WHEATLEY HOUSING GROUP LIMITED
BOARD MEETING

Wednesday 8 November 2023 at 10.30am
8 New Mart Road, Edinburgh

AGENDA

Welcome to new Director – John McCraw

1. Apologies for absence

2 Declarations of interest

3. a) Minutes of meeting held on 27 September 2023 and matters arising
   b) Action list

4. Group CEO update

Main Business

5. 2024 rent setting - consultation and engagement approach

6. [redacted]

7. [redacted]

8. Performance report

Other business

9. Treasury report

10. Finance report

11. Governance update

12. Contract award - Grounds maintenance

13. Contract variation - Mechanical and engineering compliance

14. AOCB

Report

To: **Wheatley Housing Group Board**

By: **Pauline Turnock, Group Director of Finance**

Approved by: **Steven Henderson, Group Chief Executive**

Subject: **2024 rent setting - consultation and engagement approach**

Date of Meeting: **8 November 2023**

---

1. Purpose

1.1 This report:
- Seeks agreement for the range of 2024/25 Registered Social Landlord ("RSL") rent and general service charge increases for initial consultation with tenant focus groups;
- Sets out the proposed timetable for subsidiary RSL board approvals and the full tenant consultation; and
- Provides the Board with a mid-year update on the financial projections and key financial indicators for our RSLs.

2. Authorising and strategic context

2.1 Under the Group Standing Orders, the Group Board is responsible for the Group rent setting framework. Subsidiary Boards approve their rent increases within this framework. The final approval has in previous years been via this Board in February of each year. It is proposed that this year RSL Boards have delegated authority for the final approval where the increase is within the range agreed by this Board.

3. Background

Economic context

3.1 The economic outlook in the UK remains under pressure. Inflation has proved to be more resistant to interest rate increases than expected, with a strong labour market and higher wage settlements helping to maintain higher prices. While the current CPI rate of 6.7% is on a slow downward trend; according to most recent market expectations, inflation is expected to reduce to 5% by the end of this calendar year with a slow unwinding to the long-term Bank of England target of 2% now not likely to be achieved until the first half of 2025.

3.2 We have updated our business plan assumptions including those for inflation, interest rates and future rent increases as discussed at the June strategy workshop and since then we have also reflected the most recent predicted full-year financial out-turn for this financial year, most notably for repairs expenditure which has continued to see an increase in demand with job numbers up 10% in the first half of 2023-24 compared to the same period in 2022-23 and a higher level of inflation on materials compared to the general CPI measure.

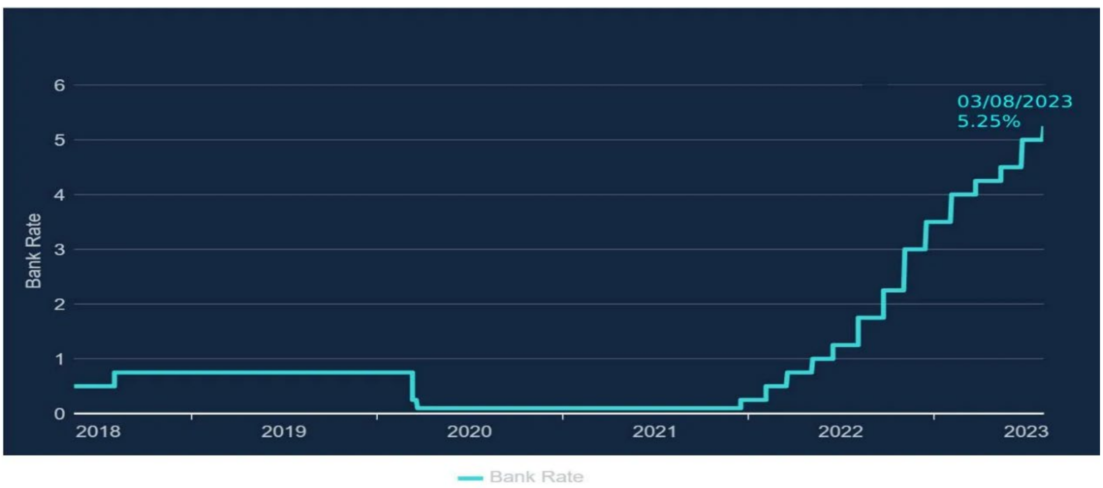
3.3 Our increased focus on addressing issues of dampness and mould in our properties has also been a factor. We have implemented a number of actions to increase the efficiency of the service, but in common with most social landlords in the UK we are seeing a sustained increase in customer demand and expectations for repairs and we have reflected an increased provision in our forward financial projections for this.

UK inflation to September 2023

3.4 Since 2022/23 we have been affected by increases in the cost of fuel, utilities, insurance and building materials. Fuel and utilities costs have stabilised to some extent, however, insurance and building materials are still subject to notable price increases.

3.5 Interest rates have been subject to 14 consecutive increases with rates currently at 5.25% after a pause in the increases at the last Bank of England monetary policy committee meeting in September in light of a slightly lower inflation figure for August than was expected. Markets predict that rates may be subject to one further increase to 5.50%. this is lower than previous predictions over the summer which suggested rates hitting 6.25 to 6.50%, the current view is that while rates will peak at a lower level they will remain there for a longer period only reducing in late 2024/25. A large proportion of our existing funding is at fixed rates (86.1% at 30 September) which limits our interest rate exposure to the remaining 13.9% of variable rate borrowings.

UK Base rate – 2020 – 2023



Programme for Government/Housing Bill

3.6 As advised at the last Board meeting the Scottish Government has extended the remaining provisions within the Cost of Living (Tenant) Protection (Scotland) Act 2022 for a further and final six-month period to 31 March 2024. The extension is on the same basis as currently exists: a 3% cap for private landlords; and the enforcement of evictions continuing to be paused for six months for most tenants other than a small number of specified circumstances. The implications for Lowther Homes are set out in more detail in a separate paper.

3.7 Since the last meeting it has been confirmed that the powers for long-term rent controls which will be introduced with the new Housing Bill will not apply to social landlords. This means that there are no limits on RSL rent increases for 2024/25.

4. Discussion

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

- Affordability;
- Comparability;
- Financial viability; and
- Consultation with tenants and service users.

Affordability

4.2 Our average rents for 2023/24 are shown in Table 1 below, alongside the Scottish average and Scottish RSL averages for the same year. To allow as "like for like" a comparison as possible these rates are based on the latest available information via the 2022/23 Annual Return on the [Scottish Social Housing] Charter ("the ARC") to the Scottish Housing Regulator ("SHR") with the 2023/24 rent increase (sourced from the SHR) applied.

Table 1*: Group RSL Average Weekly Rents – March 2023 ARC Return + 23/24 rent increase*

RSL	Average Weekly Rent					Total Units	Overall Average Weekly Rent
	1 Apt	2 Apt	3 Apt	4 Apt	5 Apt		
WH East	£118.61	£102.29	£109.01	£116.86	£127.32	6331	£106.48
Loretto HA	£121.23	£101.27	£99.86	£109.11	£126.12	2627	£103.13
WH Glasgow	£77.42	£88.97	£94.84	£110.03	£120.51	42718	£96.20
WH South	£94.10	£81.69	£89.49	£96.15	£104.86	10238	£89.66
GROUP	£79.23	£91.09	£95.30	£107.42	£118.37	61914	£96.46
Scottish Average	£82.25	£87.72	£90.68	£98.75	£109.01		£92.06
Scottish RSL Average	£88.50	£95.78	£97.62	£107.70	£119.19		£99.60

4.3 The UK minimum wage **increased by 9.7%-10.9%** in April 2023. In April 2023 the uprating of most benefits, including Universal Credit, was **an increase of 10.1%** which was also the increase for the state pension.

4.4 Our rent increases from April 2023 of **1%** for ex Cube stock, **2.5%** in the East, **3.9%** in the West and **4.4%** in the South were significantly below the 10.1% rate of prevailing inflation and below the uplift of the minimum wage, Universal Credit and UK pensions.

4.5 The UK Government announced in October that it will accept the Low Pay Commission recommendations, expected this month, for the increase from April 2024 (https://www.gov.uk/government/news/chancellor-announces-major-increase-to-national-living-wage). Based on the Low Pay Commission's latest forecasts, this would see the National Living Wage increase to over £11 per hour from April 2024 (from the current £10.42 for over 23s).

4.6 Under the triple lock, the UK pension is meant to increase by whichever is highest from the percentage increase in average earnings from May to July the previous year, inflation in September the previous year or 2.5 percent. For the April 2024 pensions increase the highest level under the triple lock is 8.5% based on average earnings, with the relevant inflation indicator of 6.7%. Whilst the 8.5% is not guaranteed and there remains a possibility it is lower, it is not currently expected to be lower than the upper level of our rent increase proposal.

4.7 The Scottish Government increased the Scottish Child Payment from £20 to £25 per week, per eligible child, in November 2022 and this remains in place. As part of this, the criteria for the payment expanded for all eligible children (looked after by a guardian in receipt of a qualifying benefit) under 16, as opposed to the current age of under 6s.

4.8 The expansion of the Scottish Child Payment had a significant impact for those families eligible to receive £1,300 annually for each child over the age of 6. Our analysis at the time of the numbers of children and households across the Group suggested that over 5,300 households may have benefitted from the increase.

4.9 We have used the joint Scottish Federation of Housing Associations ("SFHA") / Housemark Rent Affordability Tool to assess how affordable our rents are. This tool allows us to calculate the Rent as a percentage of income for different customer groups most associated with different property sizes – summarised in Table 2 below.

Table 2: *Customer Group and Property size combinations*

Customer Group	1 Apt	2 Apt	3 Apt	4 Apt
Single Person	√	√		
Couple 1PT 1FT		√		
Couple 2FT		√		
Single parent (2 Children)			√	√
Small family (2 Children)			√	√

4.10 An in-depth affordability analysis of our social rents is set out in Appendix 1, using the SFHA/Housemark Tool. While the results are subject to the inherent limitations of the assumptions used in this Tool and are necessarily generalised based on an assumption that no individual earns more or less than the UK government minimum wage, it provides a useful and prudent assessment of our position in each RSL and each part of the country. To correspond with the Tool's use of the minimum (living) wage from 1 April 2023 of £10.43, the analysis uses average rents from Table 1.

4.11 At a Group-level, **all relevant customer groups and property size combinations are below a 30% rent to income ratio** relative to the national minimum (living) wage. Shelter (2015) cited in the recent Scottish Government literature review of rent affordability has quoted a figure of 35% of net household income[1] as an affordability threshold. A UK Affordable Housing Commission report from 2019 noted that if rent is higher than 40% of net income[2], then serious affordability issues may arise.

Table 3: *Group Average Rents as a percentage of income*

Customer Group	1 Apt	2 Apt	3 Apt	4 Apt
Single Person	25%	28.7%		
Couple 1PT 1FT		19.1%		
Couple 2FT		14.4%		
Single parent (2 Children)			18.8%	21.2%
Small family (2 Children)			14.3%	16.1%

4.12 In every category the rent as a percentage of income has fallen from last year, confirming the impact of the lower rent increases last year.

4.13 A breakdown by each RSL is set out in more detail at Appendix 1. This shows that consistent with previous years, 1 apartment bedsits (including supported communal living / hostel accommodation) and one bedroom properties occupied by single people in Loretto and WH-East appear to have higher rent to income ratios above 30%. For many supported tenancies, this is because service charges are in place to fund the housing support costs. These are paid for in almost all cases by housing benefit.

Comparability

Glasgow

4.14 Table 4 below shows the most recent available comparison of RSL rents in Glasgow City from the Scottish Housing Regulator's Annual Return on the Charter ("ARC") published data with the 2023/24 increase applied.

[1] https://www.gov.scot/publications/rent-affordability-affordable-housing-sector-literature-review/pages/4/

[2] https://static1.squarespace.com/static/5b9675fc1137a618f278542d/t/5cf55923f41ae70001170311/1559583017920/Defining+and+measuring+housing+affordability.pdf

Table 4: *Glasgow RSL average rents + service charges at March 2023 with 23/24 increase applied (Source ARC 2022/23)*

Glasgow >1000	Average weekly rent by House Size				
Social Landlord	**1 Apt**	**2 Apt**	**3 Apt**	**4 Apt**	**5+ Apt**
Milnbank HA	£61.53	£69.97	£77.95	£89.14	£90.94
Tollcross HA	-	£73.56	£82.59	£100.00	£111.79
Rosehill Housing Co-op	£64.42	£76.52	£86.74	£86.03	£91.53
Govan HA	£76.84	£81.39	£89.41	£100.52	£119.76
Linthouse HA	£73.28	£80.02	£90.00	£93.02	£113.60
Elderpark HA	£75.48	£81.07	£91.43	£107.83	£126.11
Parkhead HA	£59.55	£74.32	£91.82	£101.45	£124.32
Shettleston HA		£83.40	£92.53	£103.74	£129.59
WH Glasgow	£77.42	£88.54	£94.84	£110.03	£120.51
Thenue HA	£73.92	£88.15	£95.04	£108.61	£115.55
Partick HA	£63.95	£85.31	£96.13	£116.19	£128.79
Queens Cross HA	£81.73	£91.97	£96.37	£106.89	£121.41
Glen Oaks HA	-	£92.46	£97.99	£106.51	£131.42
Maryhill HA	£80.27	£92.89	£98.04	£101.93	£112.24
West of Scotland HA	£100.83	£94.25	£99.27	£106.16	£112.20
New Gorbals HA	£65.41	£89.12	£99.56	£110.93	£126.59
Whiteinch and Scotstoun	£85.19	£92.86	£100.12	£111.02	£123.93
North Glasgow HA	£82.96	£92.99	£100.73	£110.28	£122.32
Govanhill HA	£81.80	£94.84	£102.57	£119.64	£142.63
Sanctuary Scotland HA	£71.60	£89.09	£103.15	£113.29	£121.53
Southside HA Ltd	£77.41	£91.33	£108.09	£118.97	£127.93

** ordered by 3 Apt average as the highest WH-G stock number at c50%*

4.15 For 2,3 and 4 apt properties, the vast majority of WH-Glasgow stock, the low rent increases over the last two years have led to WH-Glasgow average rents becoming lower than a number of RSLs they were previously higher than in previous years. This is within the context of a wider service offering and the prevalence of multi-story flats ("MSFs") with the associated expense for 24/7 on-site presence (around ¼ of stock).

4.16 Loretto's figures are skewed by the levels of service charges for specialist supported accommodation and have therefore been excluded from the table above. When compared with other specialist RSL providers that focus on older people/supported housing such as Bield and Trust, Loretto compares favourably as shown in the table below.

Table 5: *Specialist provider average rents + service charges with 22/23 increase applied (Source ARC 2022/23)*

Loretto - Supported	Average weekly rent by House Size				
Social Landlord	**1 Apt**	**2 Apt**	**3 Apt**	**4 Apt**	**5+ Apt**
Ark HA	£99.47	£110.17	£115.22	£114.70	£120.52
Bield Housing & Care	£146.44	£160.83	£157.74	£152.66	-
Hanover (Scotland) HA	£117.43	£132.65	£139.63	£125.05	£130.77
Loretto HA	£121.23	£101.27	£99.86	£109.11	£126.12
Viewpoint HA	£109.44	£128.14	£129.29	£152.80	-

4.17 As with WH-Glasgow, Loretto's increase for 2022/23 was lower than comparators.

Edinburgh, the Lothians and Fife

4.18 WH-East's rents reflect the higher rent profile of the Edinburgh market and are around the median for social landlords in the city. The reduced 2.5% increase applied for 2022/23 was the lowest amongst the comparator group which has improved comparability.

Table 6: *WH-East RSL average rents + service charges at March 2023 with 23/24 increase applied (Source ARC 2022/23)*

Edinburgh, the Lothians and Fife	Average weekly rent by House Size				
Social Landlord	**1 Apt**	**2 Apt**	**3 Apt**	**4 Apt**	**5+ Apt**
Prospect Community Housing	-	£86.93	£94.87	£109.19	£125.34
Link Group Ltd	£76.12	£89.70	£100.90	£106.15	£119.83
City of Edinburgh Council	£81.97	£91.42	£105.97	£122.02	£130.65
Harbour Homes	£80.66	£92.22	£106.74	£122.42	£137.89
Castle Rock Edinvar HA	£80.64	£90.39	£107.93	£121.62	£136.96
WH East (all stock)	£118.61	£100.91	£109.01	£116.86	£127.32
Manor Estates HA	-	£113.23	£109.70	£114.62	£134.98
Viewpoint HA	£109.76	£128.14	£129.29	£152.80	-

4.19 In West Lothian we recognised that our rents were comparatively higher and this was a major factor in the creation of WH-East. As was our intention, our rent commitment made as part of the tenant ballot, and delivered through our 2.5% increase for 2023/24 rents, has improved comparability.

West Lothian	Average weekly rent by House Size				
Social Landlord	**1 Apt**	**2 Apt**	**3 Apt**	**4 Apt**	**5+ Apt**
Almond HA	£61.70	£81.93	£91.80	£104.16	£119.88
Castle Rock Edinvar HA (all stock)	£80.64	£90.39	£107.93	£121.62	£136.96
West Lothian Council	£71.68	£78.49	£83.58	£88.61	£95.44
WH East (West Lothian only)	-	£96.92	£97.06	£102.38	£106.06

Dumfries & Galloway

4.20 WH-South rents are compared with the other local operators below. They remain significantly below the averages for other RSLs operating in the region for all stock sizes, particularly for 3 Apartment (2 bedroom) homes and larger which represent over 70% of WH-South stock. The comparator figures are based on the whole stock base for those landlords, as RSL rents analysed by Local Authority are not made public.

Table 7: Dumfries and Galloway *RSL average rents + service charges at March 2023 with 23/24 increase applied (Source ARC 2022/23)*

Dumfries & Galloway				
Social Landlord	**2 Apt**	**3 Apt**	**4 Apt**	**5+ Apt**
WH South	£82.13	£89.49	£96.15	£104.86
Cunninghame HA	£83.06	£107.08	£116.67	£124.40
Homes in Scotland	£92.06	£110.24	£117.00	£124.93
Loreburn HA	£98.43	£104.66	£110.92	£125.49
Irvine HA	£86.84	£95.18	£103.60	£112.26

4.21 The WH-South increase last year was the lowest in the region and this further enhanced its position as the lowest in the region across the average rent for all property sizes.

Financial Viability - RSLs

4.22 Over recent years, the financial capacity within our RSL business plans has been subject to external pressures created by:

- Higher inflation peaking at 11.1% and currently at 6.7% compared to our core assumption of 2.5%;
- Higher variable borrowing costs currently at 5.25% compared to our previous long-term assumption of 5.00%;
- Repairs spend which has seen large increases in demand from tenants and has also been subject to inflationary increases in the price of materials (repairs and maintenance material price index was up 16.1% in 2021 with a further increase of 16.0% in 2022) driven by post pandemic shortages and the effects of Brexit; and
- Increasing legislative compliance and future retrofit requirements.

All of these factors have reduced headroom that previously existed in our financial projections.

4.23 Cost efficiencies and rent increases are key areas in improving the financial capacity within the business. We have been able to keep rent increases low by driving overhead efficiencies from our Group structure, most recently delivering c£1.0m of annual running cost savings in setting the 2023/24 budgets and we are on track to deliver a reduction of £5.0m in staff costs for the forthcoming financial year as the final phase of the new operating model is put in place during 2023/24. These actions combined with efficiencies achieved over the previous five years have provided a real reduction in staff and running costs of £15m (12%) since 2018.

4.24 Our business plan requires us to maintain a balance across keeping our rents affordable, maintaining the standard of our homes and ensuring the organisation remains financially viable. In considering last year's rent increase as well as the staff and running cost efficiencies, we also looked to our capital programme and agreed to defer £6.4m of core investment projects for 2023/24 and a further £5.4m for 2024/25 into the period beyond 2025/26. This allowed us to limit our April 2023 rent increase for most tenants at 3.9% (WH-South 4.4%, WH-East 2.5%) in recognition of the cost of living pressures faced by our customers.

4.25 A large proportion of our capital programme, over 30% of spending every year, relates to building safety and compliance and therefore must be delivered to meet our duties as a landlord. Compliance work includes electrical and fire safety works, TMV installations, heat and smoke heat detector replacements, boiler breakdown replacements and lift replacements. After the deferrals that were agreed upon last year, this left a limited core programme across our RSLs before voids, capitalised repairs, capitalised staff and adaptations for both 2023/24 and 2024/25.

4.26 We have updated our financial projections for to consider the effect current economic conditions have on our financial position setting the context for rent discussions. Inflation has come down since the peak in October 2022 but has not reduced as quickly as markets expected and we now expect it to remain above the Bank of England's long term 2% target until the first half of 2025. Linked to stubborn inflation, interest rates have been increased to their current level of 5.25% to tackle inflation, a rate which was beyond the previously forecast peak. These factors combined with an additional 10% increase in demand for repairs have put added demands on the financial capacity that we had in the approved projections.

4.27 In response to this we have increased the level of cost efficiencies assumed within the projections by £1.5m in 2025/26 and also built in additional confirmed funding contributions for adaptations to our homes.

4.28 As outlined in 4.25 as we have already deferred a number of capital investment projects we need to consider a rent increase that is close to the level of inflation to maintain the balance between affordability and our ability to preserve the financial resources within our social housing operations to maintain the quality of our homes and continue to meet SHQS.

4.29 A rent increase of 6.9% would allow the year 1 capital programme to be maintained at the level agreed in the 2023/24 financial projections but would require some further deferrals from year 2 to year 5. A rent increase above 6.9% would help build back in financial capacity for investment more quickly over the five year period. The effects of high inflation and higher interest rates persisting for a longer period would see a lower level of headroom from year 2 onwards against the interest cover Golden Rule compared to the 2023/24 approved projections. As part of our April 2024 rent proposals we will continue to assist our tenants who struggle to pay their rent and have assumed a provision of £1m to assist through a 2024/25 Helping Hand Fund.

4.30 The proposed rent increase for ex West Lothian Housing Partnership tenants will remain at 2.5% keeping the tenant promise made on joining WH-East. This will be the second year of the two-year commitment to those tenants.

4.31 We are continuing to work through discussions with funders on covenant flexibilities. As discussed at the September Board meeting, should we secure the requested changes, this will release financial capacity which was not previously available for specific investment capital projects around retrofit and improvements in the energy efficiency of our homes. These discussions have not yet concluded and have therefore not been assumed in the update to our financial projections for the purposes of rent setting.

Consultation and approval – timing and approach

4.32 The consultation with tenants has in previous years set out the proposed increase with options for two 0.5% increments launched to initial focus groups followed by writing to all tenants. This year, given the uncertainty regarding the final options it is intended that we engage the focus groups on the proposed range of 6.9%-7.9% but with a greater focus on the rent consultation booklet.

4.33 It is proposed that the focus groups would be an independently facilitated discussion on:

- The range of 6.9% - 7.9% and why that is necessary e.g. legal requirements, compliance investment, repairs demand and economic climate;
- The proposed approach to additional options – community investment with the additional money, how that could happen in practical terms eg local panels, area based voting; and
- The draft rent brochure and how well it explains the above.

4.34 The key outcomes we will be seeking from the focus groups would be:

- qualitative feedback on the proposed rent increase range;
- clear messaging in the final brochure on why the base level is what it is; and
- clear, specific proposals in the final brochure on how additional options would be deployed in practice.

4.35 It is intended that we will seek to engage 125-150 tenants in the focus groups, drawn from across the RSLs on a broadly proportionate basis. The focus groups will be a mix of in person, online and daytime and evening to allow more opportunities to participate. The attendees will be drawn from our Customer Voices, with priority given to those who have not previously attended one.

4.36 A draft rent consultation booklet is attached at Appendix 2. The key change for this year has been to further reduce the amount of text, whilst retaining the key messages. This is based on tenant feedback which has consistently indicated that verbose communications diminish their appetite to engage.

4.37 In terms of the formal consultation and when and how we agree where within the 6.9%-7.9% range we consult the proposed approach is as follows:

Key action	Timescale
Group Board approves rent increase range	8/11
RSL Boards approve the rent increase range and delegate authority to the Chair to agree final level (between 6.9%-7.9%)	15-20/11
Independently facilitated rent Focus Groups	w/c 20 & 27/11
Group Board approve final consultation levels – taking into account focus group feedback and available comparability data	20/12
Chairs confirm to RSL Boards consultation increase options	20/12
Consultation with tenants (subject to mail drops but a minimum of 2 weeks)	8-29/1 24

4.38 As with previous years we will engage with Civica electoral services to independently administer the consultation process and verify the results. Following the high uptake levels last year we will again offer the option to respond online or via text message as well as by post.

4.39 In order to allow us to ensure that the final notification to tenants on the rent increase arrives in time it is proposed that RSL Boards are delegated authority to approve the increase at their February meetings where it is within the agreed range i.e. the Group Board agreed range in December.

4.40 This will mitigate the risk that the letters are delayed awaiting Group Board approval and do not arrive in time to give sufficient, including a legal minimum of four weeks, notice to tenants. This will also allow us longer to engage with tenants once they receive the notification, particularly those who are required to update their Universal Credit portal with the 2024/25 rent levels.

5. Customer Engagement

5.1 The rent focus groups will seek customer feedback on the main mechanism for customer engagement, the rent consultation booklet. Thereafter every tenant will be formally consulted as part of the rent setting process.

6. Environmental and sustainability implications

6.1 No implications noted.

7. Digital transformation alignment

7.1 Tenants will once again be able to participate in the consultation through a wide range of means, both in person and digital. Responses will also be able to be emailed to the independent provider Civica. We will use a wide variety of digital and social media approaches to publicise the consultation.

8. Financial and value for money implications

8.1 We consider a rent increase range of between 6.9% and 7.9%, provides an appropriate balance between affordability for our tenants and the preservation of appropriate levels of investment in our homes. This is within the context of our financial projections which already included the identification of substantial cost efficiencies and the deferral of capital investment which allowed us to keep the April 2023 rent increase as one of the lowest in Scotland.

9. Legal, regulatory and charitable implications

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

10. Risk Appetite and assessment

10.1 The Group's risk appetite in relation to business planning assumptions such as rent increases is open. This is defined as "*willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward".*

10.2 In relation to the statutory requirement in consulting and engaging tenants on any rent increase, our risk appetite is averse, that is “avoidance of risk and uncertainty is a key organisational objective”.

10.3 The proposed approach to consultation includes writing to all tenants and this mitigates the risk that we do not meet our statutory obligation in relation to consultation.

11. Equalities implications

11.1 No implications noted.

12. Key issues and conclusions

12.1 As we set out rents for 2024/25, we must be cognisant of the economic climate, our future obligations in relation to building compliance and continuing to meet the increased tenant demand for reactive repairs.

