WHEATLEY HOUSING GROUP LIMITED

BOARD MEETING

Wednesday 15 December 2021 at 10.30am
Wheatley House, 25 Cochrane Street, Glasgow, G1 HL

AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Minutes of meeting of 27 October 2021 and matters arising
4. Group CEO Update

Main Business Items

5. Customer First Centre update
6. [redacted]
7. Group development company
8. [redacted]
9. Heat and smoke detector programme update (Presentation only)
10. Group Health and safety policy
11. Dampness, mould and condensation policy
12. [redacted]

Other Business Items

13. Finance report
14. Funding update
15. Governance update
16. Strategic risk register
17. AOCB

Report

To: **Wheatley Housing Group Board**

By: **Steven Henderson, Group Director of Finance**

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

Subject: **Customer First Centre Update**

Date of Meeting: **15 December 2021**

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1. Purpose

1.1 To provide an update on the establishment of our Customer First Centre ("CFC").

2. Authorising and strategic context

2.1 Under the Group Standing Orders, the Group Board is responsible for approving Group Strategy. Delivering exceptional customer experience and progressing from excellent to outstanding service are stated themes and objectives, and the CFC is a key part of our vision for realising this.

3. Risk appetite and assessment

3.1 The Group's appetite relating to operating models and modernising of services is hungry i.e. eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk).

3.2 We mitigated the risk of introducing a new CFC model by consulting all tenants on our plans, receiving very strong support from tenants.

4. Background

4.1 Our commitment to exceptional customer experience is a key theme in our strategy. Our strategy is very clear that "*Providing exceptional customer experience is, and always will be, at the heart of everything we do. Our customers deserve the very best and through the life of this strategy, that is what we will deliver.*"

4.2 Discussions with Boards across the Group as part of the development of our strategy highlighted that:

"Digital service delivery will be the norm, but we will ensure that no-one is left behind. We will prioritise the introduction of new service models in the first year of the strategy based on our experience of working during the pandemic, blending digital and face-to-face service whilst maintaining a strongly personalised approach."

4.3 The pandemic changed how we delivered services in a way that no-one could have predicted. Now, through listening to what our tenants have told us, our new proposals will bring many key improvements to our services. At the forefront of this is the creation of our new CFC which will mark one of the single biggest changes to our service model in the 10-year life of Wheatley.

4.4 Our new CFC model will also provide a solid foundation for us to build the great repairs service we have outlined in our strategy. We are clear that we want a service that delivers on customer priorities and demonstrates value for money. We want the service to be increasingly tailored to meet the needs and expectations of different customer groups and we want it to be built on the principle that we will honour our commitments and fix things quickly when they do not go to plan. All of these are principles by which our CFC and our new way of working is built.

5. Customer Engagement

5.1 Our strategy has a very clear focus on enhancing our customer engagement and a significant element of co-development and co-design with our customers. Our recent consultation with customers – '*Our new future – bringing it home to you',* set out proposals for the CFC to be a key part of our new operating model. Over 5,000 tenants provided their views, with overwhelming support for the proposals.

5.2 The continual evolution and development of our CFC model is dependent on the feedback from our customers and staff on usability and customer experience. Already our CFC staff have been partnering with our Digital team and our Stronger Voices Team to carry out customer usability testing to improve the customer experience across our online processes and transactions.

5.3 We are also working to develop a real-time customer feedback tool which will enable us to obtain instant feedback from customers across core customer journeys, including their experience of using the CFC. This will provide us with feedback that allows us to continually develop and enhance our CFC offering to continue to meet the needs of our customers.

6. Discussion

<u>Launching our Customer First Centre</u>

6.1 The CFC launched its new service on Wednesday 1 December. This was a 'soft' launch internally within the Group. The CFC delivers a 24-hours a day, seven days a week model which will deal quickly and efficiently with customer enquiries at the first time of asking.

6.2 The new CFC will offer a personalised service and is where our customers will find all of the advice and support they need and in the one place. It will:

- be open 365 days a year, 24/7;
- have highly trained and experienced housing professionals on hand to deal with routine enquiries such as registering for MyHousing, booking repairs and making appointments for wraparound services;
- use technology to allow customers to be in touch by whatever means they prefer, at a time that suits them – by phone, social media, text or web-chat;
- be the most efficient way for customers to get day-to-day problems solved and questions answered quickly;
- and free up community-based Housing Officers and Lowther staff to spend more time in our communities, including supporting the most vulnerable face-to-face.

6.3 We want our customers to have an excellent experience when they draw down services, transact, receive information or engage with us on any level, on any matter, at any time. To embed this in our culture we have been running a series of workshops and briefing sessions with staff to talk to them about our new CFC model and how it will support our business and customer values.

6.4 The soft launch on 1 December is giving us the opportunity to test the robustness and effectiveness of our new systems and practices before the more formal customer launch of the service in the New Year.

Measures of Success

6.5 We have developed a suite of performance measures to assess the effectiveness of the new CFC model. These are listed below. The measures are being developed through December and January, and will be continually reviewed and monitored as the CFC model develops. A summary will be reported to the Board in the performance update at the next meeting in February.

6.6 The new measures are as follows:

Area	Measure	Target
Phone System and Service (CISCO)	Percentage of calls answered within 30 seconds (core hours and out of hours)	80%
	Percentage and number of calls abandoned	<7%
	Percentage of CFC calls from staff	<2%
CFC Core Measures	Percentage first contact resolution by Customer Service Advisor	>65%
	Percentage of calls passed to Housing/Commercial Specialist Teams	<25%
	Percentage of repairs calls diagnosed as: i. emergency ii. next day appointments	Baseline to be established during Dec
Email and Cases	Percentage of responses to email within customer commitment	2 days
	Average calendar days to resolve a case from the point of the customer's call	2 days
	Keeping our promises – on emails and cases: i. number of cases breaching timescales ii. median days late	Value
Supporting Housing and Lowther staff	Percentage of repairs raised by Housing and Lowther staff	10%
	Percentage of CFC cases raised that are passed to Housing and Lowther staff for resolution	<10%
	ASTRA job queue – number and weekly trend (+/-)	Trend
Core Demand Measures	Total weekly calls from Lowther customers	<1,000
	RSL percentage calls raised for: i. Repairs ii. Allocations iii. Payments	Baseline to be established during Dec

6.7 The CFC has been operational for one week at the time of writing, but already there are positive signs of its impact. Of the 10,220 calls handled, only 1090 "cases" were created which required input from our housing/commercial specialist team or frontline housing/commercial officers – a 90% first contact resolution rate. Call abandonment fell by 2% from the month before to 9%, and the average time to resolve email requests/enquiries reduced from 5.3 days in October to 1.8 days.

<u>Investing in our Staff</u>

6.8 As part of the creation of the CFC, we have been delivering a suite of training to our CFC staff. The training has consisted of a full set of refresher training on our core business pillars (repairs, allocations, payments, etc.) as well as a programme of Customer Service Excellence training that focusses on the guiding principles that underpin our new model:

- **Personalisation:** delivering high quality outcomes for our customers and colleagues, reflecting customer's particular circumstances, across a range of channels and at times which suit out customers. Focus on bringing us closer to our customers than ever before.
- **Ownership:** focus on staff feeling empowered to make decisions in order to support our ambitious plans of achieving a 90% resolution by the CFC, with the remaining 10% being resolved in our communities and face-to-face with our customers.
- **Commitment:** focus on honouring the promises we make to our customers and taking responsibility for resolving issues raised by customers.
- **Behaviours:** reinforcing to staff that the delivery of outstanding customer-centre behaviours is key. A focus on making interactions with customers seamless, reacting quickly when things do not go to plan and working hard to ensure that all customers have a positive experience when engaging with Wheatley.
- **Digitalisation:** providing staff with an introduction to our digital ambitions. Reinforcing the message that we will focus on developing online services and implementing new technologies that add value to the customer and empower them to self-serve, whilst continuing to provide a personal, easy-to-use and trusted service that sustains positive relationships with our customers.

6.9 Given the extent of change in our model we will continue to review our training for CFC staff to ensure that they are well-equipped to continue to deliver outstanding services as our strategy and business continues to evolve.

7. Digital transformation alignment

7.1 Our Group strategy sets a clear direction and is underpinned by digital transformation. The CFC is incorporated across more than one of the seven core work streams outlined in our digital strategy. We are already reviewing our programme assumptions for the remainder of this year and into 2022/23 to take account of the new CFC. It will be critical to align IT work with the aims and ambitions of the new CFC model, and we are considering bringing the housing services and repairs work streams together under this theme for next year.

8. Financial and value for money implications

8.1 The changes to the Customer First Centre are incorporated in the current financial projections envelope and future costs will be reflected to updated business plans across the Group in February 2022.

