanted under cancellable operating lease conditions. As such, no disclosure of tenant leases under FRS 102 section 20.30 is made.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

17. Fixed assets – Social Housing Properties

Group	Core Stock £ 000	Housing Under Construction £ 000	Shared Owner- ship £ 000	Total £ 000
At Valuation				
At 1 April 2020	2,232,826	99,107	18,820	2,350,753
Additions	47,553	72,637	-	120,190
Disposals	(2,108)	-	(131)	(2,239)
Impairment	-	(498)	-	(498)
Transfers	43,154	(63,782)	(44)	(20,672)
Revaluation	26,820	-	385	27,205
At 31 March 2021	2,348,245	107,464	19,030	2,474,739
Depreciation				
At 1 April 2020	-	-	-	-
Charge for year	(82,767)	-	(590)	(83,357)
Disposals	597	-	10	607
Revaluation	82,170	-	580	82,750
At 31 March 2021	-	-	-	-
Net Book Value - valuation				
At 31 March 2021	2,348,245	107,464	19,030	2,474,739
At 31 March 2020	2,232,826	99,107	18,820	2,350,753
Net Book Value – historic cost equivalent				
At 31 March 2021	2,374,185	107,464	21,019	2,502,668
At 31 March 2020	2,368,056	99,107	21,396	2,488,559

Total expenditure on repairs and capital improvements in the year on existing properties was £112.2m (2020: £128.6m). Of this, repair costs of £64.6m (2020: £60.7m) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £47.6m (2020: £67.9m) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £47.6m (2020: £67.9m) in the year include:

- £28.2m for component additions including:
 - £0.5m on bathrooms;
 - £1.7m on external environment;
 - £4.5m on external wall finishes;
 - £3.9m on heating system boilers;
 - £5.0m on internal works and common areas;
 - £1.0m on kitchens;
 - £5.3m on mechanical, electrical and plumbing;
 - £4.2m on structure and roofs; and
 - £2.1m on windows and doors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

17. Fixed assets – Social Housing Properties (continued)

- The remaining balance of £19.4m of additions to existing properties not associated with a specific component includes £11.1m on void improvements, £0.3m of property acquisitions and £1.8m of medical adaptations.

Of the £28.2m of component additions, £13.0m formed part of a major strategic investment projects during the year. All subsidiaries in the Wheatley Housing Group Limited account for social housing properties at valuation. Additions to housing under construction include capitalised interest costs of £1.8m (2020: £3.7m). Interest has been capitalised at the weighted average interest cost for the Association of 4.60% (2020: 4.89%).

The valuation of social housing properties is separated into two categories, namely those retained for letting and those properties which form part of the Group's demolition programme, as detailed in the Group's 30-year Business Plan for 2021/22. The demolition programme identifies 249 (2020: 245) properties for demolition over the next few years, with no long term investment expenditure associated with these properties.

Demolition programme stock has a negative valuation for accounting purposes due to the impact of demolition costs on the Existing Use for Valuation – Social Housing ("EU-V-SH") calculation, and so is held at nil on the Statement of Financial Position as under FRS 102 there is no constructive obligation at the year-end date to provide for these costs.

The Group's social housing properties have been valued by Jones Lang LaSalle Limited an independent professional adviser qualified by the Royal Institution of Chartered Surveyors ("RICS") to undertake valuations. The valuations were prepared in accordance with the appraisal and valuation manual of the RICS at 31 March 2021 on an Existing Use Valuation for Social Housing ("EU-V-SH"). Discount rates between 5.75-6.50% have been used depending on the property archetype (2020: 5.75-6.50 % retained stock). The valuation assumes a rental income increase of inflation + 1.0% in 2021/22 and +0.5% thereafter for retained stock, in line with the Group's 30 year Business Plan (2021/22). The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EU-V-SH valuation methodology.

Included in core stock are 966 garages and 1,197 parking sites owned by Dumfries and Galloway Housing Partnership held at a value of £4.0m (2020: £4.0m). These have been valued at market value subject to tenancy ("MV-T"), the Directors consider the difference between EU-V-SH and MV-T for these properties to be immaterial.