12.2 Taking this into account it is proposed that we agree on a range for the rent increase with the ability to finalise where within this range we will consult in December. This will allow us to consult based on the most up to date information on the economic climate and also expected future repairs demand based on a further two months of demand and spend analysis.

12.3 Our analysis shows that our average rents are currently well within the range of affordability and the expectation is that the National Minimum Living Wage and pensions will be increased at a level greater than our rent increase range.

13. Recommendations

13.1 The Board is asked to:

1) Agree that we undertake an initial consultation with rent focus groups on a 6.9% increase with two additional options in +0.5% increments for the 2024/25 rent and service charge increase;
2) Note that the proposal above will presented to RSL subsidiary Boards at their next meeting for approval;
3) Note that the final approval of the rent increase for consultation with all tenants will be presented for approval at the December 2023 meeting; and
4) Agree that subsidiary RSL Boards be delegated authority to agree the 2024/25 rent and service charge increase where it is within the agreed range.

LIST OF APPENDICES:

Appendix 1: Affordability analysis using SFHA rent affordability tool
Appendix 2: [redacted]

Wheatley Group

Appendix 1 - Affordability Analysis, October 2023

The analysis uses ARC Average rent 2022/23 uplifted by our rent increases in 2023/24. To correspond with use of the minimum (living) wage from 1 April 2023 of £10.42, the
These figures are shown below.

RSL	Rent Increase 2023/24	Notes
WH East	2.50%	
Loretto	3.90%	Cube transfer properties - 1%
WH Glasgow	3.90%	Cube transfer properties - 1%, Wyndford - no increase
WH South	4.40%	
GROUP	3.84%	Weighted increase by RSL stock units

RSL	1 Apt		2 Apt		3 Apt		4 Apt		5 Apt	
	Uplifted by 2023/24 increase	Units	Uplifted by 2023/24 increase	Units	Uplifted by 2023/24 increase	Units	Uplifted by 2023/24 increase	Units	Uplifted by 2023/24 increase	Units
WH East	£118.61	40	£102.29	3121	£109.01	2248	£116.86	795	£127.32	127
Loretto	£121.23	91	£101.27	988	£99.86	1067	£109.11	435	£126.12	46
WH Glasgow	£77.42	2996	£88.97	8544	£94.84	21708	£110.03	8194	£120.51	1276
WH South	£94.10	2	£81.69	2860	£89.49	4429	£96.15	2634	£104.86	313
GROUP **(Weighted average based on RSL units)**	£79.23	3,129	£91.09	15,513	£95.30	29,452	£107.42	12,058	£118.37	1,762

The output, rent as a percentage of income, is shown in the following tables.

WH East:

Customer Group	Size				
	1 Apt	2 Apt	3 Apt	4 Apt	5+ Apt
Single Person	37.4%	32.2%			
Couple 1PT 1FT		21.5%			
Couple 2FT		16.1%			
Single parent (2 Children)			21.5%	23.0%	
Small family (2 Children)			16.4%	17.5%	

Loretto:

Customer Group	Size				
	1 Apt	2 Apt	3 Apt	4 Apt	5+ Apt
Single Person	38.2%	31.9%			
Couple 1PT 1FT		21.3%			
Couple 2FT		16%			
Single parent (2 Children)			19.7%	21.5%	
Small family (2 Children)			15%	16.4%	

WH Glasgow:

Customer Group	Size				
	1 Apt	2 Apt	3 Apt	4 Apt	5+ Apt
Single Person	24.4%	28%			
Couple 1PT 1FT		18.7%			
Couple 2FT		14%			
Single parent (2 Children)			18.7%	21.7%	
Small family (2 Children)			14.2%	16.5%	

WH South:

Customer Group	Size				
	1 Apt*	2 Apt	3 Apt	4 Apt	5+ Apt
Single Person		25.7%			
Couple 1PT 1FT		17.2%			
Couple 2FT		12.9%			
Single parent (2 Children)			17.6%	18.9%	
Small family (2 Children)			13.4%	14.4%	

*Only 2 1 Apt so not shown.

Group:

Customer Group	Size				
	1 Apt	2 Apt	3 Apt	4 Apt	5+ Apt
Single Person	25%	28.7%			
Couple 1PT 1FT		19.1%			
Couple 2FT		14.4%			
Single parent (2 Children)			18.8%	21.2%	
Small family (2 Children)			14.3%	16.1%	

Report

To:	**Wheatley Housing Group Board**
By:	**Anthony Allison, Group Director of Governance and Business Solutions**
Approved by:	**Steven Henderson, Group Chief Executive**
Subject:	**Performance Report**
Date of Meeting:	**8 November 2023**

1. Purpose

1.1 This report presents an update on performance delivery against targets and strategic projects for 2023/24 as of the end of quarter two. It also provides sector comparisons for Annual Return on the Charter indicators following the publication of 2022/23 sector wide data by the Scottish Housing Regulator.

2. Authorising and strategic context

2.1 The Board agreed an updated programme of strategic projects and performance measures and targets for 2023/24 at its meeting in April 2023. Under the Group Standing Orders the Board also has an ongoing role in monitoring the performance of subsidiaries across the Group against the agreed measures. It is also responsible for overseeing the delivery of Board level strategic projects.

3. Background

3.1 This report outlines our performance against our strategic and other targets and strategic projects for 2023/24. Unless specified otherwise, results for all measures are based on year-to-date figures.

3.2 This includes progress with those measures that will be reportable to the Scottish Housing Regulator (”SHR”) as part of the Annual Return on the Charter (“Charter”) 2023/24.

3.3 This report also now includes the new Customer First Centre (“CFC”) measure based on customer satisfaction with calls, the CFC Customer Satisfaction (“CSAT”) score. We ask customers to score the CFC on a 1-5 scale immediately after their contact.

4. Discussion

Charter 2022/23 Sector Comparison

4.1 The SHR published sector wide ARC data for 2022/23 on 31 August 2023. A main finding from the accompanying National Report on the Charter for 2022/23[1] is that 'Social landlords continue to perform well against the standards and outcomes of the Scottish Social Housing Charter, despite the impact of ongoing challenges facing them and their tenants'.

4.2 Appendix 1 provides a matrix of our Group RSLs 2022/23 Charter performance indicator results compared to the Scottish average. We have excluded tenant satisfaction indicators that were last updated 2019/20 and indicators considered as contextual by the SHR.

4.3 Overall, Appendix 1 provides a positive picture of 2022/23 performance for our Group RSLs, with 85% of indicators (68 of 80) better than the Scottish average (highlighted green). Some headlines include:

- SHR reported that gross rent arrears across the sector have risen to the highest level since the introduction of the Charter in 2013/14, with the Scottish average 6.9% in 2022/23 up from 6.3% in 2021/22. All our Group RSLs were, and remain at Q2, better than the 2022/23 Scottish average.
- The Scottish average for letting times increased from 51.6 days in 2021/22 to 55.6 days in 2022/23. Our Group RSLs at 18.63 days in 2022/23 outperformed this and our letting times have further improved to 14.87 days for the current year-to-date.
- Each of our Group RSLs outperformed the Scottish average of 4.2 hours to complete emergency repairs and 87.8% for repairs completed right first time in 2022/23. Our Group RSLs remain better than the Scottish average for the current year-to-date, at 2.5 hours and 91.12%. There is however room for improvement for our time to complete non-emergency repairs.
- All Group RSLs performed better than the Scottish average for the time to respond to Stage 1 and Stage 2 complaints - 5.8 days and 19.3 days respectively - in 2022/23 and continue to do so current year to date.
- The Scottish average for properties meeting SHQS is 79%, with all Group RSLs better than this at 2022/23 and an improving position into 2023/24.

4.4 The position by RSL across the 20 Charter performance indicators considered is summarised as follows:

Table 1

	No. ARC indicators above Scottish average (Green)	% above Scottish average
WHE	17	85%
WHG	16	80%
WHS	17	85%
Loretto	18	90%
Group	**68**	**85%**

4.5 These Scottish Average 2022/23 comparisons are referenced through this paper for the relevant Charter indicators, alongside an update to quarter 2.

[1] https://www.housingregulator.gov.scot/about-us/news/social-landlords-are-performing-well-despite-the-impact-of-challenges-they-face-regulator-reports

4.6 The following sections present a summary of key measures and strategic projects. Strategic measures can be found in Appendix 2 and other KPIs, including compliance measures, in Appendix 3. Strategic projects are found in Appendix 4.

Delivering Exceptional Customer Experience

Customer First Centre

4.7 The CFC is now firmly established as a core part of our operating model, with the key measure for the CFC recognised as the newly introduced CSAT score. In addition to the voice channel, the CFC now have a dedicated Digital Team to increase our capacity to handle digital interactions including Webchat, encourage sign-up and improve customer experience, determining whether more efficient and effective use of digital channels reduces telephony demand.

4.8 Since the team was introduced, we have significantly improved the response time to customer emails, online messages and the availability of Webchat. All emails are responded to within 48 hours and first contact resolution for Webchat is at 100%. For all emails received, an advisor in the CFC digital team reviews each of these within 48 hours of receipt with the aim of resolving at this point. Where they are unable to fully resolve the enquiry, they email the customer setting out the steps they are taking and what will happen next. All webchats that have been handled have been resolved at first contact by the advisor on the chat with no need to raise any case for other teams to respond to.

4.9 Year-to-date results as at the end of Quarter 2 including CSAT, Webchat and other performance measures still monitored for the CFC are below:

Table 2

Measure	2023/24		
	Value	Target	Status
Group - CSAT score (customer satisfaction)	4.24	4.5	
Group - % calls answered <30 seconds (Grade of Service)	66.43%	Contextual	
Group - Average waiting time (seconds)	66.38	Contextual	
Group - Call abandonment rate	5.86%	5%	
Group - % first contact resolution at CFC (Customer Service Advisors)	85.49%	90%	
Group - % of CFC customer interactions that are passed to Housing and Lowther staff for resolution	7.57%	<10%	
Group - Email % responded to within 48 hours	100%	100%	
Group - Webchat % first contact resolution	100%	Contextual	

4.10 Our overall CFC CSAT score was 4.24 at the end of quarter 2, consistent with the score of 4.3 at the end of quarter 1. For the largest RSLs, Wheatley Homes Glasgow and Wheatley Homes South, the scores are 4.3 and 4.4 respectively.

4.11 Actions during quarter 2 have continued to focus on learning from and responding to feedback provided by Lowther owners (for which CSAT is lowest at 3.8), including ensuring quick resolution to complaints. This has led to colleagues in Lowther and the CFC spending dedicated time together to jointly work through feedback and complaints and agree actions for improvement across both teams.

4.12 While CSAT is higher in our Group RSLs and for Lowther Letting tenants, we ensure that any feedback received is still communicated appropriately to CFC staff and any other relevant service areas across Group.

4.13 At the end of the quarter 2, while there has been a slight decrease in Voice performance for call abandonment, average wait time and Grade of Service from quarter 1, over 70% of our customers still wait less than 60 seconds to have their call answered.

4.14 Housemark results in their recent pulse report show that on average RSL contact centres are taking 240 seconds to answer calls. The CFC average wait time year to date is at 66.38 seconds. It is important to note that while we can experience an increase in our average wait time during significant weather events such as the recent storms, our peak average wait time during Storm Agnes was 88 seconds and during Storm Babet was 139 seconds. These are both still significantly lower than the benchmark but do impact the overall average.

4.15 We resolved 85.49% of calls handled at first contact for the year to date, with performance at over 90% for September. The My Repairs Team continues to be a valuable asset for the CFC in dealing with more complex repairs calls and, while this means CSAs do not resolve these at first contact, customers experience an improved end-to-end service. In addition, the CFC continue to support Housing and Lowther staff with only 7.57% of customer interactions passed to them for resolution.

4.16 CFC performance is monitored and reviewed daily by the resource planning and operations leads. Key areas of focus remain ensuring our call handling times balance resolution and efficiency and increasing the amount of ‘call handling’ hours available.

Complaints Handling

4.17 The biannual update to the Board drawing together our customer insight activity, including complaints analysis and associated learning and improvements, is scheduled for the December meeting. In advance of this a high level summary of our year to date Charter and SPSO performance is set out below.

4.18 Performance on the Charter measure average time for a full response to complaints, at Stage 1 and Stage 2, is achieving our 5 day and 20 day respective targets for all RSLs. We also continue to better the Scottish averages of 5.8 days for Stage 1 and 19.3 days for Stage 2.

Table 3

Charter - average time for a full response to complaints (working days)				
Subsidiary	2022/23		2023/24 – YTD	
	Stage 1 (5 day)	**Stage 2** (20 day)	**Stage 1** (5 day)	**Stage 2** (20 day)
WHS	3.84	17.96	3.65	13.75
WHE	3.89	18.27	3.77	17.71
WHG	4.23	18.24	4.28	16.03
Loretto	3.51	17.72	3.46	16.35
[redacted]				

4.19 We continue to focus on improving stage 1 performance against the Scottish Public Services Ombudsman ("SPSO") measure % of complaints that were fully closed within the timescale of 5 days, with subsidiaries ranging from 84.19% to 95.81% year to date.

4.20 Complaints that went direct to stage 2 were fully closed within the 20-day timescale for all subsidiaries other than WHG and WHE, at 88.5% and 60%. For complaints escalated to stage 2, subsidiaries range from 94.44% to 100%.

Table 4

SPSO Indicator 2 - number and % of complaints at each stage that were fully closed within timescales – YTD 2023/24			
Subsidiary	Stage 1 - responded to within 5 working days	Stage 2 - responded to within 20 working days	Escalated complaints - responded to within 20 working days
WHS	93.45%	100.00%	100.00%
WHG	87.86%	88.50%	97.46%
Loretto	95.81%	100.00%	94.44%
WHE	94.21%	60.00%	100.00%
[redacted]			

4.21 A range of work has been done to ensure that timescale performance is improved. This includes earlier reminder triggers and quicker resolution timescales for stage 2 complaints within the organisation. As a result, the year to date performance has been significantly improved by Quarter 2 results. In Quarter 2 all organisations achieved 100% of stage 2 responses within timescale with the exception of WHG. WHG had 2 responses later than timescale in the Quarter.

4.22 All organisations have shown an improvement in stage 1 responses in Quarter 2 with the exception of WHE which remained static at 94%. Improvements ranged from 1.5% in WHS to 7% in Loretto. Performance is better than last year with the exception of Loretto (down 2%) and WHG which is virtually unchanged.

<u>Tenancy Sustainment</u>

4.23 Tenancy Sustainment is a measure of new tenancies commenced in the previous reporting year where the customer remains in their home for more than a year. As well as new customers benefiting from remaining in their tenancy for longer, improvement in this measure reduces lost rent and resources required for re-letting.

4.24 Group RSL tenancy sustainment for the Charter and the revised (excluding deaths and transferring within the Group) measure has further improved from Q1 with the Charter measure now better than the 90% target at 90.54% and the revised measure continuing above the 91% target at 92.30%. The positive sustainment trend for the last 4 months is charted below, with individual RSL results in Table 5.

4.25 All RSLs except Wheatley Homes South ("WHS") are on target and have improved since last quarter. Wheatley Homes Glasgow ("WHG") and the Group remain better than target for the revised measure and improved to better than target for the Charter measure. WHS is below target for the Charter measure by just 18 of 837 lets and the revised measure by 3 of 786 lets. WHS is working closely with key teams in Dumfries and Galloway Council to improve sustainment for customers referred by them.

4.26 Loretto and Wheatley Homes East ("WHE") performance remains strong and exceeds the Scottish average of 91.2% published by the Regulator for the Charter 2022/23.

Chart 1

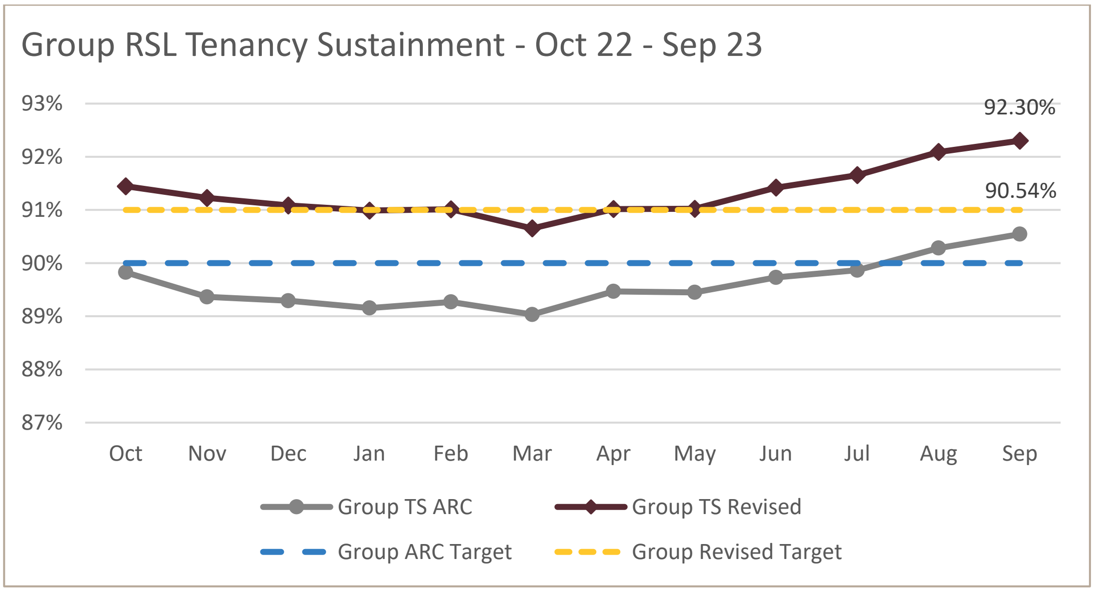


Table 5

Tenancy Sustainment	Charter	2023/24 Target		Revised	2023/24 Target	
WHE	93.06%	90%		94.58%	91%	
WHS	85.90%	88%		88.68%	89%	
WHG	90.96%	90%		92.44%	91%	
Loretto	94.26%	90%		96.00%	91%	
Group	**90.54%**	**90%**		**92.30%**	**91%**	

Making the Most of Our Homes and Assets

<u>New Build Programme</u>

4.27 Our revised target in 2023/24 is to deliver a total of 338 new homes. Of these new homes, 211 are social rent and 127 Mid-Market Rent ("MMR"). The table below shows the completions and targets to the end of quarter 2 where 188 homes have been handed over against a year to date target of 132. The following table shows the positive +56 variance overall, and by tenure and subsidiary.

Table 6

All New Builds		Social					MMR			
		All	WHG	LH	WHE	WHS	All	WHG	WHE	Lowther
Target	**132**	**97**	**0**	**0**	**97**	**0**	**35**	**20**	**15**	**0**
Actual	**188**	**123**	**0**	**19**	**104**	**0**	**65**	**36**	**29**	**0**
Variance	**56**	**26**	**0**	**19**	**7**	**0**	**30**	**16**	**14**	**0**

4.28 Handovers in the quarter comprised of a mixture of social units for Loretto (6) and WHE (51), and of MMR units for WHE (6) and WHG (27). Handovers and delays to the end of quarter 2 are shown in the below table. The table details only those sites with completions due to Q2 2023/24.

Table 7

Sites	Handovers (YTD)	Target (YTD)	Difference and handovers to 31/8
WHG	36	20	16
Sighthill (MMR)	36	20	16
Loretto Housing	19	0	19
Main Street, Maddiston	19	0	19
WHE	133	112	21
The Wisp Phase 3C (Social)	12	35	-23
Roslin Ph1 (Social)	12	12	0
Roslin Ph 2 (Social)	6	0	6
Roslin Ph2 (MMR)	14	0	14
Penicuik (Social)	35	35	0
Wallyford Area 7 (Social)	11	15	-4
Wallyford Area 7 (MMR)	15	15	0
Raw Holdings (Social)	28	0	28
Totals	**188**	**132**	**56**

Wheatley Homes Glasgow

4.29 Progress on site at Shawbridge Street remains positive and the anticipated date for handover of 35 units for mid-market rent is February 2024.

4.30 [redacted].

4.31 The tender has been returned for Shawbridge Arcade in accordance with the pre-construction programme. The anticipated site start date for this project is February 2024.

4.32 [redacted].

Wheatley Homes East

4.33 Missives have been concluded at Doctor's Field, Rosewell with Barratt Homes and golden brick works have commenced on site. Missives for the 12 unit site at St Crispin's in Blackford are also nearing conclusion.

4.34 Progress on site across all contracts at West Craigs remains positive. Discussions are underway to identify handover dates for 2024/25.

Loretto Housing

4.35 Progress on site at Maddiston remains satisfactory and all units are expected to complete in 2023/24 as planned.

4.36 Work is progressing on both Forfar Avenue in Glasgow and Croy in North Lanarkshire with project proposals expected to be submitted to Board in November 2023.

4.37 The Queens Quay development has won two awards: Best Regeneration Project at the Herald Property Awards, and Best Affordable Housing Development Scotland at the Inside Housing Awards.

Wheatley Homes South

4.38 Progress on site at Currie's Yard remains positive and the planned completions for 2023/24 are expected to be achieved. Progress for the remaining sites to be acquired/started in 2023/24 continues, with Leswalt, Lochans and Corsbie Road expected to be presented to Wheatley Developments Scotland Board at the upcoming meeting cycles.

Lowther

4.39 [redacted]

<u>Volume of Emergency Repairs</u>

4.40 The table below shows our position against the strategic result to reduce the volume of emergency repairs by 10% by 2026 compared to the updated baseline year of 2022/23. The target for 2023/24 is a reduction of 3.34%.

4.41 Emergency repair numbers are 1,881 less than the same point in 2022/23, a variance of -4.19%. This is on target and an improvement on +3.1% in 2022/23 as measured against the previous 2021/22 baseline year.

Table 8

Area	Completed Emergency Repairs		
	YTD Sep 2022/23	YTD Sep 2023/24	Variance
WHG	33,049	31,417	-4.94%
Loretto	1,861	1,776	-4.57%
WHE	3,831	3,842	+0.29%
WHS	6,177	6,002	-2.83%
Total	**44,918**	**43,037**	**-4.19%**

4.42 While customer demand continues to have an impact on this measure, work is ongoing with the CFC to ensure emergency repairs are diagnosed appropriately. It is useful to also note that complete emergency repairs YTD 2023/24 are 30.52% of all completed repairs (emergency and non-emergency). This is an improvement on 34.65% at the same point last year.

Repairs Timescales

4.43 Our average time taken for emergency repairs is 2.5 hours at the end of Q2, well within the 3-hour target. This is broadly the same as the last quarter but compares favourably to an average of 3.26 hours in 2022/23 and to the Scottish average of 4.2 hours (for which all RSLs were and remain below).

4.44 The table below also shows the average time taken for non-emergency repairs for Group RSLs is at 8.39 days. This is a slight improvement on 8.41 days at Q1 and on our 2022/23 average of 8.47 days and is favourable to the Scottish average 2022/23 of 8.7 days. Nonetheless, by RSL, WHG and Loretto were over the Scottish average in 2022/23.

4.45 In the context of our repairs policy, we aim to complete non-emergency repair works within 15 working days. These are classed operationally as 'appointed repairs' which we expect to be appointed directly to the relevant trade and completed in one visit.

4.46 There are however some repair works that are more complex in nature or require materials to be ordered and which therefore will require longer to complete. The length of time required to complete these more complex appointed repairs will vary depending on the volume and type of work required but generally, we would expect to complete these types of repairs within 30 working days under our policy. These repairs are classed operationally as 'programmed repairs'.

4.47 Analysis of repairs data over recent years, taking account of the Covid period, shows a growth in the proportion of programmed repairs relative to appointed repairs. This therefore impacts the overall average adversely as a greater proportion of jobs require longer to complete.

4.48 In Wheatley Homes Glasgow the average number of days for an appointed repair was 4.23 days in quarter 2, compared to 18.64 days for programmed repairs. This type of differential is also present across the East and South. The combination of the higher volume of repairs and the proportion that are more complex (i.e. that take longer) does mean that our overall average is unlikely to come within target by the year end at RSL or Group level. We do however still expect to see an improvement by the end of the year.

Table 9

Repair completion timescale (Charter)		Emergency (hours)		Non-emergency (days)	
		Target	Q2 YTD Value	Target	Q2 YTD Value
West	WHG	3.00	2.37	7	8.31
	Loretto	3.00	2.63	7	9.29
East	WHE	3.00	3.30	7	8.56
South	WHS	3.00	2.65	7	8.36
Group		**3.00**	**2.50**	**7**	**8.39**

4.49 We have identified that some of the larger, more complex repairs currently being handled as ‘programmed repairs’, could be better dealt with as part of our capital programme or through repair rather than complete replacement. We have instituted a range of measures, including revised training for staff and splitting of the previous “repair/renewal” ordering codes to make clearer where full component replacement should be undertaken and where these works should form part of a managed capital investment programme project.

4.50 For the period through to the end of October, repair/renewal works in WHG we have seen a spend reduction of 36% for fencing repairs/renewals, 27% for kitchen repairs/renewals/refacing and 85% for floor covering replacements. We will continue to monitor the effectiveness of actions taken and adjust/reinforce these where necessary.

4.51 We have also streamlined the diagnosis process which should reduce the number of programmed repairs defaulting to an inspection. We expect these measures should support reducing the average time for programmed repairs and towards the end of q4 have an impact on our overall non-emergency average.

4.52 An area of strong focus for non-emergency repairs is Loretto, which currently has the highest number of days at 9.29. An action plan is in place comprised closer monitoring of live jobs, minimising no access, bringing forward appointments where suitable to customers, and ensuring necessary materials are in place.

4.53 This has been generating improvement with a decrease from 11.94 days in April and in-month performance for September of 8.08 days. The immediate focus remains on reducing the year-to-date timescale to below 9.

Repairs Right First Time

4.54 Right first time performance to the end of quarter 2 is at 91.12%. WHG and WHE are above the 90% target and Loretto has improved, 90.26% at Q2, from 87.51% at Q1 as a result of improvement actions noted previously however are below the 93% target. The increase in average time to complete overdue non-emergency repairs this quarter in WHS has also impacted the percentage of repairs completed right first time and WHS at 88.05% year-to-date are now below target. We are also better than the Scottish average of 87.8% for repairs right first time.

Table 9

Percentage of repairs right first time (Charter)		2022/23	2023/24 Q2 YTD	Target	
West	WHG	91.47%	91.72%	90%	
	Loretto	92.58%	90.26%	93%	
East	WHE	94.59%	90.67%	90%	
South	WHS	91.09%	88.05%	90%	
Group		**91.86%**	**91.12%**		

Repairs Satisfaction

4.55 To the end of September, group-wide performance is achieving our 90% target and this is shown in the table below. This measure covers a rolling twelve-month period. As at the end of September we have received 5,760 completed surveys in the last 12 months. This is an increase compared to 3,879 at end of 2022/23.