9. Legal, regulatory and charitable implications

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

10. Equalities implications

10.1 There are no equalities implications associated directly with this report.

11. Environmental and sustainability implications

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

12. Recommendations

12.1 The Board is asked to note the progress to date in establishing our Customer First Centre.

Report

To: Wheatley Housing Group Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Group Development Company

Date of Meeting: 15 December 2021

1. Purpose

1.1 To update the Board on the outcome of the detailed legal and tax advice on the proposed new group development vehicle and seek approval for:

- the transfer of the shares of DGHP3, from Dumfries and Galloway Housing Partnership ("DGHP") to Wheatley Housing Group Limited ("WHGL"), making it a direct subsidiary:
- the Articles of Association to be adopted upon the transfer of shares, including the renaming as Wheatley Developments (Scotland) Limited;
- the template Development Services Agreement to be used by Wheatley Developments (Scotland) Limited and developing Registered Social Landlords ("RSLs")
- Subject to all necessary lender consents being in place, Wheatley Developments (Scotland) Limited becoming the group development vehicle from 1 April 2022, including winding up the current Group Development Committee on 31 March 2022; and
- Delegated authority to any of the Group Chair or Group Vice Chair to approve the final legal documentation on behalf of WHGL and any of the Group Chief Executive, Group Director of Finance or Company Secretary to execute any and all such necessary associated legal documentation.

2. Authorising and strategic context

2.1 Under the Group Authorise Manage Monitor Framework, the Group Board has responsibility for approving the Group's Governance Framework and overseeing the Group, Board and Committee structures.

2.2 Our 2021-26 strategy contains an ambition to deliver 5,500 new build homes with a broader ambition of 15,000 homes over 10 years. The addition of a tax-efficient subsidiary company will create savings of between £0.6m - £1.7m per annum across the Group's development programme, depending on the size of that programme.

2.3 Following the in-principle approval of the Group Board on 7 October, the DGHP Board also approved the proposals in respect of DGHP3, subject to final legal documentation, at its November meeting.

3. Risk appetite and assessment

3.1 The Board's risk appetite for New Build Development Programme is Open, which is defined "willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward".

3.2 Our risk appetite for Governance is Cautious which is defined as "preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward".

3.3 The proposed delivery model in this report helps us achieve financial efficiencies. In developing the proposals, we have taken legal and tax advice to ensure that we comply with our obligations.

4. Background

4.1 DGHP set up a subsidiary development company, DGHP3 in 2011. It is not a registered charity or social landlord, rather a private limited company and sits outside of the Wheatley VAT Group.

4.2 DGHP3 can reclaim VAT on various expenditures including design, architecture, and consultant fees which RSLs in the UK are unable to do. This is because an RSL's principal "supply" for VAT purposes is rental property, which is classed as VAT-exempt. RSLs are therefore unable to reclaim VAT where this is levied on costs which relate to this supply, such as design costs, repairs and management costs.

4.3 The construction costs are zero-rated so no VAT arises on those. By creating a separate company which procures the properties, this can then sell the properties on to an RSL. The principal supply of this company is new residential property, which is zero-rated for VAT, allowing any VAT related to the build of the properties to be reclaimed.

4.4 This structure is common amongst RSLs and Registered Providers (the English equivalent of RSLs) in the UK and complies with UK tax law.

4.5 As part of our strategic governance review, the Board agreed that we should explore the feasibility of DGHP3 becoming a direct subsidiary of WHGL and undertaking two key functions on behalf of the wider Group RSLs (GHA, Dunedin Canmore, Loretto, WLHP and DGHP):

i. Delivering the same tax efficient development services for each of the Group RSLs; and
ii. Reducing duplication in our governance structure by assuming the responsibility for overseeing and managing all Group development in place of the Group Development Committee.

5. Customer engagement

5.1 Not directly applicable as not related to customer service.

6. Discussion

DGHP 3 context and tax implications

6.1. DGHP3 is the contracting party for all development activity for DGHP. This means that for new build projects DGHP enters into an intra-group development agreement with DGHP3, through which it appoints DGHP3 to procure the construction of new homes on its behalf. DGHP3 does this by contracting with the various consultants and appointing contractors in its own name.

6.2. DGHP3 also procures collateral warranties from its consultants and contractors in favour of its client, DGHP. DGHP3 invoices DGHP for its services, inclusive of a 5% margin to demonstrate a commercial purpose to mitigate the risk of any challenge from HMRC. This is a common structure in social housing in the UK which allows new build development to be carried out in a VAT-efficient manner.

6.3. We have taken tax advice on this matter, including extending it to cover the whole group, from EY which is set out in Appendix 1. The advice confirms that:

The use of development company structures is commonly accepted by HMRC as a mechanism to utilise the availability of zero-rating. In our experience with other clients who operate similar development company structures, we are not aware of the structure being successfully challenged by HMRC. Furthermore, we are not aware of any enquiries being made by HMRC into the tax affairs of DGHP3 throughout both its ownership by DGHP and since joining the Wheatley Group.

6.4. In response to the new build target of 110,000 homes (70% of which are to be for social rent) set out by Scottish Government in Housing to 2040, we have a strategic ambition to build 15,000 homes over the ten-year period to 2031/32 (this includes the 5,500 homes during our strategy period to 2026). Over the ten-year period, the gross development cost is estimated at £2.23 billion.

6.5. The estimate for associated professional fees is 2.5% of this total (£55.75m). VAT is charged at 20% on this total (£11.15m). On this basis, the scale of the **savings could be over £11m over the next 10 years' development programme**. Given the scale of potential savings, it is proposed that we take forward work to utilise this vehicle more widely across the Group's development programme.

Funding the Development Company

6.6. We have received agreement in principle from all of our lenders to the proposed accession of DGHP to the RSL Borrowing Group from 1 April 2022. However, as DGHP3 is a non-charitable subsidiary of DGHP, it is not currently permitted to join the RSL Borrowing Group. This is because our lenders restrict the Borrowing Group to charitable RSLs only.

6.7. Our RSLs would pay the re-named DGHP3 on a monthly basis to fund construction, back-to-back with contractor invoices. The RSLs will therefore buy the properties in stages and DGHP3 will not need to carry large working capital balances.

6.8. Nevertheless, we wish to have a mechanism for allowing some up-front funding as working capital for DGHP3, to provide some flexibility in the timing of payments between RSLs and DGHP3. We have discussed this with our lenders and Bond Trustee, and there are two options for achieving this:

(i) DGHP3 joins the RSL Borrowing Group – this would allow DGHP3 to be directly funded by the RSLs or WFL1 subject to any limits the lenders place on it, however there is a complex and time-consuming process to seek bondholder consents; the introduction of a non-charitable / non-RSL entity also alters the original proposition in the bond prospectus.

(ii) An on-lending agreement and limit is put in place between the RSLs and DGHP3, with the latter remaining outside the RSL Borrowing Group

6.9. Both options achieve substantially the same outcome and we will confirm the preferred approach ahead of the next Board meeting. In the meantime, preparing for the transfer of ownership of DGHP3 from DGHP to WHGL on 1 April 2022 removes a potential obstacle to the accession of DGHP, as it would no longer have a commercial subsidiary.

6.10. DGHP3's operating profit arises from the billing of development costs plus a 5% mark-up on invoices to DGHP. At financial year-end this would create a balance sheet surplus / net asset position in the form of retained earnings. However, since joining the Group, DGHP3 has gift-aided its operating profit back to DGHP annually for furtherance of its charitable objects. This process of gift-aiding the operating profit to each of the Wheatley RSLs will continue. The benefit of the VAT savings is passed back to the RSLs on each development contract through the recharging of lower development costs but does not itself create profit in DGHP 3.

<u>Legal and procurement</u>

6.11. We commissioned our external legal advisors, Harper Macleod - who also acted for DGHP when DGHP3 was set up - to provide advice on the proposed changes in respect of DGHP3. Their note is written on the assumption that DGHP3 would join the RSL Borrower Group, although as noted above this may not be the final option pursued. In the event that an on-lend approach is pursued, their advice note will be updated prior to the amendment of any funding documentation. They have also advised on the transfer of ownership of DGHP3 from DGHP to WHGL.

6.12. Their advice note is set out in Appendix 2 and sets out the rationale for DGHP transferring its shares in DGHP3 to WHGL for nil consideration. This is on the understanding that following the transfer of ownership, DGHP, as a charity, will continue to receive the 'value' conferred by DGHP3's tax efficiency and will suffer no loss resulting from this transfer.

6.13. Current year DGHP3 operating profits will be gift-aided to DGHP and retained operating profits will be distributed to DGHP by way of a dividend payment prior to the transfer of shares. DGHP3 will continue to operate for purposes which further the charitable objects of DGHP and, additionally, for the other Wheatley RSLs.

6.14. DGHP3 is already part of the Wheatley Group and as such has the ability to draw down construction services through our Group framework. The Group frameworks permit any subsidiary company of WHGL to be a contracting party for development. We have had initial discussions with two of our main contractors, [redacted] and [redacted], to explain the proposed changes in our new way of working, with DGHP3 becoming the contracting party for all Group RSLs from 1 April 2021. Both parties have confirmed that they are comfortable with the intended approach given our well established existing relationship, with their priority being that their invoices continue to be paid promptly and in full.