An impairment loss of £498k (2020:nil) has been recognised against land held in housing under construction due to the discovery of archaeological remains at one development site which may limit the density and scope of future development of the site. The impairment loss is reported within depreciation in note 4.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

17. Fixed assets – Social Housing Properties (continued)

The number of units of social housing accommodation owned and managed (excluding unlettable voids) by the Group at 31 March is shown below:

	2021	2020
Social Housing		
General needs	59,431	59,091
Shared ownership	370	374
Supported housing	1,855	1,884
Housing held for long-term letting	61,656	61,349
Housing approved/planned for demolition	249	245
Total Units	61,905	61,594

18. Fixed assets - other tangible fixed assets

Group	Community Infra- structure	Office Premises £ 000	District Heating £ 000	Furniture, fittings and equipment £ 000	Computer Equipment £ 000	Total £ 000
Cost						
At 1 April 2020	12,951	15,579	10,945	39,608	52,225	131,308
Additions	865	245	52	979	3,999	6,140
Disposals	-	-	(73)	(42)	-	(115)
Revaluation	-	352	-	-	-	352
At 31 March 2021	13,816	16,176	10,924	40,545	56,224	137,685
Depreciation						
At 1 April 2020	(1,673)	-	(3,487)	(23,893)	(36,979)	(72,032)
Charge for year	(668)	(446)	(269)	(1,991)	(3,367)	(6,741)
Disposals	-	-	-	-	-	-
Revaluation	-	446	-	-	-	446
At 31 March 2021	(2,341)	-	(2,756)	(31,884)	(40,247)	(78,327)
Net Book Value						
At 31 March 2021	11,475	16,176	7,168	8,661	15,977	59,358
At 31 March 2020	11,278	15,579	7,458	9,715	15,246	59,276

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

19. Investments

Investment properties

Group	Properties held for market rent £'000	Commercial properties £'000	Total £'000
Valuation			
At 1 April 2020	209,846	12,933	222,779
Additions	332	-	332
Transfers	20,672	-	20,672
Disposals	(469)	-	(469)
Revaluation	(7,496)	78	(7,418)
At 31 March 2021	222,885	13,011	235,896
Net Book Value			
At 31 March 2021	222,885	13,011	235,896
At 31 March 2020	209,846	12,933	222,779

Market rent properties were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, Jones Lang LaSalle, on 31 March 2021.

The number of properties held for market rent by the Group at 31 March were:

	2021	2020
Market Rent Properties		
Total Units	2,227	2,115

The Group's commercial properties were valued by an independent professional adviser, Jones Lang LaSalle, on 31 March 2021 in accordance with the appraisal and valuation manual of the RICS.

In determining the valuation of investment properties, it is assumed that there are no restrictions on the ability to realise the investment properties or the remittance of income and proceeds of disposal. There are no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

**NOTES TO THE FINANCIAL STATEMENTS ,
FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

19. Investments (continued)

Investment in joint venture

	2021	2020
Group	£000	£000
Investment in joint venture	116	116

The Group is a 50:50 joint venture partner in City Building (Glasgow) LLP. The investment in City Building (Glasgow) LLP is recognised in the financial statements at cost less any impairment. The Group's share of profits or losses of the joint venture are recognised in the Statement of Comprehensive Income and the initial investment is subsequently adjusted to reflect the Group's share.

20. Stock

	2021	2020
Group	£ 000	£ 000
Stock at maintenance depot	1,919	606

Stock at maintenance depot relates to consumable parts held at our workshop in Edinburgh in relation to our repairs and investment service for our subsidiaries in the east of the country.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

21. Debtors

Group	2021 £ 000	2020 £ 000
Due in more than one year:		
Development agreement	12,201	20,478
Due within one year:		
Arrears of rent and service charges	21,697	15,377
Adjustment to discount arrears balances with payment plans (note 13)	(85)	(71)
Less: provision for bad and doubtful debts	(7,934)	(7,612)
	13,678	7,694
Prepayments and accrued income	14,617	9,865
Other debtors	14,180	15,526
Total	54,676	53,563

Included in debtors is a balance of £12.2m (2020: £20.5m) in respect of the expected cost of the development work that Glasgow City Council has committed to undertake in order to refurbish the housing properties transferred. The Council has sub-contracted Glasgow Housing Association to carry out the programme of catch-up repairs to the residential accommodation as part of a development agreement. This balance relates to the identical provision in the accounts for this expenditure (note 22) and as work progresses both of these balances will be utilised when the work is actually undertaken.