Table 10

RSL		2023/24 Target	Current Value
West	WHG	90%	91.19%
	Loretto	90%	89.18%
East	WHE	90%	94.41%
South	WHS	90%	87.23%
Group		**90%**	**90%**

4.56 2022/23 Charter comparisons show that nearly all Group RSLs have a higher satisfaction than the Scottish average of 88%. While WHS is marginally below the Scottish average the trend is positive from 83.15% at the end of 2022/23 to the Q2 figure of 87.23%.

Rate It

4.57 Our 'Book It, Track It, Rate It' app was launched in the West on the 1 June and 7 June in the East. This aims to improve visibility and communication during the repair journey. The Rate It aspect provides an opportunity for customer feedback on repair appointments.

4.58 Performance for the West for the year to date is 4.5/5 (90%) from over 8,500 ratings. For the East the year to date position is 4.3/5 from over 1,100 responses. The return rate for both West and East is similar at 13-15%. The launch of the Rate It element in the South is imminent and will be included in the next performance report.

Mould repairs

4.59 We continue to monitor repairs related to mould, with updates provided to help facilitate greater scrutiny over these types of repairs. The CFC are now raising every job related to damp, mould, condensation or rot as a mould inspection line. The number of mould inspections in September is provided below.

Table 11

Area	Total cases in-month	No mould found	Category		
			3 (mild)	2 (moderate)	1 (severe)
West	676	128	498	49	1
East	64	0	61	3	0
South	34	8	21	4	1
Group	**774**	**136**	**580**	**56**	**2**

4.60 Our strategic measure is to complete mould repairs in 15 days. Across the Group, 98% of completed mould repairs during September have been completed in 15 days, against a target of 90%.

Table 12

Subsidiary	Number of completed mould repairs	% of mould repairs completed in 15 days – in month, Sept
WHG	660	98%
Loretto	27	100%
Lowther	17	100%
WHE	49	94%
WHS	79	99%
Group	**832**	**98%**

Medical Adaptations

4.61 Between April and September, we have completed 1,278 adaptations in total, an increase from 1,118 in the same quarter of 2022/23. There are now just 94 households waiting (less than at the same point last year when there were 153 waiting).

4.62 Time to complete adaptations has further improved, with the average days to complete year to date at 19.47 days and within target. This compares to 24.9 days reported year end 2022/23 and 27.15 days to quarter 2 2022/23.

4.63 In 2022/23 all Group RSLs were significantly better than the Scottish average for the time taken to complete medical adaptations of 46.8 calendar days. The table below shows the number of households waiting, completions and the average time to complete adaptations by RSL. All RSLs are within the target of 25 days.

Table 13

Medical Adaptations	Households Waiting 2022/23	Current Households Waiting	Number Completed YTD	Average Days to Complete	Target
WHG	81	69	759	18.01	25
Loretto	13	1	52	19.02	25
WHE	9	13	119	13.16	25
WHS	32	11	348	24.88	25
Group	**135**	**94**	**1,278**	**19.47**	**25**

Gas Safety

4.64 We continue to be 100% compliant for gas safety, with no expired gas certificates.

Table 14

RSL	2022/23	YTD 2023/24
WHE	0	0
WHS	0	0
WHG	0	0
Loretto	0	0
Total	**0**	**0**

Health and Safety

4.65 There were no accidental workplace fires in quarter 2. Other health and safety measures are summarised in the below table.

Table 15

Measure	22/23	23/24	Notes
Number of new employee liability claims received	5	2	One new claim in 2023/24 for W360 One new claim that is not H&S related.
Number of open employee liability claims	13	16	Includes a previous claim that has been re-opened from 2021
Number of days lost due to work-related accidents	464	234.5	
Number of RIDDOR incidents reported	15	10	Q1 – 6 Q2 - 4
Number of HSE or local authority environmental team interventions	2	0	

Compliance Programme

4.66 Performance against our compliance programme delivery is shown in Appendix 3, with RSLs continuing to make good progress in the second quarter of the year. All RSLs have full compliance for legionella and the in-year inspection programme is on track.

4.67 There has also been improvement in the percentage of properties with EICRs less than 5 years old, with numbers of properties to be certified reducing to 79 (0.13% of total stock) at the end of quarter 2 from 89 at end of last quarter and 111 at end of 2022/23. All RSLs have high levels of compliance on this measure at the end of Q2 and continue to progress the necessary steps, such as forced access, for any outstanding.

Changing Lives and Communities

Care Service Quality

4.68 Wheatley Care have 20 services with active inspection reports, including seven undertaken so far during 2023/24 (five in Q1 and two in Q2). 13 of these active inspection reports have overall grades of 5 or above, equating to 65% against a strategic target of 90%.

4.69 Looking more closely at the specific Quality Themes/Key Questions results, 34 out of the 49 (72%) Quality Themes/Key Questions received grades of 5 or above. This is the slightly better than the end of Q1 (71%).

4.70 The following services inspected during Q2 received grades of 5 (Very Good) for 'How well we support people's wellbeing' and 'How good is our leadership':

- Personalised and Self Directed Support Service Glasgow Mental Health
- Personalised and Self Directed Support Service Renfrewshire.

Peaceful Neighbourhoods and ASB

4.71 Our Group strategic measure is for over 70% of our customers to live in neighbourhoods categorised as peaceful by the end of the strategy period. Peaceful communities are defined as communities where customer reported incidents of antisocial behaviour to Police Scotland are reducing and social deprivation indicators in the associated data zone are improving.

4.72 As a result of system improvements at Police Scotland, there has been a change in the way their data is produced and reported for antisocial behaviour incidents. These improvements were implemented in September and impact our "Peaceful Communities" measure due to erroneous reporting, such as domestic abuse being classified as ASB.

4.73 The data from Police Scotland for the "Peaceful Communities" measure has therefore been recalibrated, with domestic abuse incidents removed for the current month, year, and previous year, and missing antisocial behaviour included.

4.74 The table below shows the results for April – August based on both the original and updated figures from Police Scotland. Original figures for September are not available.

Table 16

Month	April	May	June	July	August
Updated figures	76.0%	74.0%	79.0%	75.0%	75.0%
Original figures	70.1%	70.5%	70%	69.3%	66.8%

4.75 This indicates that the percentage of communities classed as Peaceful is higher with the new figures compared to the original figures. Using the updated Police Scotland methodology, the number of communities categorised as Peaceful in September increased slightly to 75.66%, from 75.0% in August.

4.76 Consideration will be given to the strategic target in light of the new Police Scotland methodology and resultant positive change to current performance during the 2024/25 measure and target review.

Accidental Dwelling Fires

4.77 We have a Strategic Result to reduce RSL accidental dwelling fires by 10% over five years against the baseline of a total of 215 fires in 2020/21. Lowther and Wheatley Care are not included in the Strategic Result but will be referenced for information if any fires are recorded. Lowther have recorded one fire and Wheatley Care have recorded two fires in 2023/24.

4.78 As shown in the below table, as of the end of quarter 2, 57 fires have been recorded year to date. This is in line with our profile to achieving the 10% reduction, which would track as a reduction to 200 or less for this year.

Table 17

Number of recorded accidental dwelling fires	2023/24
	Q1
WHE	4
WHG	49
Loretto	1
WHS	3
Total for Group	**57**

4.79 Our additional strategy measure aims to ensure 100% of applicable properties have a current fire risk assessment in place. This continues to be achieved.

Table 18

Fire Risk Assessments	YTD	Target
The percentage of relevant premises - HMOs that have a current fire risk assessment in place	100%	100%

4.80 Our programme for non-relevant properties, LivingWell and high-rise domestic premises continues to be 100% compliant.

Reducing Homelessness

4.81 Group RSLs have let 1,254 homes to homeless applicants this year to date, surpassing the 1,000-target set for the first 6 months. The breakdown of these lets by RSL along with the percentage of relevant lets made to homeless households is tabled below.

4.82 We continue to be a key contributor to support homelessness across the sector as evidenced by publication of the Charter results for 2022/23 where 9,466 lets were made to homeless applicants by 137 Scottish RSLs, with our 4 RSLs providing 23.3% (2,207) of this total.

Table 19

RSL	2023/24 Number of lets to homeless applicants (ARC) - YTD	2023/24 Target - YTD	% relevant lets made to homeless applicants (YTD)	2022/23 Number of lets to homeless applicants (ARC) – full year
WHE	159	N/A	60.25%	314
WHS	190	N/A	40.65%	409
WHG	849	N/A	60.01%	1,318
Loretto	56	N/A	62.50%	166
Total	**1,254**	**1,000**	**55.93%**	**2,207**

Jobs and Opportunities

4.83 Over 700 children have now been supported through Foundation programmes so far, this financial year. The WEE Bursary project for Glasgow was recently approved at the Foundation board and will start in Q3. This will increase the reported number of WHG and Lowther children involved in our programmes.

4.84 The Wheatley Works team has supported 430 jobs, training and apprenticeship opportunities across the Group. Mentors have been working with staff to improve customers referrals. Across Q3 and Q4, the teams will work together using a targeted approach to identify and encourage tenants to take up the opportunities available to them. This approach will be supported by the Stronger Voices Officer and community events.

Table 20

Indicator	Target (Annual)	Current Performance YTD	2022/23
Number of vulnerable children benefiting from targeted Foundation programmes (Group)	1,200	721	5,255
Total number of jobs, training places or apprenticeships created by Wheatley Group including Wheatley Pledge	800	430	802

Developing our Shared Capability

Sickness Absence

4.85 At the end of quarter 2, Group sickness levels are 4.24% which is slightly lower than both the figure for the end of Q1 (4.32%) and the figure for 22/23 (4.28%). The top two reasons for absence across the Group were Stress/Anxiety (31%) and Minor Illness (24%). Of those reporting stress/ anxiety, 35% was due to Stress (Non-work related).

4.86 Group-wide, the in-month pattern over Q1 and Q2 showed a decrease in sickness rates between April and May (4.48% to 4.2%), a small increase between May and July (4.2% to 4.4%) with a reduction between July and September (4.4% to 4.04%). Housemark reported a slightly different trend for their Scottish members between quarter one and quarter two with rates decreasing between April and July before rising slightly in August.

4.87 Employee Relations and Employee Wellbeing are reviewing trends in sickness absence related to stress and anxiety cases to inform wellbeing training offerings for both managers and staff.

4.88 Training proposals have been sought by different providers to offer greater support to line managers to refresh the Wellbeing culture in their teams. Manager workshops will start before the end of 2023 with wider rollout of sessions in 2024. Staff workshops will also be on offer which will complement the ongoing individual support services for stress and anxiety offered through our EAP and bespoke counselling services.

Enabling our Ambitions

Gross Rent Arrears

4.89 The SHR's published ARC 2022/23 shows the national average for social landlord Gross Rent Arrears ("GRA") was 6.9%, the highest level since the introduction of the Charter in 2013/14. We continue to outperform this benchmark.

4.90 During the second quarter, WHE, WHS and Loretto have all improved compared to quarter one with Loretto now better than target and WHE and WHS moving to within 10% of their targets.

4.91 The following chart provides Group RSL GRA levels each period this year, followed by a table with current individual RSL results. Lowther Residential arrears are also included in this table and are discussed in the sections that follow. Group RSL arrears are projected to improve over the next quarter – shown in the chart below – and in fact, Period 8 results for WHG A have improved by £237k.

4.92 Our customers are facing increasing challenges with the cost-of-living crisis and our teams are targeting support to those customers most in need. Each RSL has implemented action plans with focus on early intervention and escalation and utilising support services as required.

Chart 2

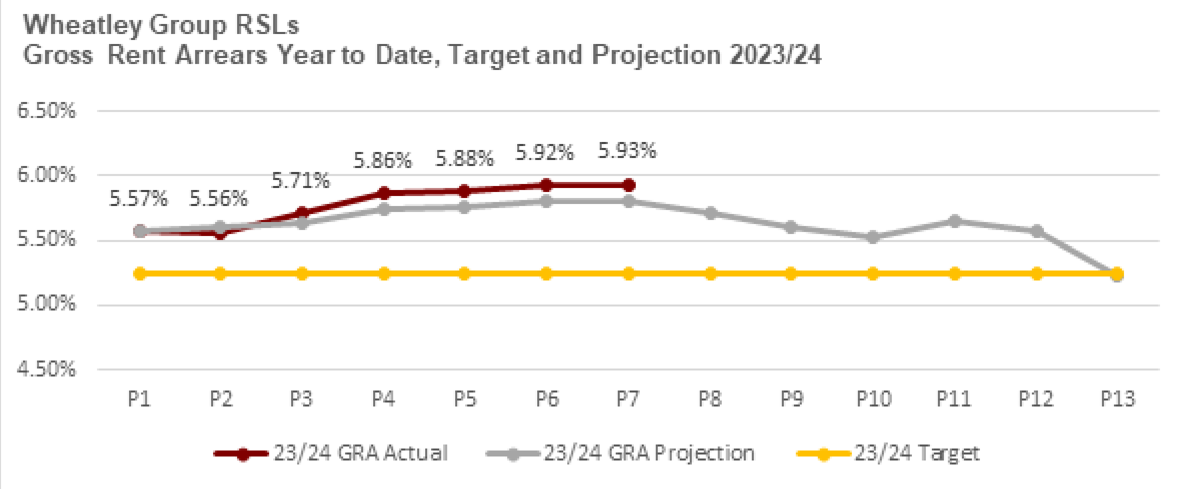


Table 21

Gross Rent Arrears	Sep/P7		2023/24 target	2022/23 Result
WHE	4.94%		4.52%	4.63%
WHS	4.81%		4.42%	4.62%
WHG	6.50%		5.63%	5.84%
Loretto	3.93%		4.18%	4.28%
Group RSLs	**5.93%**		**5.25%**	**5.44%**
[redacted]				

<u>Lowther</u>

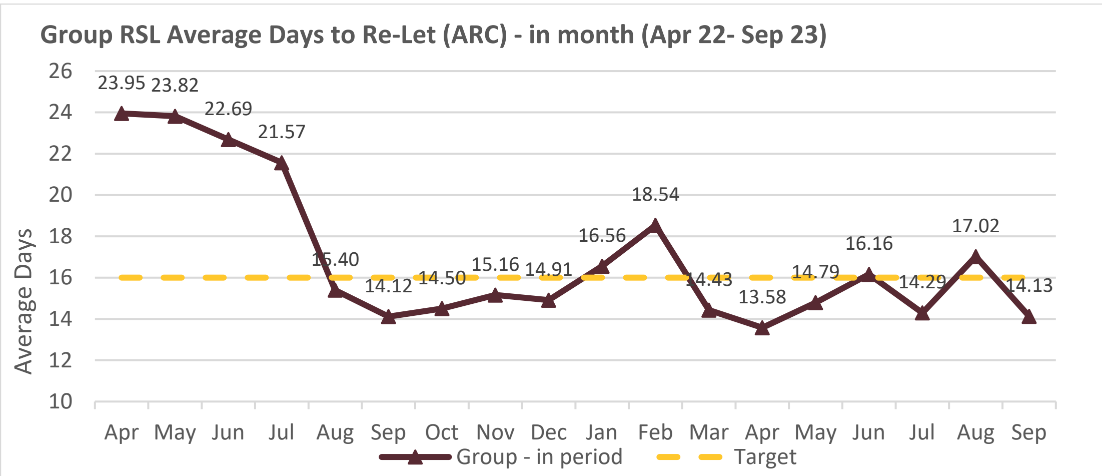
4.93 [redacted]

<u>RSL Average Days to Re-Let</u>

4.94 The Scottish average for Charter re-letting times in 2022/23 was 55.6 days. Group RSLs are significantly better than this at 14.87 days for the current year-to-date.

4.95 Group in-month results since April 2022 are shown in the following chart, providing a clear indication of sustained performance improvement.

Chart 3



4.96 Our current year-to-date performance is tabled below, showing improvement for all RSLs since year end of 2022/23. All are on target with Loretto and WHS very strong performers. WHE improved in the second quarter and is now on target for the year at 14.27 days compared to the 17.65 days reported at the end of quarter one.

Table 22

Average days to re-let (Charter)		2023/24 YTD		2023/24 Target	2022/23 Results
WHE		14.27		16	18.00
WHS		12.25		16	12.31
WHG		15.99		16	20.61
Loretto		10.35		16	15.98
Group RSLs		**14.87**		**16**	**18.63**

Care Services Breaking Even

4.97 Wheatley Care reports 85% of services breaking even after the management fee at the end of June, just below the current target of 90%. This is higher than both the performance from the same period last year (77%) and the final result for 22/23 (81%).

4.98 96% of services were breaking even before management fees at the end of Q2, (25/26 services), and there were no services in deficit for more than two years this quarter.

Summary of Strategic Project Delivery

4.99 A full update on progress with strategic projects is attached at Appendix 4. The following table summarises the current status of projects.

Table 23

Complete	On track	Slippage	Overdue
0	7	1	2

4.100 No projects were completed during quarter 2.

4.101 The following project is currently slipping:
- *Wyndford Regeneration*

4.102 The following projects are currently overdue:
- *Group wide implementation of Roll out Book it, Track it, Rate it* - Data integration is now in place with the WHS platform. The communication flows were activated at the end of October and the Rate It aspect is expected to be activated over the next couple of weeks
- *Interest cover covenant revision* - Delayed due to external interdependencies, which were highlighted as a contingency when agreeing the project.

5. **Customer Engagement**

5.1 We have several strategic projects that facilitate opportunities for customer engagement, as do new customer feedback channels such as MyVoice and Book It, Track It, Rate It. This will directly impact the way we deliver services, the way they can be dawn down by customers and how customers can share their views on these services.

6. **Environmental and sustainability implications**

6.1 One of our strategic projects for 2023/24 focuses on implementation of the Group sustainability framework. This includes a refined sustainability performance framework and delivery plan which is overseen by the Wheatley Solutions Board.

7. **Digital transformation alignment**

7.1 Our strategy is underpinned by digital transformation. The strategic projects for 2023/24 have been developed and prioritised with IT, digital and data interdependencies a key factor.

8. **Financial and value for money implications**

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

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

9.1 The Scottish Housing Regulator requires an Annual Return on the Charter from each RSL. Key indicators within this return are also included in quarterly performance reporting. RSL Subsidiary Boards approve the returns, and the figures are included in the year-end performance report to the Board.

9.2 RSLs are also required to involve tenants in the scrutiny of performance, which we do through the Group Scrutiny Panel, and to report to tenants on performance by the end of October each year, which we have done.

10. **Risk Appetite and assessment**

10.1 This report covers performance across each of our strategic themes and as such there is no single agreed risk appetite. Having a strong performance management culture will in particular support our progression from excellence to outstanding for which we have an open risk appetite in relation to operational delivery with a cautious appetite in relation to compliance with law and regulation.

11. **Equalities implications**

11.1 Project monitoring and evaluations consider equalities information and Equalities Impact Assessments are undertaken at the outset of new programmes to ensure compliance with equality legislation, where applicable.

12. Key issues and conclusions

12.1 Our results compare very favourable to the confirmed Scottish average for a number of key Charter indicators such as days to let, arrears and tenancy sustainment.

12.2 We continue to have strong performance in several key areas; days to let, lets to homeless, tenancy sustainment, new build handovers, emergency repairs and adaptation completion timescales.

13. Recommendations

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

LIST OF APPENDICES:

Appendix 1: Charter 2022/23 Matrix with Scottish Averages
Appendix 2: Board Strategic Measures Dashboard 2023/24 Q2
Appendix 3: Board Other KPIs Dashboard 2023/24 Q2
Appendix 4: Board Strategic Projects Dashboard 2023/24 Q2

	Appendix 1 - Charter 2022/23 Matrix, including Scottish averages Excludes annual survey results and contextual performance indicators Green - at or better than the Scottish average Amber - within 10% of the Scottish average	Wheatley Homes South	Wheatley Homes East	Wheatley Homes Glasgow	Loretto Housing	SHR Scottish Average
	Charter Performance Indicator	**2022/23 Results**	**2022/23 Results**	**2022/23 Results**	**2022/23 Results**	**2022/23**
03a	Percentage of all complaints responded to in full Stage 1	95.33%	94.78%	94.83%	96.60%	95.3%
03b	Percentage of all complaints responded to in full Stage 2	92.98%	84.48%	93.12%	96.15%	92.5%
04a	Average time in working days for a full response to complaints at Stage 1	3.84	3.89	4.23	3.51	5.8
04b	Average time in working days for a full response to complaints at Stage 2	17.96	18.27	18.24	17.72	19.3
06	Percentage of stock meeting the Scottish Housing Quality Standard (SHQS)	86.25%	99.32%	99.29%	99.58%	79.0%
08	Average time to complete emergency repairs (hours)	2.91	3.13	3.36	3.16	4.2
09	Average time to complete non-emergency repairs (working days)	7.02	6.93	8.88	9.13	8.7
10	Percentage of reactive repairs completed right first time	91.09%	94.59%	91.47%	92.58%	87.8%
12	Percentage of tenants satisfied with repairs or maintenance carried out in last 12 months	83.15%	91.24%	89.76%	89.83%	88.0%
14	Percentage of tenancy offers refused during the year	9.64%	9.57%	19.89%	8.12%	30.9%
15	Percentage of anti-social behaviour cases reported in the last year which were resolved	100%	100%	100%	100%	94.2%
16	Percentage of new tenancies sustained for more than a year - overall	86.83%	91.23%	89.13%	92.23%	91.2%
17	Percentage of lettable houses that became vacant	7.91%	7.37%	6.92%	6.17%	7.4%
18	Percentage of rent due lost through properties being empty	0.51%	1.03%	0.49%	0.39%	1.4%
21	Average time to complete approved applications for medical adaptations (calendar days)	32.87	14.31	23.06	21.49	46.8
23a	Percentage of referrals under Section 5, and other referrals for homeless households made by the local authority, that resulted in an offer	56.88%	68.23%	94.28%	113.38%	37.8%
23b	Percentage of offers made to LA Section 5 and other referrals for homeless households that result in a let	86.84%	92.24%	84.22%	103.11%	82.5%
26	Rent collected as % of total rent due	99.30%	98.55%	97.45%	98.74%	99.0%
27	Gross rent arrears (%)	4.62%	4.63%	5.84%	4.28%	6.9%
30	Average length of time taken to re-let properties (calendar days)	12.31	18.00	20.61	15.98	55.6

Appendix 2
Group Board Strategic Results – Q2 2023/24

Wheatley Group

Delivering Exceptional Customer Experience

.

Measure	2022/23 Value	2023/24 Value	2023/24 Target	Status
CSAT Score (customer satisfaction)	New	4.24	4.5	
Customer first centre grade of service – percentage of calls answered within 30 seconds	76.79%	66.43%	Contextual	N/A
Percentage of calls to the CFC resolved at first contact	88.99%	85.49%	90%	
Call abandonment rate	4.72%	5.86%	5%	
Average waiting time (seconds)	57.64	66.38	Contextual	N/A
Percentage of CFC customer interactions that are passed to Housing and Lowther staff for resolution	6.15%	7.57%	<10%	

Making the Most of Our Homes and Assets

Measure	2022/23	YTD 2023/24		
	Value	Value	Target	Status
New build completions (total for Group)	644	188	132	
WHG - Social Housing	26	0	0	
[redacted]				
Loretto - Social Housing	205	19	0	
WHE - Social Housing	251	104	97	
[redacted]				
WHS - Social Housing	37	0	0	
[redacted]				
Achieve 60:40 ratio of planned to reactive repairs spending	2022/23 47.2%: 52.8% (£60.1m: £67.3m)	38.9%: 61.1% (£25.8m: £40.5m)	60%:40%	
Reduce the volume of emergency repairs by 10% by 2025/26 (Group average)	Apr to Sep 22/23 – 44,918	43,037	-4.19%	
WHG	Apr to Sep 22/23 – 33,049	31,417	-4.94%	
Loretto	Apr to Sep 22/23 – 1,861	1,776	-4.57%	
WHE	Apr to Sep 22/23 – 3,831	3,942	+0.29%	
WHS	Apr to Sep 22/23 – 6,177	6,002	-2.83%	
Percentage of customers who have had repairs or maintenance carried out in last 12 months satisfied with the repairs and maintenance service (ARC)	88.76%	89.98%	90%	

Changing Lives and Communities

Measure	2022/23	YTD 2023/24		
	Value	Value	Target	Status
Percentage of Care services graded very good (5) or better by the Care Inspectorate	70%	65%	90%	
Over 70% of customers live in neighbourhoods categorised as peaceful by 2025/26 (Group average)	69.4%	75.98%	69%	
Number of accidental dwelling fires recorded by Scottish Fire and Rescue (Group RSLs)	147	57	200 (Annual upper limit)	
WHG	113	49	N/A	N/A
Loretto	6	1	N/A	N/A
WHE	9	4	N/A	N/A
WHS	19	3	N/A	N/A
100% of relevant properties have a current fire risk assessment in place (Group)	100%	100%	100%	
The percentage of non-relevant properties with current fire risk assessment in place (Group)	100%	100%	100%	
Percentage of relevant lets to homeless applicants	53.40%	55.93%	N/A	N/A
WHG	51.88%	60.01%	N/A	N/A
Loretto	45.85%	62.50%	N/A	N/A
WHE	58.62%	60.25%	N/A	N/A
WHS	58.14%	40.65%	N/A	N/A
Percentage of lets to homeless applicants (Charter)	50.30%	54.08%	N/A	N/A
WHG	50.19%	58.55%	N/A	N/A
Loretto	43.36%	65.88%	N/A	N/A
WHE	47.79%	50.32%	N/A	N/A

Measure	2022/23	YTD 2023/24		
	Value	Value	Target	Status
WHS	57.44%	40.60%	N/A	N/A
Number of lets to homeless applicants (10,000 for Group by 2025/26)	2,207	1,254	1,000	
WHG	1,318	849	N/A	N/A
Loretto	166	56	N/A	N/A
WHE	314	159	N/A	N/A
WHS	409	190	N/A	N/A
4,000 jobs, training places or apprenticeships opportunities delivered	802	430	428	
WHG	298	152	200	
Loretto	1	0	1	
WHS	128	42	42	
Lowther	55	22	22	
WHE	131	122	30	
Care	3	14	4	
Other	180	78	125	
10,000 vulnerable children benefit from targeted Foundation programmes (Group total)	5,255	721	640	
60% of tenants with online accounts are using the My Savings rewards gateway	13.29%	13.32%	13%	

Developing our Shared Capability

Measure	2021/22	YTD 2021/22		
	Value	Value	Target	Status
Staff absence is maintained at 5% for Care services and 3% for all other parts of the business	4.28%	4.24%	3%	
WHG	2.74%	2.07%	3%	
Loretto	5.65%	0.22%	3%	
Wheatley Homes East	3.53%	4.10%	3%	
WHS	2.16%	2.61%	3%	
[redacted]				
[redacted]				
[redacted]				
Wheatley 360	5.61%	6.02%	3%	