6.15. Subject to all necessary lender consents being in place, it is envisaged that the new contracting model would commence from 1 April 2022. All existing contracts will remain in place with the RSLs, but from 1 April 2022 the presumption will be that new contracts will be with the re-named DGHP3.

Articles of Association and company name

6.16. We have taken this opportunity to revise DGHP3's Articles of Association in full (see Appendix 3). For consistency and streamlined governance, these now reflect our Group-style of Articles and include provisions on: appointment and removal of Board members; electronic meetings and decision making; quorum and Board composition. The Articles provide for a Board of up to 10 directors.

6.17. The Articles would also be updated to include the proposed new company name; **Wheatley Developments (Scotland) Limited**. We previously registered a company with this name in 2012. However, the company was not required and lay dormant until 2017 at which time it was wound up. This company name remains available.

6.18. As noted above, the objects of DGHP3 have been restricted to those which involve (i) entering into construction or development agreements for affordable housing which is being delivered by any member of the RSL Borrower Group; (ii) decision making (but not contracting) in relation to the development of any housing being carried out by a non-borrower Group entity. The objects are set out in full in Appendix 3.

6.19. As with our other subsidiaries, DGHP3 will enter into the following agreements:

(i) Intra-group Agreement setting out the roles and responsibilities of WHGL as parent and DGHP3 as subsidiary in our standard form.

(ii) Services Agreement with Wheatley Solutions and us through which DGHP3 will be able to draw on the corporate and support services required to carry out its development role.

Development Services Agreement

6.20. In addition to the IGA and Services Agreement DGHP3 will also be party to a Development Services Agreement with each developing RSL. This will operate in a similar way to our new build framework contract. The Development Services Agreement will set out the nature of the development service to be carried out by DGHP3 for RSL.

6.21. Individual projects will be subject to a 'call-off' using the template project agreement. The project agreement will contain specific details of each site and will be amended as required to ensure that it reflects the terms of any building contract between DGHP3 and its contractors. Harper MacLeod has prepared the template Development Services Agreement, including the form of project agreement. The draft is contained in Appendix 4, this will be subject to further updates as we progress the process and agreement by the relevant parties.

Terms of reference and Board membership

6.22. The Group RAAG Committee will consider more detailed Terms of Reference setting out the role of the Board, a skills matrix for its membership and the appointment of Board members at its meeting on 15 December 2021.

Governance

6.23. From 1 April 2022, the Group Standing Orders will be updated to remove the Terms of Reference of the Development Committee. To reflect its role in group, we will also update the financial delegations for DGHP3 on the following basis:

(i) Where DGHP3 is carrying out a project for a Group RSL, financial authority for revenue expenditure will be set to mirror the financial authority for capital expenditure of the RSL it is contracting with.

(ii) In all other cases, authority will be set at:

	Capital expenditure	Revenue expenditure
DGHP3 Board	£250,000	£500,000
Chief Executive	£250,000	£350,000

Next steps

6.24 The key dates for the new development services arrangements are set out in the following table:

Action	Date
Wheatley Board approval	December 2021
RAAG approval for Terms of Reference and Board composition	December 2021
Funder final credit approvals including approval of Articles of Association and intra-group governance documents	January 2022
DGHP Board approval to transfer DGHP3 to WHGL	February 2022
DGHP3 Board update on new arrangements and approval for intra-group agreements	February 2022
RSL Board approval for (i) new intra-group contracts (ii) DGHP3 accession to Borrower Group or on-lending agreement finalised, based on results of final lender/bondholder discussions	February 2022
Wheatley Board approval of updated funding legal documentation	February 2022
Transfer of shares, adoption of Articles and first formal Board meeting of new company	April 2022
First full business meeting of new company	May 2022

7. Digital transformation alignment

7.1 No direct impact on the digital transformation programme.

8. Financial and value for money implications

8.1 The scale of the tax efficiencies which will arise due to the inclusion of a subsidiary development company depends on the size of the Group RSLs development programme. As set out in paragraph 6.2, we anticipate gross development costs could be up to £2.2 billion over the 10-year period, implying potential tax efficiencies associated with professional fees could be over £11m over the same time period.

9. Legal, regulatory and charitable implications

9.1 The legal, regulatory and charitable implications of the proposed change to our structure are set out in the body of this report and supplemented by the advice in the appendices.

9.2 We sought tax advice from EY which confirmed that the proposed VAT treatment adopted by DGHP3 is reasonable and a commonly used approach by RSLs with new build development programmes. DGHP3 has been trading for 10 years and over that period its activities have not been subject to challenge by HMRC. Additionally, EY completed a satisfactory tax review as part of their diligence work on DGHP and DGHP3 in December 2019 when the constitutional partnership was approved.

9.3 We do not require to notify the Scottish Housing Regulator of the transfer of DGHP3 from DGHP to WHGL, although they are aware of our proposed plans in this regard. This is because the SHR only requires to be notified of major change or re-structuring with a Group. As DGHP3 is not a charity, it does not require to make any approach to OSCR.

10. Equalities implications

10.1 Not applicable.

11. Environmental and sustainability implications

11.1 Not applicable.

12. Recommendations

12.1 The Board is requested to:

1) Approve the transfer of ownership of DGHP3 from DGHP to WHGL;
2) Approve the change of name from DGHP3 to Wheatley Developments (Scotland) Limited
3) Approve that, subject to necessary funder consents being in place, DGHP3 take on the responsibilities from the Group Development Committee with effect from 1 April 2022
4) Approve updates to the Group Standing Orders
5) Approve the adoption of new Articles of Association based on the attached draft
6) Approve the draft Development Services Agreement

7) Delegate authority to the Group Chair, Group Vice Chair, Group Chief Executive, Group Director of Finance or Company Secretary to

   (i) agree the final terms of the Articles of Association, Intra-group Agreements and/or such other documents as may be required to give effect to the change in ownership of DGHP3 and revised approach to development governance; and

   (ii) approve a special resolution adopting the new Articles of Association and name change immediately following the transfer of ownership from DGHP to us and approve or enter into any other documents required to effect the change in ownership of DGHP3.

LIST OF APPENDICES
Appendix 1: Tax advice note from EY [redacted]
Appendix 2: Commercial and charitable law advice note from Harper Macleod [redacted]
Appendix 3: Revised Articles of Association for DGHP3 [redacted]
Appendix 4: Development Services Agreement [redacted]

Report

To: Wheatley Housing Group Board

By: Tom Barclay, Group Director of Property and Development

Approved by: Martin Armstrong, Group Chief Executive

Subject: Group Health and Safety Policy

Date of Meeting: 15 December 2021

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1. Purpose

1.1 To seek Board approval of the revised Group Health and Safety Policy.

2. Authorising and strategic context

2.1 Under the Group Authorising Framework and Intra-Group Agreement the Wheatley Housing Group Board is responsible for approving Group Policies and their designation as applicable to all Group partners. The Group Health and Safety Policy was approved previously and designated as a Group Policy. Subject to Board approval, the updated policy will be shared with group partners for implementation with immediate effect.

3. Risk appetite and assessment

3.1 The Group's risk appetite relating to laws and regulations is "Averse" i.e. avoidance of risk and uncertainty is a key organisational objective. The risk tolerance of all subsidiaries relating to technical compliance (e.g. Health and safety, gas) is also "Averse".

3.2 Health and safety compliance risks as associated mitigations are included in the group strategic risk register and in the subsidiary risk registers.

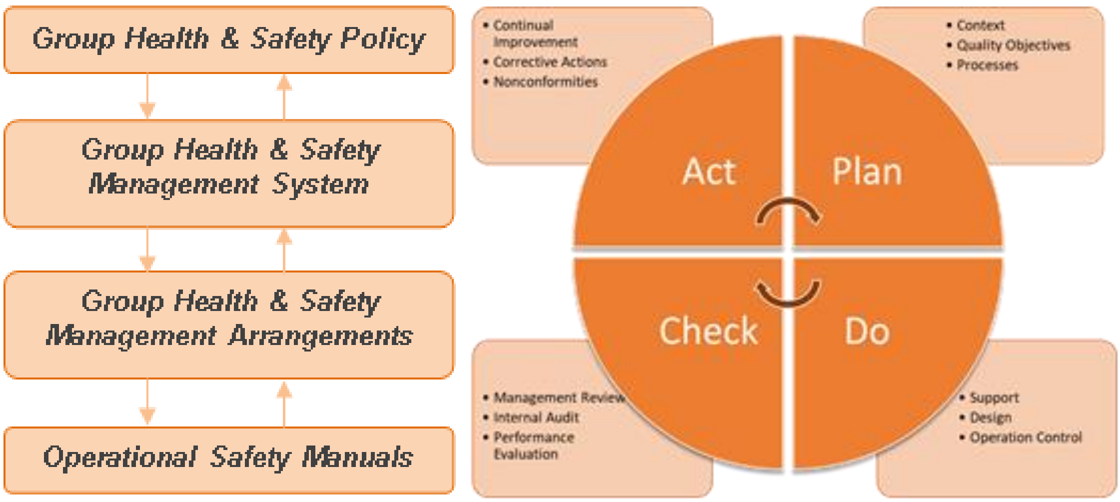
4. Background

4.1 Health and safety legislation requires that any employer with five or more employees must have a written health and safety policy containing i) Statement of Intent, ii) Organisational Structure including Roles and Responsibilities, and; iii) Details of the Arrangements for managing health and safety.