22. Creditors: amounts falling due within one year

Group	2021 £ 000	2020 £ 000
Amounts falling due within one year:		
Trade creditors	9,330	9,135
Accruals	66,347	35,655
Deferred income (note 23)	50,964	49,318
Rent and service charges received in advance	10,992	10,216
Salaries, wages, other taxation and social security	2,679	2,511
Corporation tax	1	116
Bank overdraft	222	-
Housing loans	7,939	9,228
Other creditors	10,465	15,428
Total	158,939	131,607

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

22. Creditors: amounts falling due within one year (continued)

Company	2021 £ 000	2020 £ 000
Amounts falling due within one year:		
Trade creditors	-	-
Accruals	-	-
Corporation tax payable	-	-
Amounts due to Group undertakings	-	1
Total	-	1

23. Creditors: amounts falling due after more than one year

Group	2021 £000	2020 £000
Scottish Government loan	40,704	36,693
Housing loans - bank facilities	958,771	952,358
Housing loans - bond finance	296,735	296,386
Housing loans - private note placement	223,921	223,771
Deferred income	38,244	25,372
Other creditors	-	292
Total	1,558,375	1,514,872

The Scottish Government made available to Glasgow Housing Association £100.0m of contingent efficiencies grant over an eight year period. Under this agreement £100.0m (2020: £100.0m) has been received and this is an interest-free loan with repayment due in 2040/41. The amount due of £40.7m at 31 March 2021 is the measurement of the liability after discounting for an equivalent interest bearing arrangement with the same repayment date. This treatment is consistent with FRS 102 which requires financial instruments to be measured at amortised cost. The movement in the balance in the year relates to:

- interest costs £ 1.8m (2020: £1.7m)
- fair value movement loss of £2.2m (2020: gain of £0.5m)

Interest costs are reported within finance charges (note 12). The movement in the fair value is reported on the face of the Statement of Comprehensive Income.

Housing Loans

Registered Social Landlord's borrowing arrangements are in place via a Group funding structure which consists of bank and capital markets debt, secured on charged properties owned by RSLs within the Wheatley Housing Group. RSL Group funding was made up of a committed facility of £652.6m from a syndicate of commercial banks, two committed facilities totalling £278.0m from the European Investment Bank, £300.0m raised through the issue of a public bond, £150.0m private placement loan notes with BlackRock Real Assets and £100.0m facility with HSBC. This provided total facilities of £1,480.6m for the RSL borrower group through Wheatley Funding No.1 Limited, a wholly-owned subsidiary of the Wheatley Housing Group Limited. The RSL borrowing group comprises Glasgow Housing Association, Cube Housing Association, West Lothian Housing Partnership, Dunedin Canmore Housing and Loretto Housing Association.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

23. Creditors: amounts falling due after more than one year (continued)

Dumfries and Galloway Housing Partnership has separate facilities provided directly to the Company. In December 2019, on joining the Group, the borrowing arrangements for DGHIP were restructured and the previous facility in place with Dexia was repaid and a new £114.0m facility was put in place with M&G secured on a portion of the Company's properties. A facility of £40.0m is in place with The Housing Finance Corporation. The loan premium of £1,602k received on drawdown is being amortised over the life of the loan and at the 31 March 2021 stood at £1,134k (2020: £1,186k). A further £35.0m facility is in place with Allia under the Scottish Government Charity Bonds Programme and a new revolving credit facility of £35.0m is in place with the Royal Bank of Scotland.

Additional facilities are provided through direct loans to Dunedin Canmore Housing comprising of a committed facility from The Housing Finance Corporation of £16.5m and a £16.0m unsecured Scottish Government Charitable Bond with Allia Limited.

Bond finance is repayable in 2044/45, and has a coupon rate of 4.375%.

Lowther Homes Limited has access to a £76.5m facility provided through Wheatley Funding No.2 Ltd ("WFL2") via an agreement with Scottish Widows through Bank of Scotland. Interest on the new facility has been charged at a rate of 3.77%.