Enabling our Ambitions

Measure	2021/22	YTD 2022/23		
	Value	Value	Target	Status
Reduce gross rent arrears down to 4.5% by 2026 (Group RSL average)	5.44%	5.93%	5.25%	
WHG A	5.87%	6.55%	N/A	N/A
WHG B	5.47%	5.55%	N/A	N/A
WHG Combined	5.84%	6.50%	5.63%	
Loretto A	4.58%	4.27%	N/A	N/A
Loretto B	3.92%	3.48%	N/A	N/A
Loretto Combined	4.28%	3.93%	4.18%	
WHE A	4.64%	4.81%	N/A	N/A
WHE B	4.59%	5.96%	N/A	N/A
WHE Combined	4.63%	4.94%	4.52%	
WHS	4.62%	4.81%	4.42%	
[redacted]				
Average time to re-let properties (Group RSL average)	18.63	14.87	16	
WHG	20.61	15.99	16	
Loretto	15.98	10.35	16	
WHE	18.00	14.27	16	
WHS	12.31	12.25	16	
Proportion of Care services breaking even (after management fee)	81.48%	84.62%	90%	
Proportion of Care services breaking even (before management fee)	100%	96.15%	98%	
Number of Care Services in deficit for more than two years	0	0	0	

Measure	2021/22	YTD 2022/23		
	Value	Value	Target	Status
[redacted]				
[redacted]				
[redacted]				
[redacted]				

Appendix 3
Group Board Other KPIs Q2 (2023/24) (includes Compliance)

Measure	2022/23 Value	2023/24 Value	2023/24 Target	Status
Percentage of new tenancies sustained for more than a year – overall (Group RSL Charter average)	89.03%	90.54%	90%	
WHG	89.13%	90.96%	90%	
Loretto	92.23%	94.26%	90%	
WHE	91.23%	93.06%	90%	
WHS	86.83%	85.90%	88%	
Average time taken to complete emergency repairs (hours) – make safe (Group RSL average)	3.26	2.50	3	
WHG	3.36	2.37	3	
Loretto	3.16	2.63	3	
WHE	3.13	3.30	3	
WHS	2.91	2.65	3	
Average time taken to complete non-emergency repairs (working days) (Group RSL average)	8.47	8.39	7	
WHG	8.88	8.31	7	
Loretto	9.13	9.29	7	
WHE	6.93	8.56	7	
WHS	7.02	8.36	7	

Measure	2022/23 Value	2023/24 Value	2023/24 Target	Status
Average time to complete approved applications for medical adaptations (calendar days) (Group RSL average)	24.88	19.47	25	✓
WHG	23.06	18.01	25	✓
Loretto	21.49	19.02	25	✓
WHE	14.31	13.16	25	✓
WHS	32.87	24.88	25	✓
Percentage of reactive repairs completed right first time	91.86%	91.12%	N/A	
WHG	91.47%	91.72%	90%	✓
Loretto	92.58%	90.26%	93%	⚠
WHE	94.59%	90.67%	90%	✓
WHS	91.09%	88.05%	90%	⚠
Number of times in the reporting year the RSL did not meet the statutory obligation to complete a gas safety check within 12 months of a gas appliance being fitted or its last check (Group RSL total)	0	0	0	✓
WHG	0	0	0	✓
Loretto	0	0	0	✓
WHE	0	0	0	✓
WHS	0	0	0	✓
Percentage of ASB incidents resolved (Group RSL average)	100%	98.99%	98%	✓

Measure	2022/23 Value	2023/24 Value	2023/24 Target	2023/24 Status
WHG	100%	98.94%	98%	
Loretto	100%	100%	98%	
WHE	100%	97.74%	98%	
WHS	100%	100%	98%	
Percentage of court actions initiated which resulted in eviction	25.56%	46.09%	Contextual	
WHG	27.84%	36.67%	Contextual	
Loretto	18.75%	80.00%	Contextual	
WHE	26.32%	100.00%	Contextual	
WHS	17.07%	60.00%	Contextual	
Percentage of lettable homes that became vacant (Group RSL average)	7.10%	7.19%	8%	
WHG	6.92%	6.99%	8%	
Loretto	6.17%	5.71%	8%	
WHE	7.37%	6.85%	7.3%	
WHS	7.91%	8.60%	8%	
Number of accidental fires in workplace	2	0	0	
Number of RIDDOR incidents reported	15	10	20	
Number of Health and Safety Executive or local authority environmental team interventions	2	0	0	
Number of new employee liability claims received	5	2	0	
Number of open employee liability claims	13	16	N/A	N/A

Measure	2022/23	2023/24		
	Value	Value	Target	Status
Number of days lost due to work related accidents	464	234.5	N/A	N/A

Compliance Programme Delivery

2023/24 Quarter 2	WHG	Loretto	WHE	WHS
Legionella - percentage of applicable properties with a valid risk assessment in place	100%	100%	100%	100%
Number of domestic stair and through floor lifts with a completed annual inspection and test against the number due to be completed	90%	33.3%	100%	100%
Number of passenger lifts with a completed six-month inspection and test against the number due to be completed	99.2%	100%	100%	100%
Percentage of electrical installation inspections completed toward annual programme	72.60%	63.56%	90.41%	99.97%
Percentage of properties with an EICR certificate up to 5 years old	99.84%	99.96%	99.89%	99.97%

Appendix 4 - Wheatley Group Board - Delivery Plan 23/24 - Strategic Projects

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
Repairs technical enhancement programme (b)	31-Mar-2024		40%	01. Programme of research and engagement with customers on online repairs service to further refine functionality and usability	30-Sep-2023	Yes	A date of mid-November has been agreed for the implementation start of JV Boxi, following engagement with Civica and CBG IT on project delivery dates. The CBG DRS upgrade has been delayed due to capacity constraints with the vendors supply chain.
				02. CBG IT integration – Boxi reporting system implementation	31-Oct-2023	No	
				03. WHS DRS upgrade	31-Oct-2023	Yes	
				04. CBG DRS upgrade	31-Oct-2023	No	
				05. Servitor and DRS fully implemented in WHE	31-Mar-2024	No	
Group wide implementation of Roll out Book it, Track it, Rate it (b)	31-Aug-2023		66%	01. Pilot commencement in Wheatley Homes East	30-Apr-2023	Yes	Data integration is now in place with WHS platform. Given the success in the East and West it is intended we go live immediately in the South without the need for a pilot.
				02. Pilot finalised in with City Building delivered repairs	31-May-2023	Yes	
				03. Pilot commencement in Wheatley Homes South	31-May-2023	No	
				04. Pilot evaluation, including customer feedback, and agreement to go live - City Building	30-Jun-2023	Yes	
				05. Pilot evaluation, including customer feedback, and agreement to go live - Wheatley Homes East	31-Jul-2023	Yes	
				06. Pilot evaluation, including customer feedback, and agreement to go live - Wheatley Homes South	31-Aug-2023	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
[redacted]							
My Voice – real time customer feedback reporting (b)	31-Mar-2024		60%	01. MY Voice CFC pilot concluded	30-Apr-2023	Yes	Allocations pillar launched in August, surveying customers who moved into their home in September. NETs pillar has also been launched; surveying customers who had Ad-Hoc requests completed in September. Preparations are underway for a November launch of the repairs and ASB pillars.
				02. CFC customer insight operational framework implemented	31-May-2023	Yes	
				03. Implementation plan for key service pillars developed and approved by ET	31-May-2023	Yes	
				04. On-board key service pillars to MY Voice customer insight platform	30-Nov-2023	No	
				05. Implement operational frameworks	31-Mar-2024	No	
Migration to new cloud telephony platform (b)	31-Mar-2024		60%	01. Group Board approval of contract award	30-Apr-2023	Yes	IT Helpdesk went live with STORM at the start of October. We have now gone live for Wheatley Homes South, ahead of schedule.
				02. Vendor Contract Award	31-May-2023	Yes	
				03. Full project delivery plan developed and commenced	31-Jul-2023	Yes	
				04. Phase 1 launch	31-Dec-2023	No	
				05. Phase 2 launch	31-Mar-2024	No	
[redacted]							
Implement Group sustainability framework (b)	31-Dec-2023		80%	01. Sustainability delivery workshop with nominated group leads	30-Apr-2023	Yes	Update on sustainability provided to all group partner Boards and Group

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				02. Refine sustainability performance monitoring framework	31-May-2023	Yes	Board at their last meeting.
				03. Develop sustainability delivery plan	30-Jun-2023	Yes	
				04. Quarterly sustainability updates to ET	30-Jun-2023	Yes	
				05. Annual sustainability progress report via PNAG to Group Board	31-Dec-2023	No	
Develop a new, integrated Neighbourhood Planning Approach (b)	28-Feb-2024		83%	01. Deliver workshop with key people involved in Neighbourhood tools and scoring mechanisms to map out roles and remit	31-May-2023	Yes	On 15/09/2023 WH-G Board approved approach to neighbourhood for WH-G. Five of the Six milestones now complete. Milestone 6 is on track.
				02. Develop a technical guidance document around application of tools and the scoring mechanisms within the neighbourhood assessment	30-Jun-2023	Yes	
				03. Trial and test the neighbourhood assessment, including customer engagement, in one neighbourhood within WHG	31-Jul-2023	Yes	
				04. Based on the neighbourhood assessment, propose an example neighbourhood plan	30-Sep-2023	Yes	
				05. Provide worked example to WHG Board to review and agree as a model going forward	30-Sep-2023	Yes	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				06. Draft Neighbourhood approach for wider group to RSL Boards	28-Feb-2024	No	
Interest cover covenant revision (b)	30-Sep-2023		50%	01. Formal request to all lenders	30-Apr-2023	Yes	Delayed with subsidiary board approvals outstanding and EIB consent not yet in place. Majority of lenders have provided consent with the associated documentation presented to Group Board and WFL1 Board in September 2023 for approval which was granted. Subsidiary boards to be updated and provide approval at their November board rounds. EIB remains the outlier, with their internal process now underway but no confirmation of completion date. Amendments will be effective at 1 April 2024 should all lenders, including EIB, consent.
				02. Negotiating phase complete	31-May-2023	Yes	
				03. Final agreed outcome & credit process at each lender - with update to June Board	30-Jun-2023	Yes	
				04. Approval from bank and legals	30-Jun-2023	No	
				05. Group and subsidiary Board approvals	31-Aug-2023	No	
				06. Revision complete	30-Sep-2023	No	

Report

To: Wheatley Housing Group Board

By: Pauline Turnock, Group Director of Finance

Approved by: Steven Henderson, Group Chief Executive

Subject: Treasury report

Date of Meeting: 8 November 2023

---

1. Purpose

1.1 The purpose of this report is to provide a quarterly overview on the liquidity position, cashflow forecast and covenants on our debt facilities to 30 September 2023.

2. Authorising and strategic context

2.1 The Group Standing Orders state that matters in relation to Group treasury management and funding are reserved to the Group Board.

2.2 Under the terms of the Intra-Group Agreements between the Wheatley Group and its subsidiaries the Group Board is responsible for the on-going monitoring of performance against agreed targets. This includes the on-going performance of its finances.

3. Background

3.1 We anticipated that cash in the RSL Borrowing Group might dip below the mandated minimum £10m balance at 30 September 2023 due to the delayed receipt of the [redacted] loan until 2 October 2023. However, several factors prevented such a breach:

- Early receipt of Housing Benefit £6.8m in the last week of the quarter (anticipated to be received early October);
- Receipt of £2.7m SG grant (by way of [redacted] donation) for a WH East scheme at Rosewell Dr Fields (not pre-advised) on September 29;
- We delayed [redacted] interest payment to the [redacted] until the exact due date of 2 October 2023;
- £6.8m of intercompany settlements were made from Lowther, Foundation and Solutions to the RSL BG at quarter-end; and
- Lower BACS run than forecast in the final two weeks of September.

3.2 We drew the final £10m of the [redacted] on 19 September 2023 when we became aware of the delayed receipt of [redacted] funding. As a result of the above factors, we were well-funded at close of business on 30 September 2023 with £24.8m cash in the RSL Borrowing Group.

3.3 Covenants for our WFL1 and WFL2 facilities remain compliant for Q2 (on 30 September 2023).

4. Discussion

Liquidity Position

4.1 Our funding arrangements have two main sources of liquidity:
- Cash-at-hand and/or on term deposits
- Committed Revolving Credit Facilities ("RCFs") and/or overdraft facilities

4.2 The cash position across the Group for the first half of 2023/24 is set out below:

Cash at Bank	Lender	Borrower	Commitment Fee	Margin	Amount Available					
					30-Apr-23	31-May-23	30-Jun-23	31-Jul-23	31-Aug-23	30-Sep-23
Cash	N/A	WFL1 incl. RSL BG	N/A	N/A	£17.75 m	£12.88 m	£20.71 m	£17.64 m	£17.10 m	£24.80 m
Cash	N/A	Wheatley Care & Solutions	N/A	N/A	£4.15 m	£3.63 m	£2.81 m	£2.66 m	£2.88 m	£1.96 m
Cash	N/A	WFL2 incl. Lowther	N/A	N/A	£4.85 m	£6.96 m	£5.66 m	£6.24 m	£7.99 m	£3.59 m
Cash	N/A	Foundation	N/A	N/A	£8.17 m	£4.47 m	£2.71 m	£2.92 m	£3.34 m	£1.66 m
Term deposits	UK Treasury Bills	Foundation	N/A	N/A	£0.00 m	£3.96 m	£3.96 m	£3.96 m	£3.96 m	£3.96 m
Total:					**£34.93 m**	**£31.89 m**	**£35.86 m**	**£33.41 m**	**£35.27 m**	**£35.97 m**

4.3 The Group's liquid cash position at the quarter-end was £32m, with the Foundation holding a term deposit (an investment in UK 6-month Treasury bill at [redacted]% until 22 November) of £3.96m (total of £35.97m). The RSL Borrower Group balance, at £24.8m, was compliant with Treasury Management Policy (min. £10m).

4.4 The table below sets out the Group's committed liquidity facilities (WFL1 RCFs and overdrafts) for the first half of 2023/24:

[redacted]

4.5 We were fully drawn [redacted] at the quarter-end. Funding required for the new build programme on numerous schemes across our geographies (including West Craigs sites in Edinburgh, Calton Village phase 2 in Glasgow and Curries Yard in the South) and elevated repairs costs continue to flow through to cash outflow. We paid [redacted] in interest payments to [redacted]

4.6 The reduction in the availability of our committed facilities over the quarter reflects the drawdowns from [redacted]. The delay to the anticipated receipt of the new [redacted] postponed our planned partial repayment of [redacted] until early October. Post quarter-end, we received the [redacted] funding, and have repaid a total of [redacted

Cashflow forecasts

4.7 [redacted]

4.8 Forecast activity for Q3 includes £41.6m of expenditure across the new build programme, partially offset by grant income of £20.5m. We anticipate that the RSLs will draw £18.25m during the quarter from WFL1 to fund this activity. Expenditure of £16.4m on the core programme will be supported by £4.2m of grant income from the Social Housing Net Zero fund.

Covenant position across WFL1 and WFL2

4.9 The appended treasury pack sets out the covenants for WFL1 and WFL2 to 30 September 2023. These will be submitted to the respective lenders in line with our loan agreements.

4.10 WFL1 and WFL2 remain covenant compliant.

5. Customer Engagement

5.1 There has been no customer engagement on the matters in this report.

6. Environmental and sustainability implications

6.1 We have now completed our first year with [redacted] as part of our funding mix ([redacted]) and met all three KPIs. The Foundation will receive c.£5k of lending margin rebate from [redacted] as we delivered on our year 1 KPIs and had drawn funds from their RCF. We estimate savings on drawn [redacted] in 2023/24 are around £55k year-to-date, provided we meet the Sustainability KPIs for the full year.

6.2 Failure to meet any of the Sustainability KPIs will not be an Event of Default and, in the unlikely outcome that we cannot meet our obligations, we will forego the loan margin benefit (i.e. it is an opportunity cost).

7. Digital transformation alignment

7.1 No direct impact on the digital transformation programme.

8. Financial and value for money implications

8.1 The treasury pack is appended to this report.

9. Legal, regulatory and charitable implications

9.1 Pinsent Masons continue to advise the Group on the covenant amendments which remain outstanding at this time with the EIB.

10. Risk Appetite and assessment

10.1 Our risk appetite for funding risk is “cautious”, which is defined as “preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward”.

10.2 Our current liquidity risk is low given [redacted]

11. Equalities implications

11.1 The inclusion of the Sustainability KPIs directly incentivises us to deliver our ambitions on provision of housing to homeless households as well as to provide higher and further educational bursaries to customers, both of which seek to address inequalities across our communities.

12. Key issues and conclusions

12.1 At the end of the second quarter, we had drawn the full [redacted] and had £235.3m of available working capital facilities still undrawn. However, note that the new [redacted] funding was received on 2 October 2023, permitting us to repay [redacted] of the RCFs thereafter.

12.2 We are covenant compliant across the WFL1 and WFL2 facilities.

13. Recommendations

13.1 The Board is requested to note the liquidity position and covenant compliance as at 30 September 2023.

LIST OF APPENDICES:

Appendix 1: Group Treasury report [redacted]

Report

To: Wheatley Housing Group Board

By: Pauline Turnock, Group Director of Finance

Approved by: Steven Henderson, Group Chief Executive

Subject: Finance report to 30 September 2023

Date of Meeting: 8 November 2023

---

1. Purpose

1.1 The purpose of this paper is to:
- Provide the Board with the financial results for the period to 30 September 2023;
- Provide the Board with the forecast full-year out-turn following the completion of the 6 months to 30 September; and
- Seek approval for submission of the RSL Borrower Group management accounts to 30 September 2023 to our bank lenders as part of our usual quarterly covenant returns.

2. Authorising and strategic context

2.1 Under the Terms of Reference, the Group Board is responsible for the on-going monitoring of performance against agreed targets. This includes the on-going performance of its finances.

2.2 The economic outlook in the UK continues to be challenging. Inflation has proved to be more resistant to interest rate increases than expected, with a strong labour market and higher wage settlements helping to maintain higher prices. While the CPI rate of 6.7% (at September 2023) is on a slow downward trend; according to most recent market expectations, inflation is expected to reduce to 5% by the end of this calendar year. Reductions into 2024 are expected to be gradual with an unwinding to the long-term Bank of England target of 2% now not likely to be achieved until the first half of 2025.

2.3 The key themes and aims of the 2021-26 strategy Your Home, Your Community, Your Future set the context for the preparation of the 2023/24 budget.

3. Background - financial performance to 30 September 2023

3.1 The results for the period to 30 September as presented in Appendix 1 are:

	Year to Date (Period 6)		
£m	**Actual**	**Budget**	**Variance**
Turnover	202.3	195.8	6.5
Operating expenditure	(171.3)	(168.5)	(2.8)
Operating surplus	**31.0**	**27.3**	**3.7**
Operating margin	*15.3%*	*13.9%*	
Net interest payable	(34.3)	(33.8)	(0.5)
Statutory deficit	**(3.3)**	**(6.0)**	**2.3**
Net Capital Expenditure	**59.2**	**72.8**	**13.6**

4. Discussion

4.1 The Group is reporting a statutory deficit of £3.3m, £2.3m favourable to budget. The variance to budget reflects lower void rent losses, higher grant income received for adaptation works and new build completions grants, partially offset by the costs of delivering demand for repairs and maintenance work.

4.2 Key variances against budget include:

- Within turnover, net rental income is £0.4m favourable to budget with a stronger performance in void rent loss levels driving the variance;
- New build grant income recognised to date relates to 188 units completed (123 SR and 65 MMR). The favourable variance of £4.1m is due to timing of completions in Glasgow, Loretto and WH East compared to the budgeted programme. Early completion in the financial year at Maddiston in Loretto and Raw Holdings in WHEast and delayed completion of units at Sighthill in Glasgow planned for completion in 2022/23 contribute to the variance;
- Other grant income is £1,905k favourable to budget mainly arising from unbudgeted adaptation grant confirmed for WH Glasgow and WH South;
- In operating expenditure, total costs are £2.8m unfavourable to budget, with lower expenditure than budgeted across staff costs and bad debts partially offsetting the higher spend on revenue repairs and maintenance.
    - Revenue repairs and maintenance spend is £4.0m unfavourable to budget relating to a higher than budgeted spend across responsive repairs. There is a continued higher demand for repairs with larger volumes of jobs coming through the Customer First Centre and inflationary pressure on the cost of materials in the in-house services in the South and East. Completed responsive repair jobs are 9% higher than the same period last year, reflecting a continued increase in customer demand. An improvement plan has been put in place to monitor the drivers of repairs costs, improve efficiency and manage repairs spend within the forecast spend;

- Staff costs are £0.7m lower than budget due to £0.3m favourable variance for employee care contract costs in Wheatley care. This relates to several services operating with staff vacancies against budget. A further £0.4m favourable variance has arisen due to staff vacancies in other subsidiaries; and

- Bad debt costs are £1.0m lower than budget. As in previous years our approach has been to include a prudent level of provision for costs.

4.3 Net capital expenditure is £13.6m lower than budget. Within this, new build spend is £37.3m lower which links through to new build grant income claimed which is £27.8m lower than budget for the period. Reduced spend at Kelvin Wynd due to a delayed demolition start and reduced spend in planned acquisitions in Glasgow. There has also been reduced spend across a number of sites in Loretto, WH East and WH South. Lowther also had underspend due to delays at Ashgill Road.

4.4 Net investment in our existing homes of £32.8m was £1.3m lower than budget. Higher spend to budget of £3.2m is noted from increased void improvements and capitalised repairs in the RSLs. Adaptation spend of £2.4m was funded by adaptation grants including unbudgeted adaptation grant received for WH South and WH Glasgow of £1.9m.

Q2 Forecast

	Q2 Forecast		
£m	**Budget**	**Forecast**	**Variance**
Turnover	412.8	411.1	(1.7)
Operating expenditure	(339.0)	(344.8)	(5.8)
Operating surplus	**73.8**	**66.3**	**(7.5)**
Operating margin	*17.9%*	*16.1%*	
Net interest payable	(71.5)	(72.8)	(1.3)
Statutory surplus / (deficit)	**2.3**	**(6.5)**	**(8.8)**
Net Capital Expenditure	**183.1**	**143.2**	**39.9**

4.5 The full year forecast out-turn for the Group shows a statutory deficit of £6.5m, £8.8m lower than budget.

4.6 The key drivers for the variance to budget are:

- Within turnover:
  - Additional net rental income of £0.7m to account for the reprofiled new build completions and reduced rent loss on voids;
  - The delivery of the Scottish Government Net Zero Heat projects has been reprofiled into early 2024/25 mainly due to the scheduling of enabling work by Scottish Power. As a result, the grant funding recognised for connected response projects has reduced by £3.8m with an equivalent amount shown as reduced expenditure within core investment spend; and
  - additional adaptation grant awards confirmed totalling £2.0m to WH Glasgow and WH South.

- Within expenditure:
    - Lower staff costs reflecting the position to date;
    - An additional provision of £7.9m for repairs and maintenance has been included based on the increased customer demand and material costs noted within Q2 actual results. The forecast has been set to ensure there is a sufficient provision for the full financial year for spend on repairs and maintenance; and
    - Lower bad debt expenditure forecasting savings of £1.6m against budget. This forecast still retains a prudent level of provision for bad debts of £4.0m which compares to actual costs in 2022/23 of £3.0m.
- Net interest costs are forecast to be £1.3m higher for the full year, with actual floating rates being higher than assumed in the budget due to increases in the actual and forecast base rate this financial year.

4.7 Net capital investment is expected to be £39.9m lower than budget.

- The new build programme has been reprofiled to take into account the delayed development spend across the RSL's and Lowther with reduced spend of £54.4m. This reduction in spend has resulted in a reduction in the new build grants of £21.7m.
- Core investment programme is expected to be £5.6m lower than budget, including the recognition of a reduction of £3.8m of spend funded by Scottish Government Net Zero Heat Fund projects within WH South and WH East in line with the reprofiled delivery. The forecast incorporates a reprofiled investment programme to provide financial capacity for additional repairs costs this year. Deferred projects have been reprofiled to 2024/25 across the respective RSLs.

4.8 The forecast variations to budget on individual lines continue to be managed within the parameters of the overall budget for 2023/24. For the RSL Borrower group, earnings before taking account of interest and depreciation but after deducting new build grants recognised on completion and investment in existing homes (EBITDA MRI) of £70.7m is forecast which is £0.5m lower than budget.

4.9 [redacted]

5. Customer Engagement

5.1 This report relates to our financial reporting and therefore there is no direct customer implications arising from this report.

6. Environmental and sustainability implications

6.1 There are no environmental or sustainability implications arising from this report.

7. Digital transformation alignment

7.1 There are no digital transformation alignment implications arising from this report.

8. Financial and value for money implications

8.1 As noted above.

9. Legal, regulatory and charitable implications

9.1 As noted above.

10. Risk Appetite and assessment

10.1 The Board's agreed risk appetite for business planning and budgeting assumptions is "open". This level of risk tolerance is defined as "prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level".

10.2 Delivery of financial results within approved budgetary limits is a key element in delivering our strategy and maintaining the confidence of investors.

11. Equalities implications

11.1 There are no equalities implications arising from this report.

12. Key issues and conclusions

12.1 This report presents the financial performance position for the period to 30 September 2023.

13. Recommendations

13.1 The Board is requested to:

1) Note the Group management accounts for the period ended 30 September 2023 at Appendix 1; and
2) Approve the RSL Borrower Group accounts at Appendix 2 for submission to the Group's lenders.

LIST OF APPENDICES:

Appendix 1: Wheatley Group Financial Report to 30 September 2023
Appendix 2: RSL Borrower Group Financial Report to 30 September 2023

Appendix 1: Wheatley Group Financial Report To 30 September 2023 (Period 6)

1a) Wheatley Group – Period to 30 September 2023

	Period to 30 September 2023			Full Year Budget £'000
	Actual £'000	Budget £'000	Variance £'000	
INCOME				
Net Rental Income	163,432	163,044	388	326,867
Grant income New Build	13,302	9,181	4,121	29,005
Grant income Other	6,718	4,813	1,905	18,244
Other Income	18,878	18,786	92	38,710
Total Income	**202,330**	**195,824**	**6,506**	**412,826**
EXPENDITURE				
Employee Costs	46,950	47,620	670	95,341
ER/VR	950	950	-	5,910
Running Costs	24,077	23,841	(236)	44,920
Repairs & Maintenance	40,874	36,827	(4,047)	73,751
Bad debts	1,853	2,804	951	5,612
Depreciation	56,028	56,028	-	112,408
Demolition Programme	566	450	(116)	1,105
Total Expenditure	**171,298**	**168,520**	**(2,778)**	**339,047**
NET OPERATING SURPLUS	**31,032**	**27,304**	**3,728**	**73,779**
	15.3%	13.9%		17.9%
Net interest payable	(34,292)	(33,804)	(488)	(71,472)
STATUTORY SURPLUS/(DEFICIT)	**(3,260)**	**(6,500)**	**3,240**	**2,307**

•Classified as Internal

Key highlights:

The operating surplus to 30 September is £31,032k, £3,728k favourable to budget. At the statutory surplus level, a deficit of £3,260k is reported showing a favourable variance of £2,307k compared to the budget. The variance to budget reflects lower void rent losses, higher grant income received for adaptation works and new build completions grants, partially offset by the costs of delivering the increasing demand for repairs and maintenance.