4.2 The current Group Health and Safety Policy which was approved by the Board in August 2018 meets these requirements and is embedded across the business.

4.3 We have arrangements in place to monitor and maintain the validity and accuracy of the Health and Safety Policy. This includes considering the implications for the policy of any organisational changes that are taking place, service evolution and any new and emerging legislation or best practice guidance.

4.4 Our Group Health and Safety Policy is part of our overall health and safety architecture as shown below, along with our Group Health and Safety Management System, Group Health and Safety Management Arrangements and Operational Safety Manuals. Each of these is discussed below.



5. Customer Engagement

5.1 The updated Group Health and Safety Policy presented here has been subject to consultation with recognised Trade Unions in line with our statutory obligations. There were no adverse comments received from those consulted in the review of the Group Health and Safety Policy.

5.2 More generally, discussions have taken place with colleagues and Trade Unions on arrangements associated with homeworking, lone working and the review of operational safety manuals discussed later in this report. In addition, quarterly H&S Committee meetings take place involving senior staff from across the Group and Trade Union officials. These meetings provide a route for discussing health and safety related matters, and escalation and resolution of issues should this be required.

6. Discussion

Group Health & Safety Policy

6.1 Our revised Group Health and Safety Policy at Appendix 1 has been updated, in the main, to reflect home and lone working arrangements as we transition to our new operating model.

6.2 As part of our new operating model, arrangements for home based agile workers have been established. This includes rolling out homeworking self-assessments, information leaflets, and e-learning across all business areas to ensure staff work as safely and comfortably from home as possible. In addition, a catalogue of items to make homeworking ergonomically safe and comfortable has been developed and is available to promote wellbeing.

6.3 Our operating model includes lone working including by staff in Wheatley Care, in-house trades teams, environmental teams and Wheatley Solutions. Furthermore, as more staff across the Group are working from home at times and in our communities, this means there is also an increase in lone working.

6.4 To address this, a Group health and safety management arrangement for lone working has been established and communicated across all applicable business areas. This includes the provision of advice and guidance for managers and staff on keeping safe when working alone.

6.5 New lone working technology has also been introduced and distributed across all applicable business areas in the form of a lone working app on mobile telephones and standalone, lone working devices (pebbles). These allow staff members to speak with an alarm receiving centre, set notifications for wellbeing checks and recognises when staff may have fallen or are motionless. These devices also have an emergency distress call for use in the unlikely event that staff find themselves in threatening situations or feeling unwell.

6.6 E-Learning training on the use of lone working devices and personal safety have been established and implemented for all staff designated lone workers.

Health & Safety Management System & Arrangements

6.7 Our Group Health and Safety Management System has also been updated to reflect the updated policy and specific arrangements that have been put in place to manage, maintain and promote a positive health and safety culture throughout the Group. This is based on the Health and Safety Executive's best practice model – Plan, Do, Check, Act; that is often associated with continuous improvement.

6.8 We are also progressing the harmonisation of existing health and safety procedures across all group subsidiaries, in the form of Health and Safety Management Arrangements ("HSMAs"), to ensure a consistent approach, across all business areas. Whilst there are well established policies in place across all subsidiaries, the development of Group HSMAs allows us to share best practice and maintain consistency in our approach to health and safety management.

6.9 To support this, management working groups have been established to drive the continuous improvement across the business in key areas. These groups help drive our health and safety culture forward and include a specific Fire Working Group and Lone Working Group.

6.10 Additionally, a new working group will be established in January 2022 to share best practice amongst our In-House Repairs Teams in Edinburgh and Dumfries and Galloway. The remit of this group will include reviewing existing working procedures, tool-box talks and the use of hand tools, power tools and machinery.

Operational Safety Manuals

6.11 The final part of our health and safety architecture, are our Operational Safety Manuals ("OSMs"). These are mandatory, 'living documents' across all subsidiaries and document safe systems of work, local procedures, guidance and best practice, specific to the nature of business. As such they have been recently updated to include guidelines for working safely in the current environment including guidelines for testing and self-isolation following the widespread introduction of a vaccine. OSMs are kept under review to ensure we maintain safe systems of work for all business areas and that any new and emerging risks such as those associated with the on-going pandemic are recognised and managed.

Safe Contractor Accreditation

6.12 The Group have retained our Safe Contractor Accreditation . This accreditation is a recognised mark of health and safety competence under the Safety Schemes in Procurement.

7. Digital transformation alignment

7.1 Technology is used where appropriate to support safe working arrangements. An illustration of this is the introduction of the lone working app and Pebble device discussed above.

7.2 E-Learning training is also being developed beyond our H&S Awareness and Fire Awareness courses, to reflect our new operating model.

7.3 Over the last 12 months we have introduced many new courses to support staff such as, Homeworker, Personal Safety and Introduction to First Aid that also demonstrates our commitment to our legal obligations for the provision of Information, Instruction and Training under the Health and Safety at Work Act.

8. Financial and value for money implications

8.1 There are no direct financial or value for money implications arising from this report.

9. Legal, regulatory and charitable implications

9.1 The health and safety policy and management arrangements discussed here are part of how we satisfy legal requirements in this area. We also take account of HSE guidance in developing all health and safety related documents.

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9.2 The ongoing maintenance and implementation of aspects of our health and safety architecture will support the overall approach to maintaining and ensuring compliance with health and safety legislation.

10. Equalities implications

10.1 There are no equalities implications associated with this report.

11. Environmental and sustainability implications

11.1 Our revised health and safety policy is a necessary and key part of ensuring the success of our new operating model. This operating model, which includes agile home working as highlighted above, will have positive environmental and sustainability implications including through:

- reducing unnecessary travel to an office location;
- encouraging staff to meet, when necessary, in our new hub locations that include measures to reduce our carbon footprint such as solar PV; and
- increasingly looking to encourage the use of electric vehicles and power tools, and active travel, where appropriate, to the work being carried out

11.2 Examples of the positive sustainability impacts we anticipate through this new operating model include a reduction, based on Planet Mark analysis, of 160 tonnes (41%) of CO_2 a year because of changes to Wheatley House and a reduction, based on analysis by the UK Energy Research Centre, on average of 50kg (70%) of CO_2 a day, per staff member working at home.

12. Recommendations

12.1 The Board is asked to approve the updated Health and Safety Policy at Appendix 1.

List of Appendices:

Appendix 1 – Group Health & Safety Policy [redacted. Available here: Wheatley Group Health and Safety policy (gha.org.uk)]

Report

To: **Wheatley Housing Group Board**

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

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

Subject: **Dampness, mould and condensation policy**

Date of Meeting: **15 December 2021**

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1. Purpose

1.1 To seek approval for a group-wide dampness, mould and condensation policy and procedure and their designation as being applicable to all relevant group partners.

2. Authorising and strategic context

2.1 Under the Group Authorising Framework and Intra-Group Agreement the Wheatley Housing Group Board is responsible for approving Group Policies and designating them as applying on a group wide basis.

3. Risk Appetite and assessment

3.1 Our agreed risk appetite for governance is "cautious". This level of risk tolerance is defined as a "preference for safe delivery options that have a low degree of inherent risk and have only limited potential for reward". This reflects our risk appetite in relation to laws and regulation, which is "averse", with the avoidance of risk and uncertainty is a key organisational objective and a priority for tight management controls and oversight.

3.2 On this basis, and the associated potential reputational risk in this area, the introduction of a new associated policy is considered to necessitate formal Group Board review and approval.

4. Background

4.1 Dealing with dampness, mould and condensation has always been, and will continue to be, a high priority for our customers and our group RSLs. During 2019/20 (20/21 excluded due to Covid 19 Lockdown) 2,300 repairs, affecting 1,995 customers were completed where the work description included "removal of mould or damp" at a total cost of £400K. On average repairs were completed within 13 working days. These repair volumes are consistent with the previous 3 years with similar volumes and values. Typically, the number of properties where dampness or mould is reported is between 2 and 4% for each RSL.

4.2 Penetrating dampness caused by deteriorating fabric in our homes is the exception with most of the reported ‘dampness’ being condensation. However, we know that for customers, the cause is not material. As such, we are keen to continue developing our approach to dampness, mould and condensation including through learning from our current practice and from others.