Borrowings are repayable as follows:	2021 £ 000	2020 £ 000
In less than one year	7,939	9,228
Between one and five years	92,692	-
In more than five years	1,386,735	1,452,515
	<u>1,487,366</u>	<u>1,461,743</u>

The deferred income balance is made up as follows:

	Housing Association Grant £ 000	Other £ 000	Total Deferred Income £ 000
Deferred income as at 1 April 2020	65,938	8,752	74,690
Additional income received	42,020	3,635	44,655
Released to the Statement of Comprehensive Income	(28,727)	(1,415)	(30,137)
Deferred income as at 31 March 2021	<u>79,236</u>	<u>9,972</u>	<u>89,208</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

23. Creditors: amounts falling due after more than one year (continued)

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2021 £ 000	2020 £ 000
Deferred income to be released to the Statement of Comprehensive Income:		
In less than one year (note 22)	50,964	49,318
In more than one year but less than five years	36,415	25,289
In more than five years	1,829	83
	89,208	74,690

Financial instruments

	2021 £'000	2020 £'000
Financial assets:		
<u>Measured at amortised cost:</u>		
Debtors and accrued income	42,475	33,085
Total	42,475	33,085

	2021 £ 000	2020 £ 000
Financial liabilities:		
<u>Measured at amortised cost:</u>		
Creditors, accruals and deferred income	189,244	148,043
Bank loans	1,487,366	1,461,743
	1,676,610	1,609,786
<u>Measured at fair value:</u>		
Scottish Government loan	40,704	36,693
Total	1,717,314	1,646,479

Income earned and expense payable on the financial assets and liabilities is disclosed in note 11 and 12 respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

24. Provisions for liabilities and charges

Group	Development Agreement £ 000	Insurance £ 000	Deferred tax £000	Dilapidation Provision £'000	Total £ 000
At 1 April 2020	20,478	434	3,254	660	24,826
Created	-	-	410	1,139	1,549
Utilised	(8,277)	-	-	-	(8,277)
At 31 March 2021	12,201	434	3,664	1,799	18,098

Development Agreement

The provision represents the best estimate of the costs of contracted works for the repair of managed properties in 2003 less the cost of repairs carried out since that date. This agreement is part of the Development Agreement between Glasgow Housing Association and Glasgow City Council and as work progresses the provision will be utilised when the work is actually undertaken.

Insurance

A provision has been made in respect of the excess arising on all outstanding insurance claims.

Deferred tax

Deferred tax is provided to take account of timing differences between the treatment of certain items for financial statement purposes and their treatment for tax purposes. Deferred tax is provided for all material timing differences and for the unrealised gain or losses on investment properties in certain subsidiaries in the Group.

Dilapidation provision

This provision represents the estimated costs of dilapidation works required under lease contracts for office properties leased by group entities.

25. Share capital

Wheatley Housing Group Limited was incorporated on 13 June 2012 and is a Company Limited by Guarantee and therefore does not have any Share Capital.

There were no balances in reserves for the company at 31 March 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

26. Pensions

Strathclyde Pension Fund, Dumfries and Galloway Council Pension Fund and Lothian Pension Fund

The funds are part of the wider Local Government Pension Scheme ("LGPS") in Scotland. The Group subsidiary Glasgow Housing Association Limited participates in the Strathclyde Pension Fund ("SPF") which is administered by Glasgow City Council and is a defined benefit scheme. Dumfries and Galloway Housing Partnership participates in the Dumfries and Galloway Council Pension Fund ("DGCPF") which is administered by Dumfries and Galloway Council and is a defined benefit scheme.

The latest full actuarial valuation was carried out as at 31 March 2020 for both SPT and DGCPF. In preparing the formal valuation at 31 March 2020, an allowance for full GNP indexation and the estimated impact of the McClelland judgement was included based on the eligibility criteria for inclusion of members in the agreed remedy. For the annual valuation at 31 March 2021, the assumption used by the actuary for inflation and the correlation to the discount rate has been reassessed as a result of RPI reform announcements with long-term "wedge" between RPI and CPI reduced compared to the prior year.

Barony Housing Association Limited previously participated in the Lothian Pension Fund ("LPF") which is administered by Edinburgh City Council and is a defined benefit scheme. On 31 January 2020, the pension assets and liabilities of Barony held in LPF were transferred to the Strathclyde Pension Fund. The assets of the funds are held separately from those of the respective Association with investments under the overall supervision of the Fund Trustees.

TPT Retirement Solutions - Scottish Housing Association Pension Scheme

Cube Housing Association, West Lothian Housing Partnership, Lorelto Housing Association, Lorelto Care and Duncedin Canmore Housing participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS") defined benefit section. This is a multi-employer defined benefit scheme and is funded and contracted out of the State Pension Scheme. Lorelto Housing Association Limited and Lorelto Care transferred to the SHAPS Defined Contribution scheme with effect from 1 July 2013. Cube Housing Association and West Lothian Housing Partnership transferred with effect from 1 September 2014 and Duncedin Canmore transferred on 1 April 2014.