Total income of £202,330k is £6,506k favourable to budget:

- Net rental income is £388k favourable to budget. Rent loss on voids at 1.16% is lower than the overall 1.4% budget driving the favourable variance.
- New build grant income recognised to date relates to 188 units completed (123 SR and 65 MMR). The favourable variance to budget is due to timing of completions in Glasgow, Loretto and WH East compared to the budgeted programme. Early completion in the financial year at Maddiston in Loretto and Raw Holdings in WHEast and delayed completion of units at Sighthill in Glasgow planned for completion in 2022/23 contribute to the variance.
- Other grant income is £1,905k favourable to budget mainly arising from unbudgeted adaptation grant for WH Glasgow and WH South.
- Other income is £92k favourable to budget arising from additional receipt of L & A Damages in relation to Sighthill and additional wayleave income offset by a reduction in service hours at Wheatley Care

Total expenditure of £171,298k is £2,778k unfavourable to budget:

- Employee costs (direct and group services) are £670k favourable to budget, mainly due to staff vacancies in Care, the RSLs and Wheatley Solutions compared to the budgeted structure.
- Running costs are £236k ahead of budget linked to the timing of spend against budget.
- Revenue repairs and maintenance spend is £4,047k unfavourable to budget. The variance relates to a higher than budgeted spend across responsive repairs. There is continued higher demand for repairs with increasing number of new jobs coming through the Customer First Centre and inflationary pressure on the cost of materials in the in-house services in the South and East. Completed responsive repair jobs are 9% higher than the same period last year, reflecting a continued increase in customer demand. An improvement plan has been put in place to monitor the drivers of repairs costs, improve efficiency and manage repairs spend within the forecast spend.
- Bad debts are £951k favourable to budget with a prudent provision set aside for increases in arrears.
- Net Interest payable is £488k unfavourable to budget linked higher floating rate than assumed in the business plan at this point in the year. Net interest payable includes £70k of interest received in Wheatley Foundation.

.

.

1a) Wheatley Group – Period to 30 September 2023

Capital Investment	Period to 30 September 2023 Actual £'000	Budget £'000	Variance £'000	Full Year Budget £'000
CORE PROGRAMME				
SHNZ	3,427	3,566	(119)	15,732
Adaptations	2,375	426	1,949	785
Grant Income	**5,802**	**3,992**	**1,810**	**16,395**
Core Investment Programme	18,598	21,742	3,144	46,106
SHNZ	3,427	3,550	123	15,542
Adaptations	2,405	1,819	(586)	3,626
Voids	9,700	8,147	(1,553)	14,737
Capitalised Repairs	4,448	2,784	(1,664)	5,223
Total Core Investment	**38,578**	**38,042**	**(536)**	**85,234**
NET CORE INVESTMENT SPEND	**32,776**	**34,050**	**1,274**	**68,839**
NEW BUILD				
New Build Grant Income Received	34,618	62,384	(27,766)	104,387
New Build investment	57,251	94,551	37,300	205,454
NET NEW BUILD INVESTMENT SPEND	**22,633**	**32,167**	**9,534**	**101,067**
OTHER FIXED ASSET INVESTMENT SPEND	**3,831**	**6,575**	**2,744**	**13,198**
TOTAL NET CAPITAL INVESTMENT SPEND	**59,240**	**72,792**	**13,552**	**183,104**

Key highlights:

Net capital expenditure of £59,240k is £13,552k favourable to budget.

- The net core investment spend was £1,274k favourable to budget. The favourable variance is driven by additional adaptation grant funding of £1,949k received from additional awards for Glasgow and the South and reduced spend in the core investment programme due to reprofiling of planned works. Core investment spend includes £3,427k on Social Housing Net Zero funded projects ("SHNZ") This favourable position is partly reduced by the increased spend in void and capitalised repairs works.
- New build spend is £37,300k less than budget with compensating reduced new build grant income of £27,766k. There has also been reduced spend across a number of sites in Loretto, WH East and WH South. Lowther also had underspend due to delays at Ashgill Road.
- Other fixed assets investment includes spend on corporate estate and IT capital projects. The reduced spend of £2,744k is due to a delay in works planned for new office builds at 2 sites, due to a delay in the developments commencing. Annual works budgeted of £1.3m will be deferred into 2024/25. In addition, the office work planned for the depots and concierge offices, will mainly be undertaken in Q3 and Q4 of the financial year, whereas the budget reflected an even spread of the costs throughout the financial year. IT works is also underspent to P6 due to a delay with some projects commencing. The planned spend will increase for the remainder of the financial year, now that the projects are underway.

Wheatley Group Financial Report
To 30 September 2023 (Period 6)

RSL Borrower Group

2a) RSL Borrower Group – Period to 30 September 2023

	Period to 30 September 2023			Full Year Budget £'000
	Actual £'000	Budget £'000	Variance £'000	
INCOME				
Net Rental Income	154,131	153,812	319	308,107
Grant income New Build	13,302	9,181	4,121	27,156
Grant income Other	6,718	4,813	1,905	18,244
Other Income	6,735	6,441	294	13,091
Total Income	**180,886**	**174,247**	**6,639**	**366,598**
EXPENDITURE				
Employee Costs	34,382	35,627	1,245	70,887
ER/VR	950	950	-	5,910
Running Costs	16,929	17,214	285	32,725
Repairs & Maintenance	37,785	33,787	(3,998)	68,015
Bad debts	1,669	2,616	947	5,235
Depreciation	56,028	56,028	-	112,408
Demolition Programme	566	450	(116)	1,105
Total Expenditure	**148,309**	**146,672**	**(1,637)**	**296,285**
NET OPERATING SURPLUS	**32,577**	**27,575**	**5,002**	**70,313**
	18.0%	15.8%		19.2%
Net interest payable	(32,918)	(32,435)	(483)	(68,570)
STATUTORY SURPLUS/(DEFICIT)	**(341)**	**(4,860)**	**4,519**	**1,743**

Key highlights:

The operating surplus to 30 September is £32,577k, £5,002k favourable to budget. At the statutory surplus level, a deficit of £341k is reported showing a favourable variance of £4,519k compared to the budget. The variance to budget reflects lower void rent losses, higher grant income received for adaptation works and new build grant and favourable variances across a number of expenditure lines offset by the costs of delivering the increasing demand for repairs and maintenance.

Total income of £180,886k is £6,639k favourable to budget:

- Net rental income is £319k favourable to budget across the RSLs. Rent loss on voids at 1.17% is lower than the overall 1.34% budget driving the favourable variance.
- New build grant income recognised to date relates to 188 units completed (123 SR and 65 MMR). The favourable variance to budget is due to timing of completions in Glasgow, Loretto and the East compared to the budgeted programme. Early completion in the financial year at Maddiston in Loretto and Raw Holdings in WHEast and delayed completion of units at Sighthill in Glasgow that were planned for completion in 2022/23 contribute to the variance.
- Other grant income is £1,905k favourable to budget mainly arising from the recognition of unbudgeted adaptation grant for Glasgow and the South.
- Other income is £294k favourable to budget arising from the receipt of L & A Damages in relation to Sighthill, additional wayleave income offset by a reduction in leased rents for MMR units due to delays in completions.

Total expenditure of £148,309k is £1,637k unfavourable to budget:

- Employee costs (direct and group services) are £1,245k favourable to budget, mainly due to W-360 CIP and Group Protection services being funded through the Foundation. In addition to this, there are staff vacancies in both the RSLs and Wheatley Solutions compared to the budgeted structure contributing to the variance.
- Running costs are £285k favourable to budget with the main drivers being group recharges lower than budget with a number of departments are reporting lower costs across Wheatley Solutions and running costs in relation to W-360 CIP and Group Protection moving to the Foundation.
- Revenue repairs and maintenance spend is £3,998k unfavourable to budget. The variance relates to a higher than budgeted spend across responsive repairs. There is continuing higher demand for repairs with increasing number of new jobs coming through the Customer First Centre and inflationary pressure on the cost of materials in the in-house services in the South and East. Completed responsive repair jobs are 9% higher than the same period last year, reflecting a continued increase in customer demand. An improvement plan has been put in place to monitor the drivers of repairs costs, improve efficiency and manage repairs spend within the forecast spend.
- Bad debts are £947k favourable to budget across the Borrower Group with a prudent provision set aside for increases in arrears.

Net Interest payable is £483k unfavourable to budget linked to a higher floating rate than assumed in the business plan at this point in the year.

2a) RSL Borrower Group – Period to 30 September 2023

Wheatley Group

Capital Investment	Period to 30 September 2023			Full Year
	Actual £'000	Budget £'000	Variance £'000	Budget £'000
CORE PROGRAMME				
SHNZ	3,427	3,566	(139)	15,732
Adaptations	2,375	426	1,949	785
Grant Income	**5,802**	**3,992**	**1,810**	**16,395**
Core Investment Programme	18,491	21,619	3,128	45,280
SHNZ	3,427	3,550	123	15,542
Adaptations	2,405	1,819	(586)	3,626
Voids	9,516	8,022	(1,494)	14,737
Capitalised Repairs	4,448	2,784	(1,664)	5,223
Total Core Investment	**38,287**	**37,794**	**(493)**	**84,408**
NET CORE INVESTMENT SPEND	**32,485**	**33,802**	**1,317**	**68,013**
NEW BUILD				
New Build Grant Income Received	34,618	58,687	(24,069)	98,500
New Build investment	55,296	88,224	32,928	194,113
NET NEW BUILD INVESTMENT SPEND	**20,678**	**29,537**	**8,859**	**95,613**
OTHER FIXED ASSET INVESTMENT SPEND	**3,738**	**6,489**	**2,751**	**13,027**
TOTAL NET CAPITAL INVESTMENT SPEND	**56,901**	**69,828**	**12,927**	**176,653**

Key highlights:

Net capital expenditure of £56,901k is £12,927k less than budgeted.

- The net core investment spend was £1,317k favourable to budget. The favourable variance is driven by additional adaptation grant funding of £1,949k received from additional awards for Glasgow and the South and reduced spend in the core investment programme due to reprofiling of planned works. Core investment spend includes £3,427k on Social Housing Net Zero projects ("SHNZ"). This favourable position is partly reduced by the increased spend in void and capitalised repairs works.
- New build spend is £32,928k less than budget with compensating reduced new build grant income of £24,069k. In Glasgow there was reduced spend at Kelvin Wynd due to a delayed demolition start and reduced spend in planned acquisitions. At Loretto there was reduced spend for East Lane and Dargavel Ph3, at Curries Yard and Springholm for the South and in the East for Blindwells, Wallyford 5/AB, Westcraigs Ph3 and Winchburgh BB. For the East, the underspend was partially offset by additional spend at Westcraigs Ph1 & Ph2.
- Other fixed assets investment includes spend on corporate estate and IT capital projects. The reduced spend of £2,751k is due to a delay in works planned for new office builds at 2 sites, due to a delay in the developments commencing. Annual works budgeted of £1.3m will be deferred into 2024/25. In addition, the office work planned for the depots and concierge offices, will mainly be undertaken in Q3 and Q4 of the financial year, whereas the budget reflected an even spread of the costs throughout the financial year. IT works is also underspent to P6 due to a delay with some projects commencing. The planned spend will increase for the remainder of the financial year, now that the projects are underway.

2c) Wheatley Homes Glasgow – Period to 30 September 2023

	Period to 30 September 2023			Full Year
	YTD Actual	YTD Budget	YTD Variance	Budget
	£k	£k	£k	£k
INCOME				
Rental Income	105,169	105,171	(2)	£210,343
Void Losses	(1,211)	(1,333)	122	(£2,666)
Net Rental Income	**103,958**	**103,838**	**120**	£207,677
Grant Income New Build	1,850	996	854	£4,109
Grant Income Other	3,399	1,960	1,439	£5,044
Other Income	5,471	5,132	339	£11,504
Total Income	**114,678**	**111,926**	**2,752**	**£228,334**
EXPENDITURE				
Employee Costs - Direct	16,715	17,854	1,139	£35,362
Employee Costs - Group Services	8,662	8,619	(43)	£17,237
ER / VR	757	757	0	£4,820
Direct Running Costs	6,660	6,645	(15)	£11,687
Running Costs - Group Services	4,254	4,447	193	£8,895
Revenue Repairs and Maintenance	26,987	22,849	(4,138)	£45,386
Bad debts	1,190	1,887	697	£3,774
Depreciation	38,285	38,285	0	£76,569
Demolition and Tenants Compensation	116	0	(116)	£0
TOTAL EXPENDITURE	**103,626**	**101,343**	**(2,283)**	**£203,730**
NET OPERATING SURPLUS / (DEFICIT)	**11,052**	**10,583**	**469**	**£24,604**
Net operating margin	*0*	*0*	*0*	*10.8%*
Net Interest payable & similar charges	(23,625)	(23,451)	(174)	(£50,084)
STATUTORY SURPLUS / (DEFICIT)	**(12,573)**	**(12,868)**	**295**	**(£25,480)**

INVESTMENT	Period to 30 September 2023			Full Year
	Actual	Budget	Variance	Budget
Total Capital Investment Income	**5,859**	**5,470**	**389**	**£15,557**
Total Expenditure on Core Programme	26,594	25,524	(1,070)	£55,281
New Build & other investment expenditure	15,338	19,666	4,328	£46,447
Other Capital Expenditure	2,795	4,728	1,933	£9,506
TOTAL CAPITAL EXPENDITURE	**44,727**	**49,918**	**5,191**	**£111,234**
NET CAPITAL EXPENDITURE	**38,868**	**44,448**	**5,580**	**£95,677**

Wheatley Homes Glasgow

Key highlights:

Net operating surplus of £11,052k is £469k favourable to budget. Statutory deficit for the period to 30 September is £12,573k, which is £295k favourable to budget. The main driver of the variance is higher than budgeted repairs spend linked to a higher demand offset in part by a favourable income position.

- Gross rental income is £2k unfavourable to budget and net rental income is £120k favourable to budget. Void losses are £122k lower than budget and represent a 1.15% void loss rate compared to the budgeted rate of 1.27%.
- New build grant income is £854k higher than budget, with 36 MMR units completing at Sighthill between June and August, including 16 units delayed from 2022/23. All units at Sighthill are now complete.
- Other grant income is £1,439k higher than budget with grant being confirmed for a proportion of 2023/24 medical adaptations.
- Other income is £339k favourable to budget linked to Wayleave income and receipt of L&A damages in relation to the Sighthill new build, which is partially offset by a reduction in MMR income due to the Sighthill delay.
- Total employee costs (direct and group services) are £1,096k favourable to budget, mainly due to W-360 CIP and Group Protection services having funding provided through the Wheatley Foundation.
- Total running costs (direct and group services) are £178k favourable to budget with Group recharges £193k favourable to budget due to several departments reporting lower costs across Wheatley Solutions.
- Revenue repairs and maintenance spend is £4,138k unfavourable to budget with spend across responsive repairs £4,466k higher than budget, and cyclical and compliance spend £594k lower than budget, due to the reprofiling of the programme. The spend on reactive repairs is linked to higher demand for repairs (8.6% ytd increase in job numbers vs ytd 2022/23). An improvement plan has been put in place to monitor the drivers of repairs costs, improve efficiency and to manage repairs spend within the forecast spend.
- Net Interest payable is £174k unfavourable to budget linked to higher balances drawn than assumed in the budget and a higher floating rate than assumed in the business plan at this point in the year.

Net capital expenditure of £38,868k is £5,580k lower than budget.

- Capital investment income (grants) is £389k higher than budget linked to unbudgeted medical adaptations grant of £1,459k offset by reduced new build grant income due to delays at in the Calton Village Phase B and timing of Shawbridge St. grant claims (the full grant award was claimed in 2022/23),
- Investment programme spend is £1,070k unfavourable to budget with higher spend in capitalised voids and repairs contributing to the variance. An improvement plan has been put in place to monitor the drivers of costs, improve efficiency and manage investment spend within the forecast spend.
- New build spend is £4,328k lower than budget following delays on Calton Village Phase B and the demolition works at Kelvin Wynd.
- Other capital expenditure of £2,795k is £1,933k lower than budget and includes IT capital and refurbishment of Nets depots and concierge stations.

2d) Loretto Housing – Period to 30 September 2023

	Period To 30 Sept 2023			Full Year
	Actual	Budget	Variance	Budget
	£k	£k	£k	£k
INCOME				
Rental Income	7,928	7,924	4	15,859
Void Losses	(154)	(228)	74	(456)
Net Rental Income	**7,774**	**7,696**	**78**	**15,403**
Grant Income	**1,760**	**0**	**1,760**	**2,223**
Other Grant Income	**85**	**51**	**34**	**116**
Other Income	**46**	**53**	**(7)**	**876**
Total Income	**9,665**	**7,800**	**1,865**	**18,618**
EXPENDITURE				
Employee Costs - Direct	685	691	6	1,382
Employee Costs - Group Services	430	440	10	881
ER / VR	27	27	0	210
Direct Running Costs	872	940	68	1,813
Running Costs - Group Services	228	234	5	469
Revenue Repairs and Maintenance	1,776	1,442	(334)	3,198
Bad debts	82	203	121	407
Depreciation	3,781	3,781	0	7,627
TOTAL EXPENDITURE	**7,881**	**7,758**	**(123)**	**15,987**
OPERATING SURPLUS / (DEFICIT)	**1,784**	**42**	**1,742**	**2,631**
Interest Payable	(1,884)	(1,799)	(85)	(3,779)
STATUTORY SURPLUS / (DEFICIT)	**(100)**	**(1,757)**	**1,657**	**(1,148)**

	Period To 30 Sept 2023			Full Year
	Actual	Budget	Variance	Budget
	£k	£k	£k	£k
INVESTMENT				
Total Capital Investment Income	**459**	**8,873**	**(8,414)**	**11,196**
Investment Programme	735	1,377	642	2,514
New Build Programme	1,676	11,197	9,521	22,048
Other Capital Expenditure	115	211	97	422
TOTAL CAPITAL EXPENDITURE	**2,526**	**12,785**	**10,260**	**24,984**
NET CAPITAL EXPENDITURE	**2,067**	**3,912**	**1,845**	**13,788**

Loretto Housing

Key highlights:

Net operating surplus of £1,784k is £1,742k favourable to budget. Statutory deficit for the year is £100k and is £1,657k favourable to budget. The main driver of the favourable variance is the recognition of Maddiston's new build grant income earlier than budgeted.

- Gross rental income of £7,928k is favourable to budget due to early completions at Maddiston. Void losses in the year to date are £74k favourable with 1.94% against a budget of 2.88%.
- Grant income relates to 19 units at Maddiston, which were completed ahead of the budgeted date of March 2024.
- Other grant income of £85k relates to medical adaptations which has been fully claimed by P6, with the 2023/24 grant award being £31k lower than the full year budget.
- Other income is £7k unfavourable to budget following a revision of the Dargarvel L&D damages claim, which resulted in a reduction for the damages received.
- Direct employee costs are £6k favourable to budget attributable to additional landlord services to Lowther Homes. Employees recharged from Group Services are for Loretto's share of Wheatley Solutions staff and are currently £10k favourable to budget.
- Total running costs are £73k favourable to budget. Direct running costs are £68k favourable to budget with most expenditure lines showing underspends, partly linked to the timing of spend.
- Revenue repairs and maintenance is £334k unfavourable to budget with responsive repairs spend £360k higher than budget. Completed responsive repair jobs YTD are 8.6% higher than the same period last year, reflecting a continued increase in customer demand. An improvement plan has been put in place to monitor the drivers of repairs costs, improve efficiency and manage repairs spend within the forecast spend.
- Bad debts are £121k favourable to budget. A prudent approach was taken when setting the budget.
- Net Interest payable is £85k unfavourable to budget linked to a higher floating rate than assumed in the business plan at this point in the year.

Net capital expenditure of £2,067k is £1,845k lower than budget.

- Capital investment income (grant) is £8,414k lower than budget mainly due to East Lane and Dargavel Ph 3 site starts being delayed, in addition to the full grant for Main St Maddiston being claimed in 2022/23.
- New build spend is £9,521k lower than budget resulting from the delays and phasing of project spend linked to the East Lane and Dargavel Ph 3 sites.
- Investment programme expenditure of £735k relates to core programme works, capitalised repairs and voids. An underspend is reported due to the re-profiling of the core programme.
- Other capital expenditure of £115k relates to the Loretto contribution to Wheatley Group IT costs.

2e) Wheatley Homes East – Period to 30 September 2023

	Period to 30 September 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Rental Income	19,062	19,016	45	38,215
Void Losses	(301)	(237)	(64)	(475)
Net Rental Income	**18,761**	**18,779**	**(18)**	**37,740**
Grant Income Recognised in the Year	9,692	8,185	1,507	15,847
Other Grant Income	411	503	(92)	1,348
Other Income	1,633	1,667	(34)	7,194
TOTAL INCOME	**30,497**	**29,134**	**1,363**	**62,129**
EXPENDITURE				
Employee Costs - Direct	2,311	2,251	(60)	4,491
Employee Costs - Group Services	1,453	1,489	36	2,978
ER/VR	0	0	0	540
Direct Running Costs	2,124	2,170	46	4,221
Running Costs - Group Services	772	793	21	1,585
Revenue Repairs and Maintenance	3,268	3,418	150	7,164
Bad Debts	196	201	5	404
Depreciation	6,672	6,672	0	13,631
TOTAL EXPENDITURE	**16,796**	**16,994**	**198**	**35,014**
NET OPERATING SURPLUS / (DEFICIT)	**13,701**	**12,140**	**1,561**	**27,115**
Net Operating Margin	*45%*	*42%*	*3%*	*44%*
Interest receivable	17	6	11	13
Interest payable	(4,128)	(4,134)	6	(8,696)
STATUTORY SURPLUS / (DEFICIT)	**9,590**	**8,012**	**1,578**	**18,432**

	Period to 30 September 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INVESTMENT				
Total Capital Investment Income	**24,710**	**31,152**	**(6,442)**	**53,717**
Total Expenditure on Core Programme	3,862	4,027	165	7,079
New Build & Other Investment	30,141	42,752	12,611	94,278
Other Capital Expenditure	376	522	146	1,043
TOTAL CAPITAL EXPENDITURE	**34,379**	**47,301**	**12,922**	**102,400**
NET CAPITAL EXPENDITURE	**9,669**	**16,149**	**6,480**	**48,683**

Key highlights:

Net operating surplus of £13,701k is £1,561k favourable to budget. Statutory surplus for the period to 30 September is £9,590k, £1,578k favourable to budget.

Total income of £30,497k is £1,363k favourable to budget:

- Gross rent is £45k favourable to budget with higher than budgeted service charge YTD. Void losses are £64k unfavourable to budget, representing 1.58% vs a budget of 1.25%. This is mainly due to reduced demand at sheltered sites as well as £42k adverse variance relating to fire safety works at the Harbour and a high turnover of rooms at the Harbour in July and September.
- Grant income recognised is £1,507k favourable to budget due to the timing of handovers compared to the budgeted programme. £9,692k of grant income recognised relates to 104 SR and 29 MMR units.
- Other grant income of £411k consists of grants recognised for medical adaptations, Scottish Housing Net Zero (SHNZ) and for the Harbour. The variance relates to a reduction in SHNZ income due to reprofiling of works to be carried out impacting the level of grant to be claimed.

Total expenditure is £198k favourable to budget:

- Total employee costs are £14k unfavourable to budget. Direct employee costs are £60k unfavourable to budget, due to overtime and agency staff costs at the Harbour and the Retirement complexes managed by Wheatley Care.
- Total running costs are £67k favourable to budget with both direct running costs £46k favourable due to underspend across a number of expenditure lines and group running costs £21k favourable.
- Revenue repairs and maintenance spend is £150k favourable to budget with higher demand for responsive repairs pushing spend £225k higher than budget offset by cyclical maintenance which is £375k favourable, due to the reprofiling and timing of the planned works.

Interest payable of £4,128k represents interest due on the loans due to Wheatley Funding No.1 Ltd and external funders and is £6k favourable to budget.

Net capital expenditure of £9,669k is £6,480k lower than budget.

- Capital investment income relates to the cash receipt of new build grants, SHNZ funding and medical adaptation grants and is £6,442k lower than budget due to delayed new build spend resulting in slower than anticipated claims on new build sites, including Westcraigs Ph3, Wallyford 5/AB, Blindwells, Sibbalds Brae and Winchburgh BB.
- Core programme spend is currently £165k favourable to budget, due to reprofiling of core programme and SHNZ works.
- New build spend of £30,141k is £12,611k lower than budget due to reduced spend relating to timing of golden brick payments as well as some delays on sites due to necessary infrastructure works and contractor delays. Sites with reduced spend include Sibbalds Brae, Wallyford 5/AB, and Westcraigs Ph3. This is partially offset by accelerated spend at Westcraigs Ph1 & Ph2 and Deans South.

2f) Wheatley Homes South – Period to 30 September 2023

OPERATING STATEMENT	Period to Sept 2023			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Rental Income	23,789	23,784	4	47,855
Void Losses	(151)	(285)	134	(568)
Net Rental Income	**23,638**	**23,500**	**138**	**47,287**
Grant Income	-	-	-	4,977
Other Grant Income	2,823	2,299	524	11,736
Other Income	587	601	(14)	2,876
TOTAL INCOME	**27,048**	**26,400**	**648**	**66,876**
EXPENDITURE				
Employee Costs - Direct	2,752	2,862	110	5,715
Employee Costs - Group Services	1,970	2,019	49	4,038
ER/VR	166	166	0	340
Direct Running Costs	1,272	1,222	(49)	2,529
Running Costs - Group Services	1,047	1,075	28	2,150
Revenue Repairs and Maintenance	5,860	6,180	320	12,360
Bad debts	201	325	125	651
Depreciation	7,290	7,290	0	14,581
Demolition and compensation	450	450	0	1,105
TOTAL EXPENDITURE	**21,007**	**21,590**	**583**	**43,469**
NET OPERATING SURPLUS	**6,041**	**4,810**	**1,231**	**23,407**
Net operating margin	*22%*	*18%*	*4%*	*35%*
Interest Receivable and similar income	34	6	28	15
Interest payable & similar charges	(3,332)	(3,066)	(266)	(6,039)
STATUTORY SURPLUS	**2,743**	**1,750**	**993**	**17,383**

INVESTMENT	Actual £ks	Budget £ks	Variance £ks	Budget £ks
TOTAL CAPITAL INVESTMENT INCOME	**9,392**	**17,184**	**(7,792)**	**34,425**
Capital Investment spend	7,096	6,866	(230)	19,535
New Build Programme	9,861	17,850	7,989	38,785
Other Fixed Assets	452	1,028	576	2,056
TOTAL INVESTMENT EXPENDITURE	**17,409**	**25,744**	**8,335**	**60,376**
NET CAPITAL EXPENDITURE	**8,018**	**8,560**	**542**	**25,950**

Wheatley Homes South

Key highlights :

Net operating surplus of £6,041k is £1,231k favourable to budget. Statutory surplus to 30 September is £2,743k, which is £993k favourable to budget. The key driver of the variance is higher than budgeted adaptation grant income claimed to date, lower void rent loss and lower spend across a number of expenditure lines.