5. Customer engagement

5.1 A range of mechanisms including information leaflets, discussions with staff and ‘how to’ videos are used currently to provide information and guidance on avoiding and addressing mould and condensation. The approach discussed in this paper would build on this through proactive engagement targeted at properties that are assessed as being at higher risk of dampness, mould and condensation.

6. Discussion

6.1 Our approach to addressing dampness, mould and condensation is predominantly reactive and, depending on the actual issue, includes applying anti-fungicidal ‘washes’, decoration, carrying out any necessary repairs and providing advice to the customer on heating and ventilation. While inadequate heating and ventilation is recognised as a significant issue, addressing it through information and advice leaflets alone is unlikely to have necessary impact because lifestyle factors and fuel poverty are often core to the issue.

6.2 The English Ombudsman recently published a report on the approach to dampness following an investigation involving 142 landlords across England with more than 500 responses to their call for evidence including discussions with residents and landlords. Recommendations from this report are grouped under 4 themes:

- From Reactive to Pro-active
- From inferring blame to taking responsibility
- From disrepair to claims resolution
- From complaints to a learning culture

6.3 Details on the various recommendations within each theme are provided at Appendix 1, along with our assessment based on testing our current approach and practice against each of the recommendations in a ‘report card’ format.

6.4 While not all recommendations are directly applicable given our operating context and approach, they do provide valuable learning and useful input in considering our approach. From examining the recommendations and our current practice, two overarching areas are proposed:

- Having a dampness, mould and condensation policy and procedures that move from a reactive to more proactive approach; and
- Using data, including insight from actual customer demand, and technology to better understand what is happening in our homes and to inform our approaches

6.5 Each of these are considered in turn below:

Dampness, mould and condensation policy and procedures

6.6 At present we do not have a documented group wide policy or procedures specific to dampness, mould and condensation. Instead, these are included in our repairs policies and procedures and are embedded through our repairs and housing management delivery systems operated in each RSLs.

6.7 Having a specific policy and procedure would ensure a consistent approach; built around a shared view of best practice that can be refined and updated as required. To address this the draft policy at Appendix 2 and procedure at Appendix 3 have been developed for consideration and approval.

6.8 These build on our current approach including through seeing condensation as a possible sign of wider issues, especially fuel poverty, rather than something that simply needs repaired. In doing this, the policy majors on working with the customer to solve the problem rather than, as illustrated by the English Ombudsman findings, seeing this as something the customer is 'doing wrong'. Our fuel advisors are well placed to support customers in this area given the link to fuel poverty and the importance of heating and ventilating the home.

6.9 Our investment in the customer first centre including through the specialist housing team provide a means to assess the needs of customers for specific support to address condensation and dampness problems, and to tailor our approach. Examples of this, depending on customer need and circumstance could include:

- Providing information and advice using leaflets and video
- Raising a repair to address the cause where necessary
- Assigning to a fuel advisor who would engage with the customer more generally including on how to address the condensation problem
- Involving the housing officer where there are concerns and potential vulnerabilities

6.10 Such an approach fits well with the enhanced capability in the customer first centre including the importance we are placing on rectification at point of contact. With this, the customer first centre would 'own the condensation journey' including:

- deciding to deploy fuel advisors where the impact is likely to be greatest,
- raising necessary repairs,
- ensuring the issue is resolved to the customers satisfaction**,**
- maintaining dialogue with the customer on how to minimise the chance of recurrence and
- making sure that our approach to asset related investment is informed by customer demand relating to dampness, mould and condensation.

6.11 Further details of our proposed approach are in the draft policy and procedure.

Better use of data and technology

6.12 A review of all reported dampness/mould repair requests since 2016/17 has been carried out to identify potential trends or patterns. On average, since 2016, 4% (circa 1,800-2000 homes) of customers across all house types e.g., tenement, multi storey, 4-in-a-block, etc, a year have reported a repair for ‘dampness or mould’. This proportion is uniform across all house types. Over the period from 2016 to date, work to remediate mould has been completed in 7,158 homes (13%) at a cost of £1.6M. It should be noted that this analysis excludes DGHP.

6.13 Key findings from the analysis includes that there is:

- Higher frequency in older properties – Pre 1950
- No significant difference in levels across house types overall
- Higher frequency in larger homes
- Higher frequency when tenant is under 45 years old
- Limited variation with length of tenancy except for very long tenancy over 20 years where incidence is lower
- No significant variation in properties with or without External Wall insulation

6.14 The diagram below provides a breakdown of information in key areas that supports the key findings above.

Build Year

- Pre 1950 27%
- 1950 to 1970 22%
- 1970 to 1990 20%
- Post 1990 11%

House Type

- Tenement/Flat 22%
- Multi Storey 23%
- House 21%

House Size

- 1 Apt 10%
- 2 Apt 16%
- 3 Apt 23%
- 4 Apt 26%
- 5+ Apt 30%

Tenant Age

- 16 to 25 24%
- 25 to 45 27%
- 45 to 65 20%
- 65 to 80 17%
- Over 80 11%

Length of Tenancy

- Under 1 Yr 23%
- 1 to 5 Yrs 26%
- 5 to 10 Yrs 25%
- 10 to 20 Yrs 21%
- Over 20 Yrs 15%

6.15 To provide a basis for prioritising proactive action to address dampness, mould and condensation, and as a start, as recommended in the English Ombudsman report, to being more data led, a risk analysis has been performed for our stock. This assigns a risk category using the factors above. The diagram below sets this out. By way of illustration, each of the factors above are given a risk category and score depending on findings from the analysis above. For example, customers under 45 are assigned high risk (because we know from the analysis there is a higher propensity of repairs with customers in this age range), whereas ones over 65 are given a lower risk category. The various risk categories and score are then aggregated to allow our properties/customers to be broken down based on highest to lowest likelihood of condensation. This shows that using this method, approximately 20% of stock is in a high or high/medium category when the various variables (customer age, length of tenancy, age of property and house size) are factored in.

Risk Matrix									
Overall Risk Group / Likelihood	Risk Rating - No of Properties								
	12	11	10	9	8	7	6	5	4
High	739 (1%)	2605 (5%)							
High/Medium			7333 (14%)						
Medium				12088 (22%)	11732 (22%)				
Medium/Low						9998 (18%)	6623 (12%)		
Low								2525 (5%)	416 (1%)
Properties	739	2605	7333	12088	11732	9998	6623	2525	416

Risk Category		
Customer Age		"Points"
Under 45	High	3
45 to 65	Medium	2
Over 65	Low	1

Risk Category		
Tenancy Length		"Points"
Under 5 Years	High	3
5 to 10 Years	Medium	2
More than 10 Years	Low	1

Risk Category		
Build date of Property		"Points"
Pre 1950	High	3
1950 to 1990	Medium	2
Post 1990	Low	1

Risk Category		
House Size		"Points"
4+ Apt	High	3
3 Apt	Medium	2
1 or 2 Apt	Low	1

Risk Score Example :

Customer Age 45 to 65 = 2 points
Length of Tenancy > 10 Years = 1 point
Build Date of Property Pre 1950 = 3 points
House Size 1 or 2 apartment = 1 point

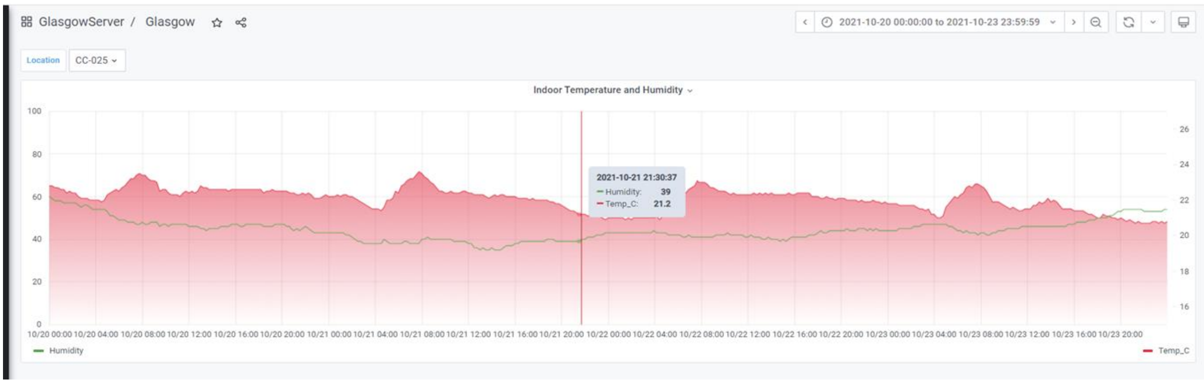
Total Score = **7 Points**
Risk Group / Likelihood = **Medium / Low**

6.16 Using this analysis, it is proposed that testing is undertaken on the effectiveness of proactively targeting properties/customers with high risk of condensation. This would include:

- Establishing 'like for like' stock groupings i.e. type, property age, customer profile
- Installing humidity sensor and air quality technology in the test properties, collecting results for 3 months along with other data including electricity meter readings for each location to establish baselines
- After 3 months upgrading mechanical ventilation in a sample of properties
- Provide comprehensive support to customers in the sample on best use of heating and ventilation – support from Fuel Advisers
- Review results after 3 months through comparing with baseline properties and customers that did not have the work or support.
- Subject to results, agree deployment strategy including investment priorities linked to risk.