The Trustee commissions an actuarial valuation of the Scheme every three years, with the last formal valuation of the Scheme being carried out at 30 September 2018.

The scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes; benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. FRS 102 requires the disclosure of the Group's share of the assets and liabilities of the scheme within the financial statements and an evaluation of the scheme assets and liabilities has been carried out by an independent actuary as at 31 March 2021.

Following consideration of the results of the last valuation at 30 September 2018, the shortfall in the scheme reduced from £198m to £121m. It was agreed that this would continue to be dealt

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

26. Pensions (continued)

with by the payment of additional contributions. These were previously set at 5.4% of pensionable salaries per annum with effect from 1st April 2014 for a period of 8 years with the scheme expected to reach a fully funded position by 2022. The next formal valuation of the scheme is due to be carried out at 30 September 2021 and to ensure the ongoing funding of the scheme whilst the valuation is prepared, the Trustees have agreed to extend the period over which additional contributions are payable by one year to March 2023. Past service deficit contributions continue to increase each 1st April at a rate of 3%.

As a result of Pension Scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

A recent review of changes made to the scheme's benefit structure has been undertaken by the Trustees in line with their duty to administer the scheme in accordance with the rules. The review involves clarification of the treatment of historic changes made to scheme benefits and from initial findings it has been determined that in some cases it is unclear whether changes made to the scheme benefits have been in accordance with the governing documentation. Direction has been sought from the High Court and the matter is currently under consideration. Any potential requirement to review member benefits is not expected to have a material impact on the liabilities of the scheme based on current calculations and no provision has been made when valuing the scheme liabilities pending the outcome of the process.

Wheatley Housing Group Defined Contribution Scheme

The Group also operates a defined contribution scheme through the Salvus Master Trust. These arrangements are open to most employees who are not members of the Strathclyde Pension Fund, Lothian Pension Fund, SLAPS defined benefit or defined contribution scheme, or any other group scheme. Employer contributions vary pro rata with the level of contributions chosen by the individual employee member, and range from 8% to 12%. Employer contributions are capped at 12%.

DGHP staff have access to a defined benefit contribution scheme administered by Scottish Widows. Employer contributions are set at 10%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

26. Pensions (continued)

Group Defined Benefit assets and obligations

The assumptions that have the most significant effect on the results of the valuation of the Group defined benefit pension arrangements, are those relating to the rate of return on investments and the rates of increases in salaries and pensions. The principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	31 March 2021	31 March 2020
Discount rate	2.05%	2.45%
Future salary increases	1.85%*	2.20%
Inflation	2.80%	1.90%

* Salary increases are assumed to be 1.50% p.a for the first three years and 2.00% thereafter.

In valuing the liabilities of the pension fund at 31 March 2021, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard mortality tables and include an allowance for future changes in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 19.8 years (male) (2020: 20.7 years), 22.6 years (female) (2020: 22.9 years).
- Future retiree upon reaching 65: 21.2 years (male) (2020: 22.2 years), 24.7 years (female) (2020: 24.6 years).

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The information disclosed below is in respect of the whole of the plans for which the Group has been allocated a share of cost under an agreed policy throughout the periods shown.

Movements in present value of defined benefit obligation

	SPF 2021 £ 000	DGCPF 2021 £000	SHAPS 2021 £ 000
Opening defined benefit obligation	436,249	16,333	64,166
Current service cost	14,618	1,082	-
Interest cost	10,761	410	1,551
Loss on curtailment	-	-	-
Actuarial losses	99,410	5,871	11,076
Contributions by members	2,658	118	-
Estimated benefits paid	(10,708)	(346)	(1,690)
Expenses	-	-	61
Closing defined benefit obligation	552,988	23,468	75,164

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

26. Pensions (continued)

Movements in fair value of plan assets

	SPF 2021 £ 000	DGCPF 2021 £000	SHAPS 2021 £ 000
Opening fair value of plan assets	449,834	13,568	61,988
Expected return on plan assets	11,025	335	1,523
Actuarial gains	97,051	5,991	3,304
Contributions by the employer	8,971	477	2,136
Contributions by the members	2,658	118	-
Estimated benefits paid	(10,708)	(346)	(1,690)
Closing fair value of plan assets	<u>558,831</u>	<u>20,143</u>	<u>67,261</u>