- Net rental income is £138k higher than budget driven by lower than budgeted voids, with a void loss rate of 0.6% vs 1.2% in budget. Rental income is £4k favourable due to the timing of properties cleared for demolition.
- Other grant income is £524k favourable than budget mainly due to additional adaptation grant claimed (with higher corresponding spend in investment). In addition to adaptations there is increased RHI and care grant funding and £15k young person's funding.
- Other income is £14k unfavourable to budget due to lower garage and lock-up income due to increased voids.
- Total employee costs (direct and group services) are £159k lower than budget. The savings include vacant positions and lower than budgeted overtime.
- ER/VR costs are in line with budget, with four ER/VR leavers YTD. This cost will yield future revenue savings.
- Total running costs (direct and group services) are £21k unfavourable to budget, due to due to higher than budgeted insurance costs. Group recharges are £28k favourable to budget.
- Repair costs are £320k favourable to budget. Responsive repairs are £183k unfavourable to budget due to increased demand and a higher cost per job driven by increased material costs to date. This unfavourable position has been fully offset by the favourable cyclical and compliance spend of £503k due to a reprofiling of the programme. A repairs improvement plan which includes a number of mitigating actions has been put in place to manage repairs spend within the forecast spend.
- Demolition costs are in line with budget, spend in the month relates to owner buy backs, home loss and disturbance costs prior to demolition.

Gross interest payable of £3,332k represents interest due on the loans due to Wheatley Funding No.1 Ltd and external funders. The unfavourable variance of £266k is due to the increase in floating interest rates.

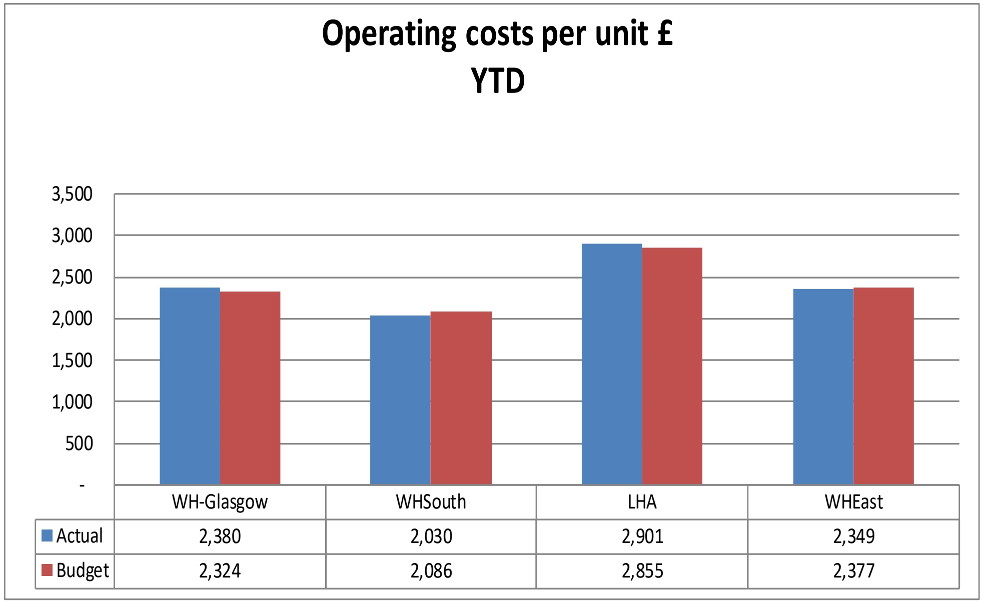
Net capital expenditure of £8,018k is £542k lower than budget.

- The investment income is £7,792k lower than budget due to timing of grant funding claimed for the new build programme (Curries Yard and Springholm).
- Total core investment spend of £7,096k is £230k higher than budget due to higher spend on capitalised voids and grant funded adaptation works (which have compensating additional grant income). A number of mitigating actions and business rules have been put in place to manage investment spend within the forecast spend.
- New Build expenditure is £7,989k lower than budget driven by timing of spend on Curries Yard and Springholm.
- Other capital expenditure of £452k is £576k lower than budget. Other capital spend includes work on local touchdown hubs and IT costs.

2g) Wheatley Developments Scotland – Period to 30 September 2023

[redacted]

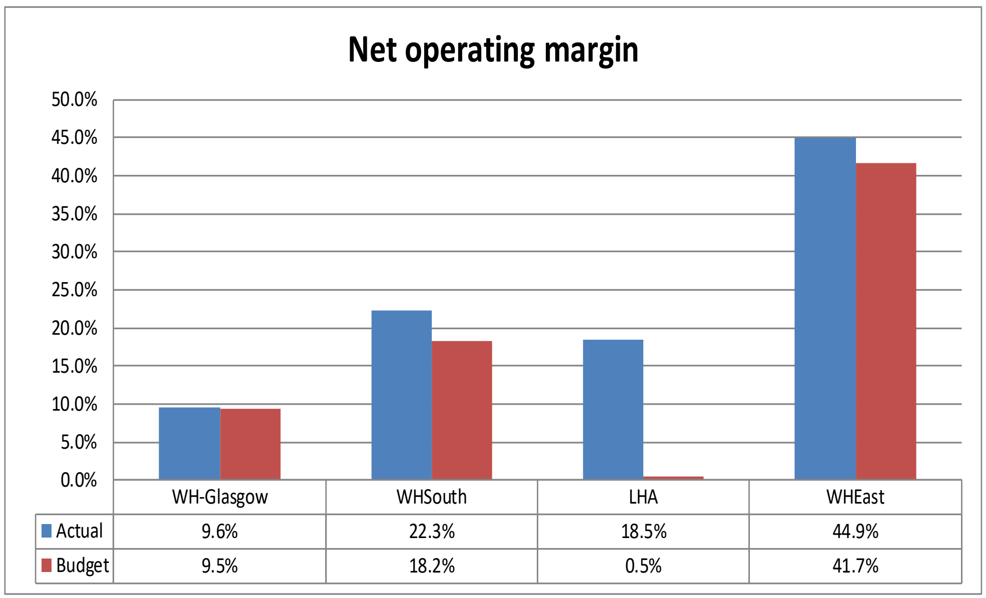
3) Summary of RSL operating costs and margin v budget



	WH-Glasgow	WHSouth	LHA	WHEast
Actual	2,380	2,030	2,901	2,349
Budget	2,324	2,086	2,855	2,377

Operating costs per unit:

- At September 2023 operating costs per unit are higher than budget for WH Glasgow and Loretto and marginally lower than budget for WH South and WH East. This higher unit cost variance is attributable to the higher repair costs to maintain our properties partially offset by reduced bad debts
- Operating costs per unit vary across the RSLs depending on the stock profiles and types of accommodation offered.



	WH-Glasgow	WHSouth	LHA	WHEast
Actual	9.6%	22.3%	18.5%	44.9%
Budget	9.5%	18.2%	0.5%	41.7%

Net operating margin

- Net operating margin is favourable to budget in all RSL's with Loretto reporting the highest variance due to the receipt of new build grants earlier than originally anticipated. The receipt of additional new build grants in Glasgow and the East as well as additional adaptation awards for Glasgow and South have resulted in an uplift in the net operating margin across the RSL's.
- Similar to operating costs, the variances across expenditure lines is impacting margins in the RSLs.

Wheatley Group Financial Report
To 30 September 2023 (Period 6)

Non RSL entities

4a) Wheatley Care – Period to 30 September 2023

[redacted]

•Classified as Internal

4b) Lowther – Period to 30 September 2023

[redacted]

6) Wheatley Foundation – Period to 30 September 2023

[redacted]

5) Wheatley Solutions – Period to 30 September 2023

[redacted]

7) City Building (Glasgow) LLP – Period to 8 September 2023

[redacted]

8) Wheatley Group – Consolidated Balance Sheet

	As at 30 September 2023 £ks	As at 31 March 2023 £ks
Fixed Assets		
Social Housing Properties	2,638,443	2,599,863
Investment properties	281,380	273,969
Other tangible fixed assets	69,945	71,551
Investments -other	116	116
Fixed Assets	**2,989,884**	**2,945,499**
Debtors Due More Than One Year		
Inter Company Loan	0	0
Pension Asset	2,505	2,505
Current Assets		
Stock	1,858	1,713
Trade debtors	3,828	3,185
Rent & Service charge arrears	15,773	16,507
less: Provision for rent arrears	(11,274)	(10,198)
Prepayments and accrued income	15,667	8,846
Other debtors	20,771	26,887
	46,623	**46,940**
Bank & Cash	40,732	39,656
Current Assets	**87,355**	**86,596**
Current Liabilities		
Trade Liabilities	(7,250)	(6,619)
Accruals	(57,681)	(62,098)
Deferred income	(37,540)	(36,964)
Rents & service charges in advance	(16,063)	(15,309)
Other creditors	(9,809)	(16,539)
	(128,343)	**(137,529)**
Net Current Assets	**(40,988)**	**(50,933)**
Long Term Liabilities		
Contingent efficiencies grant	(47,914)	(47,914)
Bank finance	(1,282,560)	(1,245,971)
Bond finance	(300,000)	(300,000)
Provisions	(8,690)	(8,737)
Deferred income	(74,621)	(53,570)
Pension liability	(3,247)	(3,247)
Long Term Liabilities	**(1,717,032)**	**(1,659,439)**
Net Assets	**1,234,369**	**1,237,632**
Funding Employed		
Capital & Reserves		
Share Capital	0	0
Retained Income b/fwd	721,421	765,471
Income & Expenditure	(3,261)	(44,048)
Revaluation Reserves	516,209	516,209
Funding Employed	**1,234,369**	**1,237,632**

Key highlights:

- Group net assets are £1,234.4m at 30 September 2023.
- The Balance Sheet as at 31 March 2023 reflects the audited statutory accounts for the year then ended.
- The fixed asset movements from the year end reflects investment in the core programme, the new build programme, and any other fixed asset additions, less depreciation to date.
- Current assets (excluding cash) are on par with the balance at March 2023.
- Current liabilities are £9.2m lower than the year end position, mainly driven by the decrease of £11.1m in other creditors and accruals due to timing of invoices being raised.
- Long term liabilities at 30 September 2023 are £57.6m higher than the year end position due to £35m additional loans received to finance the developments across the RSL's and £21.1m increase in deferred income.
- Income and expenditure of £3,261k relates to the group deficit for the period.

10a) Wheatley Group – Q2 Forecast 2023/24

	FULL YEAR		
	Budget £000	Forecast £000	Variance £000
INCOME			
Net Rental Income	326,867	327,579	712
Grant Income New Build	29,005	29,094	89
Grant Income Other	18,244	15,716	(2,528)
Other Income	38,710	38,743	33
Total Group Income	**412,826**	**411,132**	**(1,694)**
EXPENDITURE			
Employee Costs	95,341	94,671	670
ER/VR	5,910	5,910	-
Running Costs	44,920	44,920	-
Repairs & Maintenance	73,751	81,696	(7,945)
Bad debts	5,612	3,975	1,637
Depreciation	112,408	112,408	-
Demolition	1,105	1,270	(165)
Total Group Expenditure	**339,047**	**344,850**	**(5,803)**
NET OPERATING SURPLUS	**73,779**	**66,282**	**(7,497)**
Net operating margin	17.9%	16.1%	-1.7%
Net Interest Payable	(71,472)	(72,753)	(1,281)
STATUTORY SURPLUS	**2,307**	**(6,471)**	**(8,778)**

INVESTMENT	FULL YEAR		
	Budget £000	Forecast £000	Variance £000
Total Capital Investment Income	(120,782)	(99,054)	(21,728)
Core Investment Programme	85,234	79,660	5,574
New Build Programme	205,454	151,052	54,402
Other fixed assets	13,198	11,598	1,600
NET CAPITAL INVESTMENT SPEND	**183,104**	**143,256**	**39,848**

Key highlights:

The Group forecast full year out-turn at the end of Quarter 2 shows a net operating surplus of £70.8m, which is £3.0m unfavourable to budget and a statutory deficit of £2.0m, which is £4.3m unfavourable to budget.

The adjusted EBITDA MRI after excluding grant income on new build completions and capital investment spend is forecast to be £69.9m compared to an EBITDA MRI of £71.9m budgeted, a £2.0m unfavourable variance reflecting increased repairs and maintenance costs offset by the reprofiling of the core investment programme.

Total income is forecast to be £415.6m, £2.8m favourable to budget:

- Net rental income is expected to be £0.7m favourable to budget and includes the reprofiled new build completions and lower rent loss on voids with the forecast reflecting a continuation of the favourable performance at September.
- Grant income for new build is expected to be marginally in line with budget with a £89k favourable variance.
- Other grant income is expected to be £2.5m unfavourable to budget with a reduction in SHNZ grant due to rescheduling of the programmed works £3.0m in the South, £0.4m in the East and £1.1m in Glasgow. This is offset by an increase in the adaptations grant received; £1.5m for WH Glasgow and £0.5m for WH South
- Other income is forecast to be £33k favourable to budget mainly due to additional receipt of L & A Damages in relation to Sighthill and additional wayleave income offset by a reduction in service hours at Wheatley Care and other factoring income in Lowther Homes.

Total expenditure is expected to be £5.8m higher than budget:

- Employee costs are £0.7m lower reflecting savings reported in the year to date primarily in Wheatley Care.
- Repairs and maintenance costs are forecast to be £7.9m higher than budget. This includes an additional provision of £8.5m for responsive repairs across the RSLs to help meet expected higher levels of demand and inflationary pressures on the cost of materials. An improvement plan has also been put in place, however the forecast provision has been prepared on a prudent basis and does not take any reduction in spend associated with these actions into account
- Bad debts are £1.6m lower than budget with the forecast reflecting a continuation of the favourable performance at September.
- Demolition costs are £165k are higher than budget reflecting increased tendered demolitions costs in WHSouth and the payment of home loss and disturbance payments budgeted in 2022/23 but paid in 2023/24 for both Glasgow and WHSouth.
- Net interest payable is forecast to be £1.3m higher than budget, net of interest received from investing funds mainly held in the Foundation. The increase for loan interest is linked to a higher floating rate than assumed in the business plan.
- The core investment programme is £5.6m lower than budget recognising the reprofiling of the core programme spend and SHNZ works across all RSLs. This planned reduction in spend has partially been offset by additional spend recognised for the increased capitalised voids and capitalised repairs works.
- The new build development spend is expected to be £54.4m lower than budget. Spend levels are forecast to be lower across a number of sites with the main reductions noted in Johnstonebridge and Lochans at WH South, Wallyford Area 5, Winchburgh BB, Sibbalds Brae, and Deans South at WH East and East Lane, Dargarvel at Loretto and Calton Village Phase B and Shawbridge Arcade at Glasgow. Additional spend is also noted in WH Glasgow due to an earlier site start at Shandwick and Westcraigs 4 & 5 operating ahead of schedule at WH East.
- Other fixed assets planned spend has been reprofiled, resulting in a reduction of IT and office spend totalling £1.6m.

Appendix 2: Wheatley Group Financial Report
RSL Borrower Group & Quarterly Covenants
To 30 September 2023 (Period 6)

1a) RSL Borrower Group – Period to 30 September 2023

	Period to 30 September 2023			Full Year Budget £'000
	Actual £'000	Budget £'000	Variance £'000	
INCOME				
Net Rental Income	154,131	153,812	319	308,107
Grant income New Build	13,302	9,181	4,121	27,156
Grant income Other	6,718	4,813	1,905	18,244
Other Income	6,735	6,441	294	13,091
Total Income	**180,886**	**174,247**	**6,639**	**366,598**
EXPENDITURE				
Employee Costs	34,382	35,627	1,245	70,887
ER/VR	950	950	-	5,910
Running Costs	16,929	17,214	285	32,725
Repairs & Maintenance	37,785	33,787	(3,998)	68,015
Bad debts	1,669	2,616	947	5,235
Depreciation	56,028	56,028	-	112,408
Demolition Programme	566	450	(116)	1,105
Total Expenditure	**148,309**	**146,672**	**(1,637)**	**296,285**
NET OPERATING SURPLUS	**32,577**	**27,575**	**5,002**	**70,313**
	18.0%	15.8%		19.2%
Net interest payable	(32,918)	(32,435)	(483)	(68,570)
STATUTORY SURPLUS/(DEFICIT)	**(341)**	**(4,860)**	**4,519**	**1,743**

Key highlights:

The operating surplus to 30 September is £32,577k, £5,002k favourable to budget. At the statutory surplus level, a deficit of £341k is reported showing a favourable variance of £4,519k compared to the budget. The variance to budget reflects lower void rent losses, higher grant income received for adaptation works and new build grant and favourable variances across a number of expenditure lines offset by the costs of delivering the increasing demand for repairs and maintenance.

Total income of £180,886k is £6,639k favourable to budget:

- Net rental income is £319k favourable to budget across the RSLs. Rent loss on voids at 1.17% is lower than the overall 1.34% budget driving the favourable variance.
- New build grant income recognised to date relates to 188 units completed (123 SR and 65 MMR). The favourable variance to budget is due to timing of completions in Glasgow, Loretto and the East compared to the budgeted programme. Early completion in the financial year at Maddiston in Loretto and Raw Holdings in WHEast and delayed completion of units at Sighthill in Glasgow that were planned for completion in 2022/23 contribute to the variance.
- Other grant income is £1,905k favourable to budget mainly arising from the recognition of unbudgeted adaptation grant for Glasgow and the South.
- Other income is £294k favourable to budget arising from the receipt of L & A Damages in relation to Sighthill, additional wayleave income offset by a reduction in leased rents for MMR units due to delays in completions.

Total expenditure of £148,309k is £1,637k unfavourable to budget:

- Employee costs (direct and group services) are £1,245k favourable to budget, mainly due to W-360 CIP and Group Protection services being funded through the Foundation. In addition to this, there are staff vacancies in both the RSLs and Wheatley Solutions compared to the budgeted structure contributing to the variance.
- Running costs are £285k favourable to budget with the main drivers being group recharges lower than budget with a number of departments are reporting lower costs across Wheatley Solutions and running costs in relation to W-360 CIP and Group Protection moving to the Foundation.
- Revenue repairs and maintenance spend is £3,998k unfavourable to budget. The variance relates to a higher than budgeted spend across responsive repairs. There is continuing higher demand for repairs with increasing number of new jobs coming through the Customer First Centre and inflationary pressure on the cost of materials in the in-house services in the South and East. Completed responsive repair jobs are 9% higher than the same period last year, reflecting a continued increase in customer demand. An improvement plan has been put in place to monitor the drivers of repairs costs, improve efficiency and manage repairs spend within the forecast spend.
- Bad debts are £947k favourable to budget across the Borrower Group with a prudent provision set aside for increases in arrears.

Net Interest payable is £483k unfavourable to budget linked to a higher floating rate than assumed in the business plan at this point in the year.

1a) RSL Borrower Group – Period to 30 September 2023

Capital Investment	Period to 30 September 2023			Full Year
	Actual £'000	Budget £'000	Variance £'000	Budget £'000
CORE PROGRAMME				
SHNZ	3,427	3,566	(139)	15,732
Adaptations	2,375	426	1,949	785
Grant Income	**5,802**	**3,992**	**1,810**	**16,395**
Core Investment Programme	18,491	21,619	3,128	45,280
SHNZ	3,427	3,550	123	15,542
Adaptations	2,405	1,819	(586)	3,626
Voids	9,516	8,022	(1,494)	14,737
Capitalised Repairs	4,448	2,784	(1,664)	5,223
Total Core Investment	**38,287**	**37,794**	**(493)**	**84,408**
NET CORE INVESTMENT SPEND	**32,485**	**33,802**	**1,317**	**68,013**
NEW BUILD				
New Build Grant Income Received	34,618	58,687	(24,069)	98,500
New Build investment	55,296	88,224	32,928	194,113
NET NEW BUILD INVESTMENT SPEND	**20,678**	**29,537**	**8,859**	**95,613**
OTHER FIXED ASSET INVESTMENT SPEND	**3,738**	**6,489**	**2,751**	**13,027**
TOTAL NET CAPITAL INVESTMENT SPEND	**56,901**	**69,828**	**12,927**	**176,653**

Key highlights:

Net capital expenditure of £56,901k is £12,927k less than budgeted.

- The net core investment spend was £1,317k favourable to budget. The favourable variance is driven by additional adaptation grant funding of £1,949k received from additional awards for Glasgow and the South and reduced spend in the core investment programme due to reprofiling of planned works. This favourable position is partly reduced by the increased spend in void and capitalised repairs works.
- New build spend is £32,928k less than budget with compensating reduced new build grant income of £24,069k. In Glasgow there was reduced spend at Kelvin Wynd due to a delayed demolition start and reduced spend in planned acquisitions. At Loretto there was reduced spend for East Lane and Dargavel Ph3, at Curries Yard and Springholm for the South and in the East for Blindwells, Wallyford 5/AB, Westcraigs Ph3 and Winchburgh BB. For the East, the underspend was partially offset by additional spend at Westcraigs Ph1 & Ph2.
- Other fixed assets investment includes spend on corporate estate and IT capital projects. The reduced spend of £2,751k is due to a delay in works planned for new office builds at 2 sites, due to a delay in the developments commencing. Annual works budgeted of £1.3m will be deferred into 2024/25. In addition, the office work planned for the depots and concierge offices, will mainly be undertaken in Q3 and Q4 of the financial year, whereas the budget reflected an even spread of the costs throughout the financial year. IT works is also underspent to P6 due to a delay with some projects commencing. The planned spend will increase for the remainder of the financial year, now that the projects are underway.

1a) RSL Borrower Group underlying surplus – Period to 30 September 2023

The Wheatley Group and RSL Borrower Group operating Statement (Income and Expenditure Account) on pages 2 and 5 are prepared in accordance with the requirements of accounting standards (Financial Reporting Standard 102 and the social housing Statement of Recommended Practice 2014).

However, the inclusion of grant income on new build developments creates volatility in the results and does not reflect the underlying cash surplus/deficit on our letting activity.

The chart below therefore shows a measure of underlying surplus in the RSL Borrower Group which adjusts our net operating surplus by excluding the accounting adjustments for the recognition of grant income and depreciation, but including capital expenditure on our existing properties.

In the period to 30 September 2023, an underlying surplus of £4,098k has been generated which is £95k unfavourable to budget. The variance is mainly driven by additional other grant income, improved voids offset by higher repairs and maintenance costs and investment spend on capitalised voids and repairs.

RSL Borrower Group Underlying Surplus - September 2023				
	YTD Actual £ks	**YTD Budget £ks**	**YTD Variance £ks**	**FY Budget £ks**
Net Operating surplus	32,577	27,575	5,002	70,313
add back:				
Depreciation	56,028	56,028	0	112,408
less:				
Grant income	(13,302)	(9,181)	(4,121)	(27,156)
Net interest payable	(32,918)	(32,435)	(483)	(68,570)
Total expenditure on Core Programme	(38,287)	(37,794)	(493)	(84,408)
Underlying surplus	4,098	4,193	(95)	2,587

1b) Wheatley Homes Glasgow – Period to 30 September 2023

	Period to 30 September 2023			Full Year
	YTD Actual	YTD Budget	YTD Variance	Budget
	£k	£k	£k	£k
INCOME				
Rental Income	105,169	105,171	(2)	£210,343
Void Losses	(1,211)	(1,333)	122	(£2,666)
Net Rental Income	**103,958**	**103,838**	**120**	£207,677
Grant Income New Build	1,850	996	854	£4,109
Grant Income Other	3,399	1,960	1,439	£5,044
Other Income	5,471	5,132	339	£11,504
Total Income	**114,678**	**111,926**	**2,752**	**£228,334**
EXPENDITURE				
Employee Costs - Direct	16,715	17,854	1,139	£35,362
Employee Costs - Group Services	8,662	8,619	(43)	£17,237
ER / VR	757	757	0	£4,820
Direct Running Costs	6,660	6,645	(15)	£11,687
Running Costs - Group Services	4,254	4,447	193	£8,895
Revenue Repairs and Maintenance	26,987	22,849	(4,138)	£45,386
Bad debts	1,190	1,887	697	£3,774
Depreciation	38,285	38,285	0	£76,569
Demolition and Tenants Compensation	116	0	(116)	£0
TOTAL EXPENDITURE	**103,626**	**101,343**	**(2,283)**	**£203,730**
NET OPERATING SURPLUS / (DEFICIT)	**11,052**	**10,583**	**469**	**£24,604**
Net operating margin	*0*	*0*	*0*	*10.8%*
Net Interest payable & similar charges	(23,625)	(23,451)	(174)	(£50,084)
STATUTORY SURPLUS / (DEFICIT)	**(12,573)**	**(12,868)**	**295**	**(£25,480)**

INVESTMENT	Period to 30 September 2023			Full Year
	Actual	Budget	Variance	Budget
Total Capital Investment Income	**5,859**	**5,470**	**389**	**£15,557**
Total Expenditure on Core Programme	26,594	25,524	(1,070)	£55,281
New Build & other investment expenditure	15,338	19,666	4,328	£46,447
Other Capital Expenditure	2,795	4,728	1,933	£9,506
TOTAL CAPITAL EXPENDITURE	**44,727**	**49,918**	**5,191**	**£111,234**
NET CAPITAL EXPENDITURE	**38,868**	**44,448**	**5,580**	**£95,677**

Key highlights:

Net operating surplus of £11,052k is £469k favourable to budget. Statutory deficit for the period to 30 September is £12,573k, which is £295k favourable to budget. The main driver of the variance is higher than budgeted repairs spend linked to a higher demand offset in part by a favourable income position.