6.17 This strategy would be informed by data including any refinements to the prioritisation above, based on customer demand for work relating to dampness, mould and condensation, and measurements using sensor technology.

6.18 We are currently installing the "Connected Response' system in properties with electric storage heating. The principal purpose of this system is to reduce fuel bills, with estimates of reductions of up to 30%. This system also includes some of the first sensor technology to be deployed at scale in the Group and includes temperature and humidity sensors which provide data every 15 minutes on the internal environment. The chart below shows a typical output:



6.19 As part of building our data and developing our approach we intend building an 'exception alert report' whereby if humidity is above maximum parameters for an extended period of time it will send an alert that there is a condensation risk. A proactive response can then be deployed from the customer first centre using our Fuel Advisors.

6.20 Longer term, similar technology could – subject to assessing cost, benefits and impact - be deployed across all stock which would allow us to develop bespoke investment on a house type basis to minimise the likelihood of dampness & mould. Examples of this which we intend exploring include:

- Window replacements – considering the specification of replacement windows being installed, e.g. triple glazed units, 'A' rated etc.

- Void standard – considering upgrading existing extractor fans during void stage – this would include cleaning and servicing existing units

6.21 Alongside this, investment that is already planned will have a positive impact on the causes of condensation including:

- Mechanical Ventilation - £1.65m allocated over the next 5 years for upgrading fans in Kitchens & bathrooms – circa 6,000 homes. These will be targeted to property types which are deemed to have a higher likelihood of dampness/mould issues.
- Kitchen & Rewiring – circa 1,000 one off renewals over the next 5 years, with mechanical ventilation upgrades as part of this programme
- Multi Storey Flats M&E – programme in place to upgrade mechanical ventilation, pumps etc in multi storey flats. Programme due for completion over the next 5 years.

7. Digital transformation alignment

7.1 Your Home, Your Community, Your Future includes a commitment to having a tailored repairs experience built around customer needs. The proposed dampness policy and the use of data and technology are part of how the repairs service will become more proactive and built around particular customer needs

8. Financial and value for money implications

8.1 Findings from the experiment discussed in 6.15 will be used to assess the impact of the proactive approach discussed and to inform future investment planning.

9. Legal, regulatory and charitable implications

9.1 There are no specific legal, regulatory or charitable implications associated with this report

10. Equalities implications

10.1 There are no equalities implications arising from this report.

11. Environmental and sustainability implications

11.1 Supporting our customer to heat their homes more effectively and the use of sensor technology such as that in Connected Response is likely to help improve energy efficiency and reduce carbon emissions, although the impact from what is proposed in this paper has yet to be quantified. It is also likely that air quality measures in homes are likely to feature in revisions to EESSH2. Having a dampness policy in place, and monitoring air quality in homes should help position us for these future requirements.

12. Recommendations

12.1 The Board is asked to:

1) Note the content of this report
2) Agree the draft dampness, mould and condensation policy at Appendix 2 and its designation as a group wide policy; and
3) Agree the draft dampness, mould and condensation procedure at Appendix 3

LIST OF APPENDICES:

Appendix 1 – Review of recommendations from English Ombudsman's report
Appendix 2 – Draft dampness, mould and condensation policy [redacted. Available here: Wheatley Group Managing dampness, mould and condensation policy (wheatley-group.com)]
Appendix 3 – Draft dampness, mould and condensation procedure [redacted. Available here: Wheatley Group Managing dampness, mould and condensation procedure (wheatley-group.com)]

Appendix 1
Housing Ombudsman (England) Recommendations Review

The report is sub categorised into 4 sections;

1. From Reactive to Pro-active (10 recommendations),
2. From inferring blame to taking responsibility (9 recommendations)
3. From disrepair to claims resolution (5 recommendations)
4. From complaints to a learning culture (2 recommendations)

Recomm.	Section	Response
	From Reactive to Pro-active	
1 & 2	*Landlords should adopt a zero-tolerance approach to damp and mould interventions. Landlords should review their current strategy and consider whether their approach will achieve this.* *Landlords should consider whether they require an overall framework to address damp and mould which would cover each area where the landlord may be required to act. This would include any proactive interventions, its approach to diagnosis, actions it considers appropriate in different circumstances, effective communication and aftercare.*	Our approach to investment is driven by 'warm, dry homes', a fabric first approach. Our focus has been to optimise wind and watertight external fabric principally through external wall insulation, replacement of roof coverings and renewal of rainwater goods. All homes have double glazing and whole house heating as standard, with innovative solutions designed to make storage heating more affordable. Where internal improvements are carried out, e.g., kitchens, bathrooms, mechanical extraction fans are included. Our new build homes incorporate the latest technologies and building standards to ensure that they are both energy efficient and affordable. Skilled and dedicated inspection and operational teams assess and determine solutions where repairs are reported. Comprehensive guidance and training has been delivered for our frontline housing teams. We have also developed systems of information and support for customers via RSL websites.

Recomm.	Section	Response
3, 4 & 5	*Landlords should review the accessibility and use of their systems for reporting repairs and making complaints to 'find their silence'.* *Landlords should identify opportunities for extending the scope of their diagnosis within buildings, for example by examining neighbouring properties, to ensure the response early on is as effective as possible.* *Landlords should implement a data driven, risk-based approach with respect to damp and mould. This will reduce over reliance on residents to report issues, help landlords identify hidden issues and support landlords to anticipate and prioritise interventions before a complaint or disrepair claim is made.*	Customers can report repairs or lodge complaints via our Customer First Centre, 24hours a day, 365 days a year. We have a dedicated Customer Complaints Team who are the single point of contact for customers through a 'complaint journey'. We have comprehensive data in relation to repairs activity including the description of work reported and completed. We do not however proactively utilise this data to conduct targeted interventions or inspections. On average, year on year, 4% (circa 1,800 homes) of customers across all house types e.g., tenement, multi storey, 4-in-a-block, etc, report a repair for 'dampness or mould'. This proportion is uniform across all house types. Targeted intervention is however being deployed in multi storey flats via the Connected Response system for electric storage heating. Whilst this is principally a measure to make this heating type more affordable, the consequential benefit of increased heating in homes will contribute to reducing the incidence of dampness and mould caused by condensation. Our standard specification for internal improvement works includes installation of mechanical extraction in both kitchens and bathrooms. Consideration should be given to further analysis of properties where repairs have been reported to establish if patterns exist, i.e., risk profiling; • Property type, Property age, Heating type, Investment status e.g. External Wall Insulation completed Y/N, Customer profile, Length of tenancy In terms of the Good Practice example from the Housing Ombudsman, the majority of our homes would be in the Low Risk classification, as is our current approach when a customer reports a repair of this type. Further analysis may offer the opportunity to undertake targeted 'campaigns' to provide customers with additional support and advice including Fuel and Money Advice. We are currently reviewing and developing our approach which will incorporate initial visits from our team of Fuel Advisors to support customers who may be experiencing fuel poverty and also to provide advice to reduce the likelihood of condensation prior to any 'technical' solution being deployed.

Recomm.	Section	Response
6	*Where properties are identified for future disposal or are within an area marked for regeneration, landlords should proactively satisfy themselves that residents do not receive a poorer standard of service or lower living conditions, that steps are taken to avoid homes degrading to an unacceptable condition and that they regularly engage and communicate with these residents.*	Where properties have been identified for demolition we continue to offer a full repairs service.
7	*Landlords should avoid taking actions that solely place the onus on the resident. They should evaluate what mitigations they can put in place to support residents in cases where structural interventions are not appropriate and satisfy themselves they are taking all reasonable steps.* *Where the cause of damp and mould is non-structural it can be too simplistic to blame residents for drying their laundry on radiators if there is no space in their home for a tumble dryer or the weather is poor, other than those residents fortunate enough to have outdoor space. Occupancy factors do not mean that the landlord has no responsibility, and landlords should recognise that some homes were not designed with modern living in mind. Landlords should take reasonable steps in partnership with residents in these circumstances including considering improving ventilation or other appropriate measures.*	Following a customer report of mould or dampness our contractors technical staff will visit the property to diagnose the problem. Where structural/fabric works are identified i.e. missing roof tiles, leaking gutters etc which are causing penetrating dampness appropriate remedial work will be undertaken to resolve the issue. Where there are no structural issues and condensation is identified as the cause, the member staff will explain in summary what is required to combat the issue, e.g., ventilation, heating etc, and issue our condensation guidance leaflet to the customer. In addition to this where no mechanical ventilation (extractor fans) is fitted, this will be completed in the bathroom & kitchen, anti-fungicidal treatments will also be considered for any affected areas.