	SPF Value at 31 March 2021 £000	DGCPF Value at 31 March 2021 £000	SHAPS Value at 31 March 2021 £ 000
Present value of funded defined benefit obligations	(552,599)	(22,770)	(75,164)
Present value of unfunded defined benefit obligations	(389)	(698)	-
Fair value of plan assets	<u>558,831</u>	<u>20,143</u>	<u>67,261</u>
Net asset/(liability)	<u>5,843</u>	<u>(3,325)</u>	<u>(7,903)</u>

Expense recognised in the Statement of Comprehensive Income

	SPF 2021 £ 000	DGCPF 2021 £000	SHAPS 2021 £ 000
Current service cost	12,873	647	1,264
Past service cost	1,744	435	-
Losses on settlements or curtailments	-	-	-
Net interest on defined benefit obligation	(264)	75	28
Administration costs	-	-	61
	<u>14,353</u>	<u>1,157</u>	<u>1,353</u>

The total amount recognised in the Statement of Comprehensive Income in respect of actuarial gains and losses is a £10.011k loss (2020: £6,393k gain).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

26. Pensions (continued)

The fair value of the plan assets and the return on those assets were as follows:

	2021 £ 000	2020 £ 000
Equities	425,706	287,025
Corporate bonds	140,699	142,859
Property	55,201	59,854
Alternatives	12,780	21,696
Cash	11,849	13,956
	<u>646,235</u>	<u>525,390</u>
Actual return/(loss) on plan assets	119,229	(20,961)

During the year pension contributions of £499k were paid to Strathclyde Pension Fund on behalf of key management personnel who retired in addition to compensation payments of £115k.

27. Related party transactions

The company retains a register of Directors' interests. During the year there were no interests in related parties that require to be disclosed or declared by Directors.

Directors received emoluments for their services to Wheatley Housing Group Limited. Details are included in Note 6.

Tenant and factored homeowners Directors

The following Directors are tenants of Glasgow Housing Association and have tenancies or factoring agreements that are on the Association's normal terms and they cannot use their positions to their advantage:

Bernadette Hewitt

Transactions entered into with members, and rent arrear balances outstanding at 31 March, are as follows:

	2021 £ 000
Rent charged during the year	5
Arrears balances outstanding at 31 March 2021	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

27. Related party transactions (continued)

Other related parties

Related party interests and transactions during the year are as follows:

	Invoiced/paid in the year £ 000	Year end balance £ 000
2021		
City Building (Glasgow) LLP	49,665	(1,171)
Strathclyde Pension Fund	10,575	(223)
Dumfries and Galloway Pension Fund	1,478	-
TPT Retirement Solutions – Scottish Housing Association Pension Fund	2,136	-
Bernadette Hewitt - Transforming Communities Glasgow	-	-
Bernadette Hewitt - Barmulloch Community Development	-	-
Steven Henderson - Scotcash CIC	-	-

All transactions were on commercial terms and at arm's length.

The Wheatley Housing Group Limited has a 50:50 share in City Building (Glasgow) LLP with Glasgow City Council. The joint venture provides repairs and investment services to the Group subsidiaries in the west of Scotland.

During the year GHA held nomination rights to a directorship of Transforming Communities Glasgow ("TCG"). Bernadette Hewitt serves as a GHA nominated director on the board of TCG.

During the year GHA held nomination rights to a directorship of Scotcash CIC. These rights allow GHA to nominate up to two directors to the board of Scotcash with Steven Henderson serving on the board during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

28. Cash Flow Analysis

Reconciliation of surplus to net cash inflow from operating activities

	2021	2020
	£ 000	£ 000
(Deficit)/surplus for the year	(23,210)	243,643
Less: Gain on business combination	-	(240,938)
	(23,210)	2,705
Depreciation of tangible fixed assets	90,267	82,197
Impairment of housing under construction	498	-
Increase in stock	(1,313)	(36)
(Increase)/decrease in debtors	(9,404)	2,139
Increase/(decrease) in creditors and provisions	20,536	(6,485)
Pensions costs less contributions payable	4,178	2,614
Adjustment for investing or financing activities:		
Gain from the sale of tangible fixed assets	(1,822)	(667)
Grants utilised in the year	(30,137)	(52,862)
Interest receivable	(420)	(303)
Interest payable	99,428	71,930
Movement in fair value of financial instruments	2,236	(549)
Loss on investment activities	7,418	11,595
Impairment of goodwill	575	-
Share of joint venture profit	-	(29)
Net cash inflow from operating activities	158,830	112,049