- Gross rental income is £2k unfavourable to budget and net rental income is £120k favourable to budget. Void losses are £122k lower than budget and represent a 1.15% void loss rate compared to the budgeted rate of 1.27%.
- New build grant income is £854k higher than budget, with 36 MMR units completing at Sighthill between June and August, including 16 units delayed from 2022/23. All units at Sighthill are now complete.
- Other grant income is £1,439k higher than budget with grant being confirmed for a proportion of 2023/24 medical adaptations.
- Other income is £339k favourable to budget linked to Wayleave income and receipt of L&A damages in relation to the Sighthill new build, which is partially offset by a reduction in MMR income due to the Sighthill delay.
- Total employee costs (direct and group services) are £1,096k favourable to budget, mainly due to W-360 CIP and Group Protection services having funding provided through the Wheatley Foundation.
- Total running costs (direct and group services) are £178k favourable to budget with Group recharges £193k favourable to budget due to several departments reporting lower costs across Wheatley Solutions.
- Revenue repairs and maintenance spend is £4,138k unfavourable to budget with spend across responsive repairs £4,466k higher than budget, and cyclical and compliance spend £594k lower than budget, due to the reprofiling of the programme. The spend on reactive repairs is linked to higher demand for repairs (8.6% ytd increase in job numbers vs ytd 2022/23). An improvement plan has been put in place to monitor the drivers of repairs costs, improve efficiency and to manage repairs spend within the forecast spend.
- Net Interest payable is £174k unfavourable to budget linked to higher balances drawn than assumed in the budget and a higher floating rate than assumed in the business plan at this point in the year.

Net capital expenditure of £38,868k is £5,580k lower than budget.

- Capital investment income (grants) is £389k higher than budget linked to unbudgeted medical adaptations grant of £1,459k offset by reduced new build grant income due to delays at in the Calton Village Phase B and timing of Shawbridge St. grant claims (the full grant award was claimed in 2022/23),
- Investment programme spend is £1,070k unfavourable to budget with higher spend in capitalised voids and repairs contributing to the variance. An improvement plan has been put in place to monitor the drivers of costs, improve efficiency and manage investment spend within the forecast spend.
- New build spend is £4,328k lower than budget following delays on Calton Village Phase B and the demolition works at Kelvin Wynd.
- Other capital expenditure of £2,795k is £1,933k lower than budget and includes IT capital and refurbishment of Nets depots and concierge stations.

1c) Loretto Housing – Period to 30 September 2023

	Period to 30 September 2023			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Rental Income	£7,928	£7,924	£4	£15,859
Void Losses	(£154)	(£228)	£74	(£456)
Net Rental Income	**£7,774**	**£7,696**	**£78**	**£15,403**
Grant Income New Build	£1,760	£0	£1,760	£2,223
Grant Income Other	£85	£51	£34	£116
Other Income	£46	£53	(£7)	£876
TOTAL INCOME	**£9,665**	**£7,800**	**£1,865**	**£18,618**
EXPENDITURE				
Employee Costs - Direct	£685	£691	£6	£1,382
Employee Costs - Group Services	£430	£440	£10	£881
ER / VR	£27	£27	£0	£210
Direct Running Costs	£872	£940	£68	£1,813
Running Costs - Group Services	£228	£234	£6	£469
Revenue Repairs and Maintenance	£1,776	£1,442	(£334)	£3,198
Bad debts	£82	£203	£121	£407
Depreciation	£3,781	£3,781	£0	£7,627
TOTAL EXPENDITURE	**£7,881**	**£7,758**	**(£123)**	**£15,987**
NET OPERATING SURPLUS	**£1,784**	**£42**	**£1,742**	**£2,631**
Net operating margin	*18.5%*	*0.5%*	*17.9%*	*14.1%*
Net Interest payable & similar charges	(£1,864)	(£1,799)	(£65)	(£3,779)
STATUTORY (DEFICIT)/SURPLUS	**(£80)**	**(£1,757)**	**£1,677**	**(£1,148)**

INVESTMENT	Period to 30 September 2023			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
TOTAL CAPITAL INVESTMENT INCOME	**£459**	**£8,873**	**(£8,414)**	**£11,196**
Total Expenditure on Core Programme	£735	£1,377	£642	£2,514
New Build & other investment expenditure	£1,676	£11,197	£9,521	£22,048
Other Capital	£115	£211	£96	£422
TOTAL CAPITAL EXPENDITURE	**£2,526**	**£12,785**	**£10,259**	**£24,984**
NET CAPITAL EXPENDITURE	**£2,067**	**£3,912**	**£1,845**	**£13,788**

Loretto Housing

Key highlights year to date:

Net operating surplus of £1,784k is £1,742k favourable to budget. Statutory deficit for the year is £100k and is £1,657k favourable to budget. The main driver of the favourable variance is the recognition of Maddiston's new build grant income earlier than budgeted.

- Gross rental income of £7,928k is favourable to budget due to early completions at Maddiston. Void losses in the year to date are £74k favourable with 1.94% against a budget of 2.88%.
- Grant income relates to 19 units at Maddiston, which were completed ahead of the budgeted date of March 2024.
- Other grant income of £85k relates to medical adaptations which has been fully claimed by P6, with the 2023/24 grant award being £34k lower than the full year budget.
- Other income is £7k unfavourable to budget following a revision of the Dargarvel L&D damages claim, which resulted in a reduction for the damages received.
- Direct employee costs are £6k favourable to budget attributable to additional landlord services to Lowther Homes. Employees recharged from Group Services are for Loretto's share of Wheatley Solutions staff and are currently £10k favourable to budget.
- Total running costs are £73k favourable to budget. Direct running costs are £68k favourable to budget with most expenditure lines showing underspends, partly linked to the timing of spend.
- Revenue repairs and maintenance is £334k unfavourable to budget with responsive repairs spend £360k higher than budget. Completed responsive repair jobs YTD are 8.6% higher than the same period last year, reflecting a continued increase in customer demand. An improvement plan has been put in place to monitor the drivers of repairs costs, improve efficiency and manage repairs spend within the forecast spend.
- Bad debts are £121k favourable to budget. A prudent approach was taken when setting the budget.
- Net Interest payable is £65k unfavourable to budget linked to a higher floating rate than assumed in the business plan at this point in the year.

Net capital expenditure of £2,067k is £1,845k lower than budget.

- Capital investment income (grant) is £8,414k lower than budget mainly due to East Lane and Dargavel Ph 3 site starts being delayed, in addition to the full grant for Main St Maddiston being claimed in 2022/23.
- New build spend is £9,521k lower than budget resulting from the delays and phasing of project spend linked to the East Lane and Dargavel Ph 3 sites.
- Investment programme expenditure of £735k relates to core programme works, capitalised repairs and voids. An underspend is reported due to the re-profiling of the core programme.
- Other capital expenditure of £115k relates to the Loretto contribution to Wheatley Group IT costs.

1d) Wheatley Homes East – Period to 30 September 2023

	Period to 30 September 2023			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Rental Income	£19,062	£19,016	£46	£38,215
Void Losses	(£301)	(£237)	(£64)	(£475)
Net Rental Income	**£18,761**	**£18,779**	**(£18)**	**£37,740**
Grant Income New Build	£9,692	£8,185	£1,507	£15,847
Grant Income Other	£411	£503	(£92)	£1,348
Other Income	£1,633	£1,667	(£34)	£7,194
TOTAL INCOME	**£30,497**	**£29,134**	**£1,363**	**£62,129**
EXPENDITURE				
Employee Costs - Direct	£2,311	£2,251	(£60)	£4,491
Employee Costs - Group Services	£1,453	£1,489	£36	£2,978
ER / VR	£0	£0	£0	£540
Direct Running Costs	£2,124	£2,170	£46	£4,221
Running Costs - Group Services	£772	£793	£21	£1,585
Revenue Repairs and Maintenance	£3,268	£3,418	£150	£7,164
Bad debts	£196	£201	£5	£403
Depreciation	£6,672	£6,672	£0	£13,631
TOTAL EXPENDITURE	**£16,796**	**£16,994**	**£198**	**£35,013**
NET OPERATING SURPLUS	**£13,701**	**£12,140**	**£1,561**	**£27,116**
Net operating margin	*44.9%*	*41.7%*	*3.3%*	*43.6%*
Net Interest payable & similar charges	(£4,111)	(£4,128)	£17	(£8,683)
STATUTORY (DEFICIT)/SURPLUS	**£9,590**	**£8,012**	**£1,578**	**£18,433**

INVESTMENT	Period to 30 September 2023			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
TOTAL CAPITAL INVESTMENT INCOME	**£24,710**	**£31,152**	**(£6,442)**	**£53,717**
Total Expenditure on Core Programme	£3,862	£4,027	£165	£7,078
New Build & other investment expenditure	£30,141	£42,752	£12,611	£94,278
Other Capital Expenditure	£376	£522	£146	£1,043
TOTAL CAPITAL EXPENDITURE	**£34,379**	**£47,301**	**£12,922**	**£102,399**
NET CAPITAL EXPENDITURE	**£9,669**	**£16,149**	**£6,480**	**£48,682**

Key highlights year to date:

Net operating surplus of £13,701k is £1,561k favourable to budget. Statutory surplus for the period to 30 September is £9,590k, £1,578k favourable to budget.

Total income of £30,497k is £1,363k favourable to budget:

- Gross rent is £45k favourable to budget with higher than budgeted service charge YTD. Void losses are £64k unfavourable to budget, representing 1.58% vs a budget of 1.25%. This is mainly due to reduced demand at sheltered sites as well as £42k adverse variance relating to fire safety works at the Harbour and a high turnover of rooms at the Harbour in July and September.
- Grant income recognised is £1,507k favourable to budget due to the timing of handovers compared to the budgeted programme. £9,692k of grant income recognised relates to 104 SR and 29 MMR units.
- Other grant income of £411k consists of grants recognised for medical adaptations, Scottish Housing Net Zero (SHNZ) and for the Harbour. The variance relates to a reduction in SHNZ income due to reprofiling of works to be carried out impacting the level of grant to be claimed.

Total expenditure is £198k favourable to budget:

- Total employee costs are £14k unfavourable to budget. Direct employee costs are £60k unfavourable to budget, due to overtime and agency staff costs at the Harbour and the Retirement complexes managed by Wheatley Care.
- Total running costs are £67k favourable to budget with both direct running costs £46k favourable due to underspend across a number of expenditure lines and group running costs £21k favourable.
- Revenue repairs and maintenance spend is £150k favourable to budget with higher demand for responsive repairs pushing spend £225k higher than budget offset by cyclical maintenance which is £375k favourable, due to the reprofiling and timing of the planned works.

Net interest payable of £4,111k represents interest due on the loans due to Wheatley Funding No.1 Ltd and external funders and is £17k favourable to budget, due to £14k interest received to date being included.

Net capital expenditure of £9,669k is £6,480k lower than budget.

- Capital investment income relates to the cash receipt of new build grants, SHNZ funding and medical adaptation grants and is £6,442k lower than budget due to delayed new build spend resulting in slower than anticipated claims on new build sites, including Westcraigs Ph3, Wallyford 5/AB, Blindwells, Sibbalds Brae and Winchburgh BB.
- Core programme spend is currently £165k favourable to budget, due to reprofiling of core programme and SHNZ works.
- New build spend of £30,141k is £12,611k lower than budget due to reduced spend relating to timing of golden brick payments as well as some delays on sites due to necessary infrastructure works and contractor delays. Sites with reduced spend include Sibbalds Brae, Wallyford 5/AB, and Westcraigs Ph3. This is partially offset by accelerated spend at Westcraigs Ph1 & Ph2 and Deans South.

1e) Wheatley Homes South – Period to 30 September 2023

	Period to 30 September 2023			Full Year
	YTD Actual £000s	YTD Budget £000s	YTD Variance £000s	Budget £ks
INCOME				
Rental Income	£23,789	£23,784	£5	£47,855
Void Losses	(£151)	(£285)	£134	(£568)
Net Rental Income	**£23,638**	**£23,499**	**£139**	**£47,287**
Grant Income New Build	£0	£0	£0	£4,977
Grant Income Other	£2,823	£2,341	£482	£11,736
Other Income	£587	£601	(£14)	£2,876
Total Income	**£27,048**	**£26,441**	**£607**	**£66,876**
EXPENDITURE				
Employee Costs - Direct	£2,752	£2,862	£110	£5,715
Employee Costs - Group Services	£1,970	£2,019	£49	£4,038
ER / VR	£166	£166	£0	£340
Direct Running Costs	£1,272	£1,222	(£50)	£2,529
Running Costs - Group Services	£1,047	£1,075	£28	£2,150
Revenue Repairs and Maintenance	£5,860	£6,180	£320	£12,360
Bad debts	£201	£325	£124	£651
Depreciation	£7,290	£7,290	£0	£14,581
Demolition and Tenants Compensation	£450	£450	£0	£1,105
TOTAL EXPENDITURE	**£21,008**	**£21,589**	**£581**	**£43,469**
NET OPERATING SURPLUS / (DEFICIT)	**£6,040**	**£4,852**	**£1,188**	**£23,407**
Net operating margin	*22.3%*	*18.4%*	*4.0%*	*35.0%*
Net Interest payable & similar charges	(£3,245)	(£3,060)	(£185)	(£6,024)
STATUTORY SURPLUS / (DEFICIT)	**£2,795**	**£1,792**	**£1,003**	**£17,383**

INVESTMENT	Period to 30 September 2023			Full Year
	Actual	Budget	Variance	Budget
Total Capital Investment Income	**£9,392**	**£17,184**	**(£7,792)**	**£34,425**
Total Expenditure on Core Programme	£7,096	£6,866	(£230)	£19,535
New Build & other investment expendi	£9,861	£17,850	£7,989	£38,785
Other Capital Expenditure	£452	£1,028	£576	£2,056
TOTAL CAPITAL EXPENDITURE	**£17,409**	**£25,744**	**£8,335**	**£60,376**
NET CAPITAL EXPENDITURE	**£8,017**	**£8,560**	**£543**	**£25,951**

Key highlights :

Net operating surplus of £6,040k is £1,188k favourable to budget. Statutory surplus to 30 September is £2,794k, which is £1,002k favourable to budget. The key driver of the variance is higher than budgeted adaptation grant income claimed to date, lower void rent loss and lower spend across a number of expenditure lines.

- Net rental income is £138k higher than budget driven by lower than budgeted voids, with a void loss rate of 0.6% vs 1.2% in budget. Rental income is £4k favourable due to the timing of properties cleared for demolition.
- Other grant income is £482k favourable than budget mainly due to additional adaptation grant claimed (with higher corresponding spend in investment). In addition to adaptations there is increased RHI and care grant funding and £15k young person's funding.
- Other income is £14k unfavourable to budget due to lower garage and lock-up income due to increased voids.
- Total employee costs (direct and group services) are £159k lower than budget. The savings include vacant positions and lower than budgeted overtime.
- ER/VR costs are in line with budget, with four ER/VR leavers YTD. This cost will yield future revenue savings.
- Total running costs (direct and group services) are £21k unfavourable to budget, due to due to higher than budgeted insurance costs. Group recharges are £28k favourable to budget.
- Repair costs are £320k favourable to budget. Responsive repairs are £183k unfavourable to budget due to increased demand and a higher cost per job driven by increased material costs to date. This unfavourable position has been fully offset by the favourable cyclical and compliance spend of £503k due to a reprofiling of the programme. A repairs improvement plan which includes a number of mitigating actions has been put in place to manage repairs spend within the forecast spend.
- Demolition costs are in line with budget, spend in the month relates to owner buy backs, home loss and disturbance costs prior to demolition.

Gross interest payable of £3,245k represents interest due on the loans due to Wheatley Funding No.1 Ltd and external funders. The unfavourable variance of £185k is due to the increase in floating interest rates.

Net capital expenditure of £8,017k is £543k lower than budget.

- The investment income is £7,792k lower than budget due to timing of grant funding claimed for the new build programme (Curries Yard and Springholm).
- Total core investment spend of £7,096k is £230k higher than budget due to higher spend on capitalised voids and grant funded adaptation works (which have compensating additional grant income). A number of mitigating actions and business rules have been put in place to manage investment spend within the forecast spend.
- New Build expenditure is £7,989k lower than budget driven by timing of spend on Curries Yard and Springholm.
- Other capital expenditure of £452k is £576k lower than budget. Other capital spend includes work on local touchdown hubs and IT costs.

1f) Wheatley Developments Scotland – Period to 30 September 2023

[redacted]

1g) WFL1 and WGC

WFL1 Limited	Period to 30 Sept 2023
	Actual £ks
INCOME	
Operating Income	1,067
EXPENDITURE	
Administration Costs	(1,067)
TOTAL EXPENDITURE	**0**
NET OPERATING SURPLUS	**0**
Bank interest received	101
Finance Income	30,769
Finance Charges	(30,870)
PROFIT / (LOSS) BEFORE TAX	**0**

Wheatley Funding No. 1 Limited

Operating income of £1,067k has been recognised in the period. Operating income relates to the recharge of commitment fees on the loan facility for the RSLs.

Administration expenses are for the commitment fees charged on the borrowings for the RSL Borrower group. £1,067k of fees have been incurred and subsequently recharged to the RSLs.

Finance costs of £30,870k relate to interest charged on the facilities to WFL1. These charges are passed on to the RSLs in full.

Wheatley Group Capital plc	Period to 30 Sept 2023
	Actual £ks
INCOME	
Operating Income	0
EXPENDITURE	
Administration Costs	0
TOTAL EXPENDITURE	**0**
NET OPERATING SURPLUS	**0**
Finance Income	6,580
Finance Charges	(6,580)
PROFIT / (LOSS) BEFORE TAX	**0**

Wheatley Group Capital Plc

Finance charges of £6,580k have been recognised in the period. This relates to interest on the £300m bond that sits in Wheatley Group Capital plc. The interest rate is 4.375% per annum.

This is passed on to WFL1, and the recovery from WFL1 recognised as Finance Income. The interest costs are subsequently recharged from WFL1 to the RSLs.

2a) RSL Borrower Group – Consolidated Balance Sheet

RSL Borrower Group	As at 30 September 2023 £ks	As at 31 March 2023 £ks
Fixed Assets		
Social Housing Properties	2,637,348	2,594,698
Investment properties	122,499	122,499
Other tangible fixed assets	69,623	71,324
Investments -other	12,073	12,073
Fixed Assets	**2,841,543**	**2,800,594**
Debtors Due More Than One Year		
Inter Company Loan	18,325	18,325
Pension Asset	2,505	2,505
Current Assets		
Stock	1,858	1,713
Trade debtors	1,549	1,742
Rent & Service charge arrears	15,203	15,985
less: Provision for rent arrears	(10,822)	(9,782)
Prepayments and accrued income	12,450	7,007
Intercompany debtors	17,203	7,341
Other debtors	17,278	17,811
	54,719	**41,817**
Bank & Cash	29,017	24,736
Current Assets	**83,736**	**66,553**
Current Liabilities		
Trade Liabilities	(6,294)	(5,056)
Accruals	(50,722)	(55,869)
Deferred income	(35,342)	(34,541)
Rents & service charges in advance	(15,099)	(14,250)
Intercompany creditors	(2,787)	(1,080)
Other creditors	(17,818)	(16,385)
	(128,062)	**(127,181)**
Net Current Assets	**(44,326)**	**(60,628)**
Long Term Liabilities		
Contingent efficiencies grant	(47,914)	(47,914)
Loan - private finance	(1,206,058)	(1,169,469)
Bond finance	(300,000)	(300,000)
Provisions	(1,913)	(1,960)
Deferred income	(71,344)	(50,293)
Pension liability	(3,042)	(3,042)
Long Term Liabilities	**(1,630,271)**	**(1,572,678)**
Net Assets	**1,187,776**	**1,188,118**
Funding Employed		
Capital & Reserves		
Share Capital	0	0
Retained Income b/fwd	672,170	719,695
Income & Expenditure	(341)	(47,524)
Revaluation Reserves	515,947	515,947
Funding Employed	**1,187,776**	**1,188,118**

Key highlights:

- The comparative Balance Sheet at 31 March 2023 reflects the audited statutory accounts for the year then ended.
- The RSL Borrower Group net assets stand at £1,187.8m at 30 September 2023.
- Current assets (excluding cash) are £13.9m higher than the year end position, mainly due to the increase in the intercompany balance of £9.9m due to timing of payment and increase in other debtors, prepayments and accrued income of £5.4m due to timing of receipt of income. This increase has been partially offset by a reduction in rent arrears of £1.8m due to the timing of receipt of housing benefit.
- Overall current liabilities are £0.9m higher than the year end position. Increases are noted in due to the timing of the payment of the creditors, which have mainly been offset by a reduction in accruals, due to the timing of invoices being raised for costs.
- Long term liabilities at 30 September 2023 are £57.6m higher than the year end position mainly due to £35m additional loans received to finance the developments across the RSL's and £21.1m increase in deferred income.
- Income and expenditure relates to the RSL Borrower Group surplus for the period to 30 September 2023.

2b) RSL Borrower Group – Cash Flow Statement

For the period ended 30 September 2023	2023/24 £'000
Net cash generated from operating activities (see Note1)	53,957
Cashflow from investing activities	
Purchase of tangible fixed assets	(97,321)
Grants received	40,420
	(56,901)
Cashflow from financing activities	
Interest paid	(28,071)
Interest received	121
Additional funding received in year to date	35,000
	7,225
Net change in cash and cash equivalents	**4,281**
Cash and cash equivalents at the beginning of the year	24,736
Cash and cash equivalents at the end of the period	29,017

Note 1	2023/24
Cashflow from operating activities	
Operating surplus for the period	**32,577**
Adjustments for non cash items:	
Depreciation of tangible fixed assets	**56,028**
Movements in working capital	**(21,299)**
Movements in provisions	(47)
Adjustments for investing or financing activities:	
Government grants utilised in the year	**(13,302)**
Cashflow from operating activities	**53,957**

Wheatley Group

Report

To: **Wheatley Housing Group Board**

By: **Anthony Allison, Group Director of Governance and Business Solutions**

Approved by: **Steven Henderson, Group Chief Executive**

Subject: **Governance update**

Date of Meeting: **8 November 2023**

---

1. Purpose

1.1 To update the Board, seeking approval where appropriate, on the following governance-related matters:
- Scottish Housing Regulator ("SHR") consultation on its Regulatory Framework;
- Committee appointments;
- Corporate dissolutions;
- Policy update; and
- 2024 meeting schedule.

2. Authorising and strategic context

2.1 Under the Group Standing Orders the Board is responsible for our governance arrangements including changes to our corporate structure, appointment of Group Committee members, amendments to Committee Terms of Reference and agreeing its schedule of meetings.

2.2 The SHR is our primary regulator and the framework under which the SHR does this helps to define the parameters for how we govern the Group. Strategically, the SHR Regulatory Framework is also important for our funders since it provides them with assurance that we operate in a sector which is well-regulated and supported, which in turn helps to mitigate the risk of their investment in us.

2.3 Our Damp and Mould Policy is designated as a group policy and any changes are reserved to the Group Board.

3. Background

3.1 We keep our governance arrangements under review to ensure that they remain fit for purpose and effective. The changes to the Group structure are consistent with our focus on ensuring that our governance structure is well-defined and reduces unnecessary complexity. Our governance is also set within the context of the requirements of the SHR Regulatory Framework.

4. Discussion

4.1 Scottish Housing Regulator - consultation

4.1.1 Following its discussion paper in June 2023 the SHR has now issued its consultation on the regulation of social housing in Scotland. This includes specific updates to the Regulatory Framework and associated Statutory Guidance.

4.1.2 The proposed changes reflect the future priorities set out by the SHR in its initial discussion paper, which will focus on ensuring RSLs:

- Listen and respond effectively to tenants and service users;
- Provide good quality and safe homes;
- Keep homes as affordable as possible; and
- Do all they can to reduce the number of people who are experiencing homelessness.

A copy of the consultation, including a track-changed copy of the Regulatory Framework, is attached at Appendix 1.

4.1.3 As we indicated in our response to the discussion paper, the SHR's proposed priority areas reflect the areas we already consider to be priorities and which we had taken steps to further refine during the past year.

4.1.4 We are well placed to address the proposed Framework and associated Statutory Guidance. A more detailed update on the key elements of the consultation and proposed changes are set out below:

Annual Assurance Statement (AAS)

4.1.5 The SHR intends to add a provision to the Statutory Guidance enabling it to require landlords to include explicit assurance on specific issues, from time to time. This allows the AAS process to respond to emerging topics, such as damp and mould. This formalises what has already been a recent practice from the SHR.

Annual Return on Charter (ARC)

4.1.6 The SHR initially set out in its discussion paper plans to introduce new indicators on tenants and resident safety as well as specific measures in relation to damp and mould. It is now proposing to undertake a comprehensive review of the Annual Return on the Charter ("ARC") which would in turn capture any new indicators for tenant and resident safety and damp and mould. It would also allow the Scottish Government EESSH Review Group to conclude its work.

4.1.7 It is intended that a working group be established with a view to a revised set of ARC indicators being issued for consultation in 2024/25 with a view to taking effect from 2025/26. We propose to support the approach, which will allow sufficient time for the measures to be well-defined and the necessary arrangements for data collection and validation to be completed. We will seek to participate in any cross-sector working Group which is established.

Regulatory requirements

4.1.8 The SHR has always had a strong focus on ensuring that landlords listen to tenants and service users. One of the proposed enhancements to the Regulatory Framework is to include a specific requirement for landlords to ensure tenants, residents and service users have an easy and effective way to provide feedback and raise concerns. This should also allow the RSL to provide quick and effective responses.

4.1.9 We already have a very strong range of mechanisms in place which would evidence our compliance with such a requirement. Our strong focus on our engagement framework and Customer Voices programme together with real-time feedback tools such as Book it, Track it, Rate and My Voice affirm that this is an area we have a strong focus on.

4.1.10 Our approach to customer contact, which includes a multi-channel offering of telephone, email, webform and direct meetings with housing officers. The SHR's proposed additional emphasis on listening to and responding to tenants is consistent with our own.

Regulatory Status

4.1.11 The SHR proposes retaining the three-category approach but making the language more direct to confirm 'working towards compliance' is a non-compliant status. We are, and will remain, in the compliant category and therefore will not be impacted by this change. There is no change proposed to the compliant category.

Significant Performance Failures

4.1.12 The SHR is also consulting on updating the framework to make clear how tenants should raise concerns about their landlord. We have an open and well-publicised complaints process and our experience is that the vast majority of customers use this process to raise concerns.

4.1.13 However, we do agree that there is an opportunity for the SHR to improve clarity and it does seek to do this. This includes clearly defining the criteria by which the SHR will consider an issue, in particular that it must impact a group of tenants, and a clear statement about the routes for tenants which should be through their landlord's process and then SPSO, rather than direct to the SHR. This will ensure that landlords will always have the opportunity to respond to and address any issues before escalation to the SPSO or the SHR.