Recomm.	Section	Response
8	*Together with residents, landlords should review the information, materials and support provided to residents to ensure that these strike the right tone and are effective in helping residents to avoid damp and mould in their properties.*	We provide a range of advice via RSL websites, leaflets and self-help instructional videos. This has been developed in conjunction with customers through tenant panels, area teams and boards.
9	*Landlords should be more transparent with residents involved in mutual exchanges and make the most of every opportunity to identify and address damp and mould, including visits and void periods.*	Detailed inspections are conducted at void stage and where dampness or mould issues are identified these are resolved during void works. Other elements will include installation or upgrading of mechanical ventilation.
10	*Landlords should ensure their strategy for delivering net zero carbon homes considers and plans for how they can identify and respond to potential unintended consequences around damp and mould.*	The extensive fabric improvement programme, particularly in the West of Scotland has been hugely successful in provide warm dry homes. A key component of the investment strategy was to ensure that mechanical ventilation was installed as standard, all windows have appropriate levels of trickle ventilation and that all properties have whole house heating systems. We are installing around 10,000 Connected Response heating improvement controls for electrically heated homes over the next 4 years. These homes often suffer from condensation and damp due to underheating as a result of ‘self-disconnection’ and cost. Firstly, by improving control and cost outcomes we expect improved heating and satisfaction, however as an important part of the physical installation we are including temperature and humidity sensors which will be providing data every 15 minutes on the internal environment. An example of the dashboard is in the covering report We’re building an ‘exception alert report’ whereby if humidity is above maximum parameters for an extended period of time it will send an alert to Wheatley Group that there is a condensation risk. This is a new pro-active approach to identifying where dampness is present. We can then provide wrap-around services to help the customer afford to heat adequately as well as address excessive humidity issues at source.

Recomm.	Section	Response
	From inferring blame to taking responsibility	
11	*Landlords should review, alongside residents, their initial response to reports of damp and mould to ensure they avoid automatically apportioning blame or using language that leaves residents feeling blamed*	Our current approach is in line with the best practice example highlighted by the Ombudsman. Our ongoing review of associated wrap around services including technical inspections and remediation, housing officer follow up and review and Fuels Advisor support will further enhance our approach.
12	*Landlords should consider their current approach to record keeping and satisfy themselves it is sufficiently accurate and robust. We would encourage landlords to go further and consider whether their record keeping systems and processes support a risk-based approach to damp and mould*	We have extensive sources of data and record keeping and utilise this data to inform investment decisions. Despite the relatively low levels of reported repairs for Dampness & Mould, it would be worthwhile to undertake a 'risk profile' of all stock to establish if patterns or prevalence exists either on a built form, geographic or customer profile basis.
13	*Landlords should ensure that their responses to reports of damp and mould are timely and reflect the urgency of the issue.* *Landlords should recognise that issues can have an ongoing detrimental impact on the health and well-being of the resident and should therefore be responded to in a timely manner. Landlords should consider appropriate timescales for their responses to reflect the urgency of the case and set these out clearly for residents so their expectations can be managed. In addition, landlords should ensure that any follow up appointments are booked for as soon as possible.*	From date of repair reported to completion of remedial works typically takes on average 13 working days. This includes initial inspection to determine extent and scope of any works through to completion by an appropriately qualified tradesperson. Our ongoing process review will further enhance this approach by formalising follow up visits/contacts with customers post completion to support customers with other contributory factors such as fuel poverty, improving ventilation etc.
14	*Landlords should review the number of missed appointments in relation to damp and mould cases and, depending on the outcome of any review, consider what steps may be required to reduce them*	We have a robust approach to managing no access with immediate follow up by how officers via 'Repairs Action required' daily reports.

Recomm.	Section	Response
15	*Landlords should ensure that their staff, whether in-house or contractors, have the ability to identify and report early signs of damp and mould.*	In terms of housing management staff this would previously formed part of the annual customer conversation, however due to current Covid regulations/restrictions physical visits in customers home are limited. Trades visiting properties to undertake repair work of any kind should be identifying and reporting any potential incidences of dampness or mould, however this would require to be tested.
16	*Landlords should take steps to identify and resolve any skills gaps they may have, ensuring their staff and contractors have appropriate expertise to properly diagnose and respond to reports of damp and mould. Having well-qualified, experienced, customer-focused surveyors, technical staff and repairs managers willing and able to properly inspect and remedy issues was crucial to being able to identify root causes. We are aware some landlords have developed specialist teams for the diagnosis of, and remedial work to, damp and mould and others have directly employed surveyors to ensure they can swiftly respond to reports. Others have set up networks to share best practice, procedures, technical expertise and staff between organisations to overcome this problem.* *Whilst accessing the right skills can be challenging, landlords should have appropriate plans in place to address any skills gaps.*	A comprehensive suite of training and guidance material has been deployed across the Housing Officer network. Our contractors are fully qualified to diagnose and assess appropriate remedial action.

Recomm.	Section	Response
17	*Landlords should ensure that they clearly and regularly communicate with their residents regarding actions taken or otherwise to resolve reports of damp and mould. Landlords should review and update any associated processes and policies accordingly.*	The detailed end to end process is fully outlined in or Staff Guidance in post completion visits and review.
18	*Landlords must ensure there is effective internal communication between their teams and departments, and ensure that one individual or team has overall responsibility for ensuring complaints or reports are resolved, including follow up or aftercare.*	The detailed end to end process is fully outlined in or Staff Guidance in post completion visits and review. This process should however be tested.
19	*Landlords should ensure that their complaints policy is effective and in line with the Complaint Handling Code, with clear compensation and redress guidance. Remedies should be commensurate to the distress and inconvenience caused to the resident, whilst recognising that each case is individual and should be considered on its own merits.*	We have a robust Group Wide Complaints policy managed by a dedicated Complaints Team, thus ensuring customers are kept up to date and complaints are resolved/escalated in line with our Group policy.
	From disrepair claims to resolution	
20	*Landlords need to ensure they can identify complex cases at an early stage and have a strategy for keeping residents informed and effective resolution.*	Where complex cases are identified we have a dedicated and appropriately qualified Repairs, Investment & Compliance Officer who will undertake detailed surveys and management any identified remedial works. Working in conjunction with the Housing Officer, customers will be kept up to date on progress on timescales for resolution.
21	*Landlords should identify where an independent, mutually agreed and suitably qualified surveyor should be used, share the outcomes of all surveys and inspections with residents to help them understand the findings and be clear on next steps. Landlords should then act on accepted survey recommendations in a timely manner.*	Typically, the required skillset exists within our existing RIC Team and repairs contractors. Where however more complex issues with associated solutions are identified specialists (both surveyors and contractors) will be employed to reach a resolution.

Recomm.	Section	Response
22	*Where extensive works may be required, landlords should consider the individual circumstances of the household, including any vulnerabilities, and whether or not it is appropriate to move resident(s) out of their home at an early stage.*	We always endeavour to limit the need for decants and in most cases customers are reluctant to leave their own home, even for a short period. Decant would only be considered where we were unable to undertake work in a safe way ensuring that the home remains safe for occupancy when trades were not present. Where decant is required, Housing Officer will discuss all options with the affected customer, coordinating and arranging a move, ensuring that the impact is both minimised and is also for as short a period as possible.
23 & 24	*Landlords should promote the benefits of their complaints process and the Ombudsman to their residents as an appropriate and effective route to resolving disputes.* *Landlords should continue to use the complaints procedure when the pre-action protocol has commenced and until legal proceedings have been issued to maximise the opportunities to resolve disputes outside of court. Landlords should ensure their approach is consistent with our jurisdiction guidance and their legal and complaint teams work together effectively where an issue is being pursued through the complaints process and protocol.*	We have a robust Group Wide Complaints policy managed by a dedicated Complaints Team, thus ensuring customers are kept up to date and complaints are resolved/escalated in line with our Group policy. We have dedicated areas on each RSL website explaining how the process works in practice. Performance of handling complaints is also published on RSL websites

Recomm.	Section	Response
	From complaints to a learning culture	
25 & 26	*Landlords should consider how best to share learning from complaints and the positive impact of changes made as a result within the organisation and externally. Systems should allow the landlord to analyse their complaints data effectively and identify themes, trends and learning opportunities.* *Landlords should ensure they treat residents reporting damp and mould with respect and empathy. The distress and inconvenience experienced by residents in this area is some of the most profound we have seen, and this needs to be reflected in the tone and approach of the complaint handling.*	Whilst we have very robust processes to manage the dampness issue, including skilled staff, regular training, wrap around support, etc, consideration could also be given to; • developing and reinforcing learning in relation to empathy and customer advocacy. • Develop lessons learned/case reviews for dampness related issues

Report

To: **Wheatley Housing Group Board**

By: **Steven Henderson, Group Director of Finance**

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

Subject: **Finance report**

Date of Meeting: **15 December 2021**

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1. Purpose

1.1 To provide an update on the Group's financial performance for the period to 31 October 2021

2. Authorising and strategic context

2.1 On-going monitoring of financial performance against agreed targets is one of the responsibilities of the Group Board under the Group Authorise, Manage & Monitor Matrix.