29. Subsidiary and associated undertakings

The ultimate parent company is Wheatley Housing Group Limited. The Company has fourteen immediate subsidiaries – Glasgow Housing Association Limited, Cube Housing Association Limited, West Lothian Housing Partnership Limited, Loretto Housing Association Limited, Wheatley Funding No.1 Limited, Wheatley Funding No.2 Limited, Wheatley Enterprises Limited, Lowther Homes Limited, YourPlace Property Management Limited, Dunedin Canmore Housing Limited, The Wheatley Foundation, Wheatley Solutions Limited, Loretto Care and Dumfries and Galloway Housing Partnership. Wheatley Housing Group Limited retains constitutional control of all subsidiary undertakings.

The objective of Wheatley Funding No.1 Limited is the provision of finance to the Registered Social Landlords in the Group, excluding Dumfries and Galloway Housing Partnership Limited. Wheatley Funding No.1 Limited is the parent of Wheatley Group Capital plc, the vehicle for raising bond financing. Lowther Homes Limited is involved in providing private and mid-market rent properties for let and the provision of property management services to homeowners following the transfer of the business activities of YourPlace Property Management Limited during the year. Wheatley Enterprises Limited is a non-trading holding company of YourPlace Property Management which has also ceased to trade following the transfer of business to Lowther Homes Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

29. Subsidiary and associated undertakings (continued)

Wheatley Housing Group Limited is a 50:50 joint venture partner with Glasgow City Council in City Building (Glasgow) LLP. The Group's share of the results of City Building (Glasgow) LLP are accounted for using the equity method.

The results of Scotcash CIC have not been consolidated as an associate undertaking into these accounts as they are not material to the Group's operations. Scotcash provides accessible and affordable finance to individuals with limited access to banking services. GHA has provided start-up funding to Scotcash and has no outstanding obligations.

The legal form and share capital of each immediate subsidiary of the Wheatley Housing Group Limited is as follows:

Subsidiary	Legal status	Issued share capital
The Glasgow Housing Association Limited	Co-operative and Community Benefit Society	12 x £1 shares
Cube Housing Association Limited	Co-operative and Community Benefit Society	74 x £1 shares
Dunedin Canmore Housing Limited	Co-operative and Community Benefit Society	129 x £1 shares
Wheatley Funding No.1 Limited	Company Limited by Guarantee	No share capital
Wheatley Funding No.2 Limited	Company Limited by Guarantee	No share capital
Wheatley Enterprises Limited	Company Limited by Shares	100 x £1 ordinary shares
Lowther Homes Limited	Company Limited by Shares	100 x £1 ordinary shares
YourPlace Property Management Limited	Company Limited by Shares	1 x £1 ordinary shares
Loretto Housing Association Limited	Co-operative and Community Benefit Society	73 x £1 shares
West Lothian Housing Partnership Limited	Company Limited by Guarantee	No share capital
Wheatley Solutions Limited	Company Limited by Shares	100 x £1 shares
The Wheatley Foundation Limited	Company Limited by Guarantee	No share capital
Dumfries and Galloway Housing Partnership Limited	Company Limited by Guarantee	No share capital
Loretto Care	Company Limited by Guarantee	No share capital

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

29. Subsidiary and associated undertakings (continued)

The Company exercises its functions as parent of the entities listed above through ownership of 100% of the share capital in all Companies Limited by Shares, through the ownership of a parent share with controlling rights in all Co-operative and Community Benefit Societies, and through a controlling interest as a member of the Companies Limited by Guarantee.

Transactions between wholly-owned Group companies and closing balances do not require to be disclosed under FRS 102.

30. Post balance sheet event

Following a successful ballot during 2020/21, agreement was reached with the tenants of Cube Housing Association Limited to transfer the housing properties owned by Cube in Glasgow to The Glasgow Housing Association Limited and all other Cube housing properties, business and other net assets under a transfer of engagements to Loretto Housing Association Limited. Both organisations are fellow Wheatley Group subsidiaries.

The transfer of Cube properties to The Glasgow Housing Association Limited took place on 28 April 2021. The transfer of engagements of the remaining properties and all other business and net assets of Cube to Loretto Housing Association Limited took place on 28 July 2021.

SUPPLEMENTARY INFORMATION

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