Statutory Guidance

4.1.14 As part of its review of the Regulatory Framework, the SHR is also consulting on updates to its Statutory Guidance. A number of changes are being made to the guidance on group structures. The changes are being made to reflect the SHR's experience with the development of more complex governance structures and the SHR is seeking to reinforce the principle of ensuring that group structures comply with the regulatory standards, for example in relation to delivering benefits for tenants and financial viability.

4.1.15 Although we have a number of subsidiaries, we keep our structure under review and have taken decisions to consolidate this where we can. In addition, our governance arrangements are clear and have been developed with input from our legal and our governance advisors. As such, we have clear lines of responsibility and accountability as set out in the respective constitutions and through our Group Standing Orders which were updated last year.

Consultation response

4.1.16 A draft response to the consultation is set out in Appendix 2. It is proposed that we affirm our support for the changes, which are largely incremental and focused on providing additional clarity.

4.2 <u>Committee appointments</u>

4.2.1 At its meeting in September, the Group RAAG Committee considered Committee appointments for the year ahead. These are subject to Group Board approval.

Group Audit Committee

4.2.2 The RAAG Committee agreed to recommend the following as the Committee members for the next 12 months:

- Caroline Garnder (Chair)
- Alison McLaughlin
- Fiona Burden
- Maureen Dowden
- David Rockliff

4.2.3 Maureen Dowden is recommended for appointment following her succession as WH Glasgow Chair in place of Bernadette Hewitt. The RAAG Committee also agreed to recommend the appointment of David Rockliff to the Group Audit Committee. David is currently on the Board of Lowther Homes and has extensive senior experience in banking and corporate finance, including having previously served as Head of Risk at Tesco Bank.

4.2.4 The Chair of the Group Audit Committee has also met with David and confirmed that she supports the appointment. It is proposed that the appointment be remunerated at a rate of [redacted] per annum, in line with the other co-opted Group Audit Committee member.

Group Remuneration, Appointments, Appraisals and Governance Committee

4.2.5 Membership of the Group RAAG Committee is *ex officio* and is recommended for 2023/24 as

- Group Chair Jo Armstong (also Group RAAG Chair)
- Chair of Group Audit Committee (Caroline Gardner)
- Chair of Wheatley Homes Glasgow (Maureen Dowden)
- Chair of Wheatley Developments Scotland (Bryan Duncan)

4.2.6 This proposal acknowledges that we no longer have a Group Vice Chair, whose role was previously included as a member of the Group RAAG Committee. It is proposed that the Terms of Reference be updated to reflect this change.

Strategic Development Committee

4.2.7 The Group RAAG Committee also agreed to recommend changes to the composition of our Group Strategic Development Committee. This Committee remains in place to consider either a) particular strategic issues that require more detailed consideration prior to being considered by the Group Board and b) any matters that the Board wishes to delegate, such as those that are not within the purview of an existing subsidiary Board or Group Committee.

4.2.8 The membership of the Group Strategic Development Committee has generally been drawn from the Group Board non-executives along with the Chair of WH-Glasgow. Taking into account the recent changes, it is recommended that the membership for 2023/24 is:

- Jo Armstrong (Chair)
- Caroline Gardner
- Maureen Dowden
- Alison McLaughlin
- Bryan Duncan
- Manish Joshi

4.3 <u>Policy update</u>

4.3.1. Our experience of operating our Damp and Mould Policy has identified a minor adjustment that is required. The Policy currently states that we will visit a customer's home within 48 hours of a report of mould unless the customer requests a later date.

4.3.2 While we will continue to adhere to this in the vast majority of cases it can present a challenge in terms of resource assumptions for weekends. Any cases reported on a Friday, even late on a Friday evening, would technically require to be completed by the Sunday to comply with our 48 hour commitment and our resource planning assumptions reflect this. Our experience is that customer appetite for appointments on Sundays is very limited.

4.3.3 It is proposed that our policy be updated to two working days, which we would expect to only impact those reported on a Friday. We would expect such cases to be offered an appointment on the Monday. Where our initial assessment is that it is likely to be a category one case this will continue to be treated as an emergency repair.

4.4 <u>Corporate dissolutions</u>

4.4.1 We have been continuing to make progress with our corporate wind-ups and have now lodged applications to voluntarily strike-off YourPlace Property Management Limited and Wheatley Enterprises Limited. Subject to there being no objections, Companies House expect to strike-off companies within 3 months of application.

4.4.2 Having approved its annual accounts, the Board of West Lothian Housing Partnership agreed to apply to de-register as a RSL and thereafter seek removal as a registered company and charity. We have applied SHR to de-register. Our application will be considered by the Board of SHR and we anticipate this process should take approximately eight weeks. Once we have approval, we will submit applications to strike-off the company and to de-register as a charity.

4.4.3 We have also had Novantie's annual accounts signed and submitted to Companies House. Once these have been accepted, we will apply voluntary strike-off.

4.5 2024 meeting schedule

4.5.1 The meeting schedule for 2024 is set out in Table 1 below, with the months and timings consistent with this year. In addition to regular business, next year we will also hold a strategy workshop in January to consider our strategic asset management approach. This workshop will be used to inform our business plan and five-year asset investment plan which will be considered in February.

Table 1

Date	Time	Venue	Meeting
Wednesday 31st January	1pm to 4pm	Wheatley House	Workshop on asset management strategy
Wednesday 21st February	10.30am	Wheatley House	Board meeting
Wednesday 24th April	10.30am	Brasswell, Dumfries	Board meeting
Thursday 20th & Friday 21st June	Thu am – Fri lunchtime	External	Board meeting and strategy workshop
Wednesday 28th August	10.30am	Wheatley House	Board meeting
Wednesday 25th September	10.30am	Wheatley House	AGM and Board meeting
Wednesday 13th November	10.30am	New Mart Road, Edinburgh	Board meeting
Wednesday 18th December	10.30am	Wheatley House	Board meeting

5. Customer Engagement

5.1 As internal governance-related matters, the content of the report is reserved to the Board. As such there no customer engagement has been appropriate.

6. Environmental and sustainability implications

6.1 There are no environmental or sustainability implications associated with this report.

7. Digital transformation alignment

7.1 There are no links to the digital transformation programme.

8. Financial and value for money implications

8.1 There are no financial or value for money implications.

9. Legal, regulatory and charitable implications

9.1 This report sets out the proposals for changes to the SHR Regulatory Framework which we are required to comply with.

9.2 The strike-off of the dormant companies in our group is being undertaken in accordance with company law.

10. Risk appetite and assessment

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

10.2 We mitigate this risk by regularly reporting to the Board on governance-related matters and routinely reviewing our records to ensure that our governance records remain up-to-date and accurate.

11. Equalities implications

11.1 There are no direct equalities considerations arising from this report. Our approach to damp and mould already takes equalities into account and we will continue to evaluate whether cases present a serious public health issue in addition to working towards the two working day response time.

12. Key issues and conclusions

12.1 The primary matter discussed in this report is the SHR's Regulatory Framework. We are supportive of the SHR's proposed changes and consider that these will enhance the Regulatory Framework for the benefit of the sector.

13. Recommendations

13.1 The Board is asked to:

1) Approve our proposed response in support of the SHR's changes to the Regulatory Framework;
2) Approve the Committee appointments for the next 12 months;
3) Approve the remuneration of David Rockliff as a member of the Group Audit Committee at [redacted] per annum;
4) Approved a change to the Terms of Reference for the Group Remuneration Appointments Appraisals and Governance Committee;
5) Approve the update to our Group Damp and Mould Policy to reflect the response time of two working days;
6) Note the update on our corporate dissolutions; and
7) Note the meeting schedule for 2024.

LIST OF APPENDICES:

Appendix 1: [redacted] available here
Appendix 2: [redacted] available here

+

Report

To: Wheatley Housing Group Board

By: Anthony Allison, Group Director of Governance and Business Solution

Approved by: Steven Henderson, Group Chief Executive

Subject: Contract award – Grounds Maintenance

Date of Meeting: 8 November 2023

---

1. Purpose

1.1 To seek approval for the award of the contract for the provision of Grounds Maintenance Equipment, Maintenance and Repairs Service to Fraser C Robb Limited (“Fraser Robb”) for a contract period of three years to a maximum value of £950,000 excluding VAT.

2. Authorising and strategic context

2.1 Under the Scheme of Financial Delegation (SoFD) and Group Standing Orders, approval of revenue contracts over £1m is reserved to the Group Board.

2.2 Group Board approval is sought for the award of this contract. The value of this contract over the 3-year period is to the maximum value of £950,000 excluding VAT as variable rates apply. As the VAT will be greater than £50,000 it will meet the threshold for this Board’s approval.

3. Background

3.1 Fraser Robb, our incumbent supplier, has been providing grounds maintenance equipment, maintenance and repairs services to us since 2012. This includes our depots across the Group; throughout Glasgow, Edinburgh and Dumfries. As part of the existing contract we require and receive:

- All equipment purchased on our behalf, both plant and machinery;
- Replacement of equipment that is nearing the end of its life cycle;
- Servicing, maintenance and repairs of all equipment, plant and machinery and the provision of spare parts, including a mobile repairs service for road-side repair or replacement;
- Delivery of official training on the use of equipment, plant and machinery and services and familiarisation training with new equipment; and;
- Annual servicing of the equipment (which takes place over winter).

3.2 The type of equipment we require includes:

- Handheld Equipment;
- Pedestrian Self-Propelled Equipment;
- Self-Propelled Mowers and Push Equipment;
- Ride On Equipment;
- Utility Vehicles;
- Towed Equipment;
- Tractor Mounted Equipment;
- Vehicle Mounted Equipment; and
- Winter Maintenance Equipment.

Group spending over the last 4 years

3.3 Our spending profile over the last four years has been as follows:

	2019/20	2020/21	2021/22	2022/23	Total
Machinery	£74,000	£188,132	£180,367	£64,415	**£506,914**
Parts	£76,280	£55,224	£107,696	£110,383	**£349,583**
Servicing and Repairs	£84,792	£90,934	£94,729	£139,248	**£409,703**
Total	£234,851	£331,590	£383,125	£316,634	**£1,266,200**

3.4 Spend is broken down into machinery / parts / servicing and repairs costs. Machinery purchase costs accounted for the highest volumes of spend, in particular 2021/22 as a result of the creation of Wheatley Homes South NETs teams.

3.5 We have largely completed the capital investment in new machinery and are moving into a management and maintenance phase for all our purchased plant equipment. The NETs service employs two members of staff to carry out a proportion of small repairs in-house. A large quantity of assets still need to be maintained by the supplier and many products, such as blades and air filters, are considered consumable items and therefore are not covered by warranty.

3.6 We are currently assessing whether an expansion of our in-house repairs staff undertaking repairs and servicing could reduce costs. The NETs team will continue to require repair services from the supplier in the interim, particularly for larger machinery items. This contract can be terminated with 20 days' notice should our servicing requirements be brought in-house at a later date.

4. Discussion

4.1 A key priority for the procurement was to appoint a single supplier for all our needs. This was based on achieving cost efficiency as well as having a single supply chain to allow it to be better managed, more integrated and support better service delivery.

4.2 Our preferred procurement approach for this service was to use an existing procurement Framework via a suitable third party. This allows us to benefit from advantageous pricing from the economies of scale and the robust terms and conditions suitable for the public sector. To determine the best route to market, a benchmarking exercise was carried out.

4.3 A benchmarking exercise took place to identify the best route to market. There are two National Frameworks offering mini-competition and direct award solutions for Grounds Maintenance Equipment and machinery: Scotland Excel ("SXL"), and The Procurement Partnership ("TPPL").

4.4 The SXL Framework has 12 different Lots for all Grounds Maintenance Equipment and machinery, for example, a single Lot for handheld tools, and a single Lot for ride-on mowers. SXL does not offer an option to complete a 'One-Stop-Shop' mini competition. It was agreed this Framework was unsuitable as it was deemed a risk to hold a mini competition for each Lot. The risk of having up to 12 different appointed suppliers would have a detrimental impact on our service delivery. There would also be increased costs and complexity associated with managing a larger supply chain.

4.5 The TPPL Framework offered the option to complete a mini competition from two individual lots: handheld tools and equipment and grounds maintenance equipment, or a direct award route for a 'One Stop Shop'. Again, a mini competition was deemed a risk with the potential of two different suppliers being appointed. This would create an issue for maintenance, servicing, and repair requirements.

4.6 A route to market with the ability to hold one mini-competition and appoint one provider was not available. Therefore, we identified the optimal procurement route as a Direct Award to Fraser Robb via the TPPL Framework.

4.7 We have recently used TPPL's Framework for the re-procurement of our fleet supply contract and have a strong working relationship with the provider. TPPL offer a limited number of speciality Frameworks, including their Grounds Maintenance, Plant and Handheld Tools Framework. TPPL have strong relationships with key suppliers who can ensure volumes of machinery can be delivered and maintained. The terms and conditions used are bespoke to ground maintenance requirements with a focus on buyers' needs are met.

4.8 Our machinery is under manufacturer warranty and therefore needs to be maintained by a certified installer to preserve the warranty. Fraser Robb is certified by the manufacturer of the equipment and machinery we have and are therefore able to provide the required parts for maintenance.

4.9 All servicing completed by the provider is carried out by manufacturer-trained engineers who hold all technical knowledge for all machinery supplied. Fraser Robb is centrally located in Scotland to cover the Central Belt, and is also able to cover sales, repairs and servicing requirements in Dumfries and Galloway. They directly employ all their engineers and can service all areas of the Group. Our experience to date with Fraser Robb is that they provide a high-quality service which meets our needs.

5. Customer Engagement

5.1 Engagement with customers was not directly applicable to this contract renewal.

6. Environmental and sustainability implications

6.1 Fraser Robb will work with us to ensure that their working practices align with our Sustainable Procurement Policy and our environmental and sustainability ambitions. Fraser Robb is dedicated to fulfilling environmental and sustainable obligations.

6.2 Fraser Robb has committed to contribute to the development of a net zero Scotland by 2045. Their journey towards this includes encouraging customers to move to battery powered equipment and demonstrate the positive effect that they bring to the environment and their business.

6.3 Fraser Robb works closely with local businesses and agencies encouraging clients and the supply chain to buy locally to ensure lower emissions. Through training, communication and monitoring, the provider demonstrated a reduction in waste and achieved a greener and more efficient operation within our showroom and workshop.

6.4 Fraser Robb is currently working towards ISO14001 for Environmental Policies, and holds the following – Environmental Policy, Sustainability Policy, Waste Management Policy and Environmental Priorities.

7. Digital transformation alignment

7.1 There are no implications to digital transformation alignment in this report.

8. Financial and value for money implications

8.1 Terms and conditions of the TPPL Framework are specialised to ensure that all suppliers are appropriately vetted and suitably qualified to carry out services. The utilisation of these terms and conditions also ensures suppliers are committing to best practice and were appointed to the Framework for their professional capability, experience and competitiveness.

8.2 This route to market gives the Group access to rates that were tendered in 2022, protecting the Group from the subsequent price increases and providing fixed rates for a further two years. This will deliver a cost avoidance of between 8-12% against current market rates.

8.3 Fraser Robb has committed to holding 2022 Framework pricing for a further 2 years (until November 2025), after which we can either negotiate a further 1-year extension or utilise the ability to go out to market. As an example of this cost saving Fraser Robb has committed to holding their 2022 Service Charge fee of [redacted], compared to the current 2023 average market rate of £71.25. This contract is a call-off arrangement, therefore there is no commitment to spend but when spend occurs, we will be spending at confirmed rates.

8.4 Fraser Robb has committed to continuing to deliver community benefits as part of this contract which are in line with our community benefit statement. Throughout the duration of the curretn contract Fraser Robb has provided community benefits to us such as:

- Sponsorship of Wheatley Community Football Match for Beatson;
- Raffles / Christmas voucher support for Wheatley Group;
- Carrying out various ground care activities to support the local community;
- Created employment opportunities for Wheatley customers, for example apprenticeship roles. Fraser Robb recruits a Modern Apprentice every 2 years; and
- Assisted in designing a plan for the regeneration of Lambhill Stables.

9. Legal, regulatory and charitable implications

9.1 TPPL's procurement of this Framework has been subject to a fully regulated process. The risk of a procurement challenge is considered low and contract award will follow immediately after approval for comment on 01 December 2023.

9.2 An Equifax finance report has been conducted for the supplier and their financial stability is rated E+ the supplier can undertake contracts to a value of £300,000. As this rating is below our required level D, we have undertaken a review of the last 3 years' trading and accounts. The accounts did reflect a negative period during the pandemic; however, we can mitigate the risk as we have no plans for large value spend and all invoices are paid 30 days in arrears on satisfactory completion, further reducing this risk.

10. Risk Appetite and assessment

10.1 The Group's risk appetite in respect of Laws, Regulations and Covenant Compliance is averse, i.e., avoidance of risk and uncertainty is a key organisational objective.

10.2 The award of this contract is fully compliant with all relevant procurement legislation and presents no increased risk to the Group.

11. Equalities implications

11.1 There are no equalities implications for this report.

12. Key issues and conclusions

12.1 Following the evaluation of our procurement options we identified that a direct award best met our priorities of financial efficiency, an integrated supply chain for related goods and services and enabling the delivery of high-quality services to our customers.

13. Recommendations

13.1 The Board is requested to approve a Group-wide contract for the supply of Grounds Maintenance Equipment, Maintenance and Repairs Service to Fraser C Robb Limited for a contract period of three years starting December 2023 based on a maximum contract value of £950,000 excluding VAT.

Report

To: **Wheatley Housing Group Board**

By: **Anthony Allison, Group Director of Business Solutions and Governance**

Approved by: **Steven Henderson, Group Chief Executive**

Subject: **Contract variation – mechanical and engineering compliance**

Date of Meeting: **8 November 2023**

---

1. Purpose

1.1 The purpose of this report is to provide an update on our mechanical and electrical ("M&E") compliance and seek approval for the variation of our contract with Equans Ltd to reflect the increasing scale of our operations.

2. Authorising context

2.1 In April 2020 the Board approved the award of a contract for M&E services to Equans Ltd (who were at that time known as Engie BES Ltd) for up to £14m (ex VAT). The contract covered the M&E assets within the Group, other than Wheatley Homes South ("WHS"). WHS had separate contractual arrangements still in place.

2.2 Under the Scheme of Financial Delegation approval of revenue contracts over £1m is reserved to this Board. Any variations to prior approvals therefore also require the Board's approval.

2.3 Group Board approval is sought to extend the approved spend level with our M&E specialist contractor Equans Ltd to £25m (ex VAT) by the end of the contract year 5, 31 March 2025. There is however no contractual commitment to guarantee this spend with the supplier.

2.4 Within the Group Standing Orders, the Board has a role in the overall monitoring and scrutiny of our compliance with relevant legislation and regulations across our group entities. This report provides the Board with an update and details of the compliance works that are managed and undertaken and ongoing activities.

2.5 M&E compliance supports our strategic theme in line with our strategy, we will maintain our commitment to "make the most of our homes and assets". We will ensure, through our home safety compliance programmes, that we protect and maintain our existing assets.

3. Background

3.1 Across the Group we operate a range of M&E equipment, ranging from local extraction ventilation systems to fire alarms and emergency lighting. In 2020, a total of 8,000 M&E assets were on our statutory compliance maintenance program with a forecasted spend of £[redacted] (ex VAT) over 5 years. This did not include WHS which had a stand-alone programme as it transitioned to the Group.

3.2 The compliance requirements on our RSLs have continued to expand. When coupled with new M&E equipment arising from new build developments and capital upgrade projects the 8,000 has increased to more than 11,000 assets.

3.3 Our assets covered by the contract will continue to grow further following more completions of our new build development programme and the addition of WHS works as legacy contractual arrangements expire.

3.4 There are over 200 individual task categories which are included within our M&E workstream. The main work types are:

Communal TV	Water tank treatment (including water sampling)
Fire alarms	Cold water pump and storage installations
Intruder alarms	Sewage systems
Alarm receiving	Sprinkler systems*
Emergency lighting*	Pressure reducing valves
Warden / nurse call systems	Feature lighting
Domestic water pumps and communal cold water tanks	Fixed installation testing (dwellings and blocks) *
Dry and wet riser firefighting installations pressure tests	Sprinkler flow tests*
Lightning conductor tests	Lift insurance inspections
Automatic smoke vents*	Track Hoist System
Warden Call Service	Access Control Systems
Legionella/Water Hygiene Maintenance	Hearing Aid Alarm Systems
Radon Pump Service	Smoke Extraction System

** Works only carried out in the East of the country, City Building to carry on with work in the West.*

3.5 Many of our M&E assets and components, while properly maintained within statutory compliance intervals, are older and exceed their lifecycle capital replacement schedules, so the Equans maintenance contract is an important element in maintaining and extending the life of these assets. The scope of the Equans contract excludes lift maintenance and replacement as our lifts are maintained under a separate range of contracts.

4. Discussion

4.1 We entered formally into a contract in March 2020 with Equans. The contract was immediately impacted by Covid events and lockdown rules with furloughed staff and an inability to have engineers work in pairs due to social distancing regulations.

4.2 Since these initial challenges Equans now provides us with better control and real-time information on our M&E compliance with more accurate information on asset type and condition.

4.3 Operationally the contract arrangement with Equans provides easier maintenance scheduling, quicker task orders and communications and complete asset knowledge by utilising a CAFM system (Computer-aided Facilities Management) that displays easily identifiable compliance information across our estate.

4.4 Our M&E compliance and maintenance requirements have and will continue to grow. This M&E asset growth has contributed to increased annual spending, coupled with increasing requirements in relation to fire and building safety maintenance and general economic uncertainty in recent years with Brexit. Over the last 12 months materials and labour prices have seen a price increase which has increased the costs of the contract at a faster rate than we initially assumed.

4.5 There are a range of M&E maintenance and compliance specialists available in the market and companies that operate in Scotland. We considered the option to undertake a tender for additional work beyond that assumed in the current contract.

4.6 On the basis that this is a high-risk area, the contract is already scheduled for retendering in 2025 and the spend is not guaranteed it is proposed that we vary the spend approval for the existing contract. Additionally, the time it would take to procure and onboard an additional supplier relative to the 2025 retender date would reduce stability in an area where we are risk-averse.

Contractor Performance

4.7 Equans performance remains above satisfactory with emergency callouts being dealt with within agreed timescales. Much of our M&E equipment is within communal areas of building of multiple occupancy with access not required into our customers' homes, which allows our specialist contractor to be able to plan works throughout the year ensuring all our M&E works are up to date.

Spend to date

4.8 Due to a combination of increased M&E compliance checks, higher than expected reactive repairs and capital investment projects, and high inflation levels, the spend through the contract has now exceeded the original contracted value of £14m (ex VAT) which was the amount advertised for the full 5-year term. The table below illustrates this with the spend to date.

SUMMARY OF TABLES (Ex. VAT)				
	20/21	**21/22**	**22/23**	**Total**
PPM Contract Price	£1.27m	£1.36m	£1.44m	£4.07m
Reactive Repairs	£1.2m	£1.8m	£1,76m	£4.76m
Capital Investments	£783k	£3m	£1.7m	£5.46m
Total Spend to date Mar-23	£3,3m	£6.2m	£4.9m	£14.3m

4.9 Due to the closure of the Public Switched Telephone Network by December 2025, we have identified a small number of fire and intruder alarm lines that will require an upgrade of a digital solution. Equans are already successfully delivering a pilot of digital fire and intruder alarms in the East. It is intended that we add this requirement to this Equans framework to cover all our requirements.

4.10 For the few specialised services required there are local arrangements in place with M&E subcontractors in WHS. As these contractual arrangements end we will transition future activity to the Group wide contractor, including Equans until 2025.

5. Customer Engagement

5.1 Engagement with customers was not directly applicable to this contract renewal.

6. Environmental and sustainability implications

6.1 As part of the due diligence aspect of this procurement process, Equans were asked to confirm the nature of their environmental policies. We have confirmed that they had policies and submitted these as part of their contract to align with our Group Sustainability Framework.

6.2 This included the requirement for subcontractors to:

- Review environmental impacts pre-work.
- Consider the use of sustainable materials and resource management.
- Increase employee awareness and provide training opportunities.
- Protect natural resources, watercourses and forestation.
- Recycle and reuse material where possible and minimise waste.
- The safe transportation and disposal of waste materials.

6.3 Our trade specifications also included requirements for the use of sustainable materials.

7. Digital transformation alignment

7.1 An important element of the Equans contract was to create an asset inventory by tagging and logging on their system all Group’s M&E assets. This was an essential part of the scope of the contract to create schedules of maintenance and provide reporting information. This task is not yet complete but is on track to be delivered by the end of the contract in 2025.

7.2 Once logged on the Equans system certification and maintenance schedules can be sent from their CAFM system into the Group PIMMS system as required. The type of data we now can collect is locations, description, unique asset code and criticality condition rating and unique asset ID of each piece of mechanical or electrical plant we have.

8. Financial and value for money implications

8.1 The financial cost of the contract was originally advertised at £14m (ex VAT) over 5 years as seen in the table below. This did not include any capital improvement projects at the time as it was an unforeseen requirement.

8.2 The costs for years 23/24 for all subsidiaries have been agreed with Equans and our team has verified these are in line with expectations. We have used this information to forecast our future years requirements, noting that all spending is authorised prior to works being carried out.

[redacted]

8.3 This allows for WHS work which will transition to Equans plus a small degree of contingency relative to the overall £25m.

9. Legal, Regulatory and Charitable Implications

9.1 The contract was established under the ESPO framework using NEC3 terms and conditions. The commercial terms were agreed upon as part of the commercial negotiation.

9.2 Our risk appetite with respect of Laws, Regulations and Covenant Compliance is averse, i.e. avoidance of risk and uncertainty is a key organisational objective. The variation of spend of this contract is fully compliant with all relevant procurement legislation.

10. Risk Appetite and Assessment

10.1 The Group's risk appetite for technical compliance (e.g. health and safety, gas, electricity) and their Laws & Regulations is averse i.e. avoidance of risk and uncertainty is a key organisational objective.

10.2 The original appointment of our single M&E service provider made use of industry specialist expertise across various workstreams to minimise our overall compliance related risk with the original intention of developing a more effective service delivery model rather than managing multiple smaller supply chain arrangements, which was the model before the appointment of Equans.

11. Equalities Impact

11.1 There are no equalities implications for this work.

12. Key Issues and Conclusions

12.1 Our specialist M&E contractor Equans undertakes our essential statutory compliance mechanical and electrical works on our behalf. We have an obligation to undertake this work and as such the variation proposed to support us is necessary to allow us to meet these obligations.

12.2 The proposed variation allows us to ensure we continue to meet our statutory requirements without risking continuity ahead of a relatively close re-procurement planned for 2025.

13. Recommendations

13.1 The Board is requested to approve the proposal to extend the approved spend with Equans Ltd by £11m (ex VAT) to a total value of £25m (ex VAT).

LIST OF APPENDICES:

None