2.2 The 2021/22 budget effectively mirrors the first year of the business plan financial projections for each entity and will allow each Board, as well as the Group Board, to monitor progress during the year against our business plan targets.

3. Risk appetite and assessment

3.1 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".

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

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

4. Customer Engagement

4.1 This report relates to our financial reporting and therefore there is no direct customer engagement.

5. Discussion

Financial performance to 31 October 2021

5.1 The results for the year to date are summarised below. Detailed information is included in Appendix 1.

	Year to Date (Period 7)		
£m	**Actual £m**	**Budget £m**	**Variance £m**
Turnover	228.7	233.3	(4.6)
Operating expenditure	171.8	174.3	2.5
Operating surplus	**56.9**	**59.0**	**(2.1)**
Operating margin	*24.9%*	*25.3%*	
Net interest payable	39.1	41.8	2.7
Surplus	**17.8**	**17.2**	**0.6**
Net Capital Expenditure	93.1	109.5	16.4

5.2 The Group is reporting a statutory surplus of £17.8m, £0.6m favourable to budget for the year to date.

5.3 Key variances against budget include:

- Within turnover, grant income recognised on new build completions is £5.1m lower than budget. 164 units (127 social rent and 37 MMR) have been completed by end of October compared to 316 budgeted. Completions have been delayed at Watson, Jarvey Street, Sighthill and South Gilmerton. DGHP units at Sanquhar were budgeted for 2021/22 completion but completed early in March 2021.

- Other income is £0.5m favourable to budget; this is principally due to unbudgeted furnished let income in GHA and higher levels of income in DGHP for aids and adaptations, the work for which was carried in the previous financial year, our the policy is to recognise amounts when claims are agreed with the Local Authority.

- In expenditure, total costs are £2.5m lower than budget, driven mainly driven by the lower expenditure across the majority of budget lines with the exception of repairs.
    - In repairs and maintenance costs of £35.0m are £1.0m higher than budget primarily driven by higher levels of customer demand as pandemic restrictions have been removed with reactive repairs running higher than budget in the majority of subsidiaries.
    - Staff costs are £0.9m lower than budget primarily due to vacancies and changes to the budgeted staffing structures.

- Running costs are £1.1m lower with savings in all the RSLs and Solutions as our new ways of working with many staff continuing to work from home have enabled us to make operational cost savings.
- Bad debt costs are £0.9m lower than budget. The budget for 2021/22 includes a prudent level of provision for costs associated with an assumed increase in arrears levels related to Universal Credit.

5.4 Interest costs are £2.7m lower than budget for the month, linked to lower net debt levels at the end of the 2020/21 financial year and lower interest costs following the termination of fixed rate loan arrangements in March. No further drawdowns have been made since the £28m final EIB tranche in June.

5.5 Net capital expenditure is £16.4m lower than budget. Within this, new build spend is £19.4m lower which links through to grant income claimed which is £20.1m lower than budget at the end of October reflecting the lower levels of spend. Progress at a number of sites has been delayed for Covid related reason with some contractors applying for an extension of time. Other sites such as Calton Village, Sighthill and Hurlford Avenue have been delayed with later site start dates.

5.6 The core investment programme spent £47.2m in the year to date which is £16.1m lower than budget with a number of factors are impacting the delivery of the planned programmes including ongoing impact of COVID working restrictions and shortages in material supplies for key workstreams such as windows and kitchens. City Building have been engaged to assist with the delivery of the programme in Dumfries and Galloway and spend levels are expected in increase in November and December. There has also been lower spend in GHA of £1.3m from the VAT Shelter arrangement.

Key financial metrics – interest cover and debt per unit

5.7 Loan covenants are monitored monthly out-with the required quarterly submission of calculations and the submission of Board approved management accounts of the RSL Borrower Group to funders.

5.8 The favourable performance against budget has improved the covenant position at 31 October 2021 outperforming the key measures of interest cover and debt per unit in the RSL Borrower Group as shown in the table below.

Covenant	Minimum level	Actual – P7	
Interest cover	[redacted]	191%	Met
Debt per unit	[redacted]	£23,772	Met

6. Digital transformation alignment

6.1 No implications.

7. Financial and value for money implications

7.1 The statutory surplus for the year to 31 October 2021 is £0.6m favourable to budget and in line with the assumptions made in the most recent update of the Group's business plan. Delivery of our cost efficiency targets is a key element of continuing to demonstrate value for money. The underlying results for the period to 31 October 2021 were favourable to budget ensuring that these efficiency targets are met.

8. Legal, regulatory and charitable implications

8.1 No implications.

9. Equalities impact

9.1 No implications.

10. Environmental and sustainability implications

10.1 No implications

11. Recommendation

11.1 The Board is requested to note the Group management accounts for the period ended 31 October 2021 at Appendix 1

List of appendices:

Appendix 1: Wheatley Group Financial Report to 31 October 2021

Appendix 1: Wheatley Group Financial Report To 31 October 2021 (Period 7)

1a) Wheatley Group – Year to date

	Year to 31 October 2021			Full Year Budget £'000
	Actual £'000	Budget £'000	Variance £'000	
INCOME				
Net Rental Income	179,442	179,542	(100)	306,646
Grant income	13,951	19,037	(5,086)	49,933
Other Income	35,296	34,762	534	52,567
Total Income	**228,689**	**233,340**	**(4,651)**	**409,146**
EXPENDITURE				
Employee Costs	49,026	49,901	875	84,454
ER/VR	642	642	-	3,046
Running Costs	25,408	26,549	1,141	46,565
Repairs & Maintenance	35,016	34,035	(981)	57,806
Bad debts	2,672	3,609	937	6,097
Depreciation	58,874	58,874	-	100,928
Demolition Programme	125	674	549	1,449
Total Expenditure	**171,763**	**174,282**	**2,519**	**300,345**
NET OPERATING SURPLUS	**56,926**	**59,058**	**(2,132)**	**108,801**
	24.9%	25.3%		26.6%
Gain/(loss) on sale of fixed assets	(5)	-	(5)	-
Net interest payable	(39,094)	(41,816)	2,722	(69,624)
STATUTORY SURPLUS/(DEFICIT)	**17,827**	**17,242**	**585**	**39,177**
INVESTMENT				
Total Capital Investment Income	19,144	39,720	(20,576)	65,693
Core Investment Programme	47,197	63,290	16,093	106,328
New Build Programme	54,101	73,484	19,383	125,310
Other fixed assets	10,897	12,412	1,515	19,130
Total Capital Investment Expenditure	**112,195**	**149,187**	**36,992**	**250,768**
NET CAPITAL INVESTMENT SPEND	**(93,051)**	**(109,467)**	**16,416**	**(185,075)**

Key highlights year to date:

The Group operating surplus for the period ended 31 October was £56,926k which is £2,132k unfavourable to budget. At the statutory surplus level, a surplus of £17,827k is reported showing a favourable variance of £585k. The variance to budget is driven by lower grant income due to the delay on new build completions, offset by lower levels of expenditure due to operational cost savings from our revised working model, lower bad debts and savings in interest payable.

Total income at £228,689k is £4,651k unfavourable to budget.

- Net rental income is £100k unfavourable with budget. Rent loss on voids is showing an unfavourable variance mainly due to an increase in rent losses on empty properties in GHA. Overall rent losses on voids are running at 1% with group void loss to October at £1,721k, £95k adverse to budget.
- Grant income recognised to date relates to the total of 164 units completed against a budget target of 316 units. The adverse variance is mainly driven by budget phasing and delayed completions of properties at Watson now due to complete later in the year and in Q1 of 2022/2
- Other income is £534k higher than budget and includes unbudgeted income for furnished lets and income in DGHP for the Young Persons Project. The associated costs for these are reported in running costs. Additional aids & adaptations claims have also been made in DGHP for works completed in the prior year with the claim being recognised this year once approved for payment. This is offset by lower levels of factoring income in Lowther.

Total expenditure of £171,763k is £2,519k favourable to budget:

- Staff costs are £875k favourable than budget mainly driven by vacancies and changes to the budgeted staffing structures.
- Running costs are £1,141k favourable to budget. Our new ways of working have enabled us to make operational cost savings. Home based working has resulted in reduced activity in certain Solutions areas and we are seeing lower property and office running costs. Factoring costs are lower in Lowther linked to lower income.
- Revenue repairs and maintenance spend is £981k unfavourable to budget with favourable variances to budget across compliance and cyclical repairs offset by higher than budgeted levels of responsive repairs primarily driven by the timing of spend with higher customer demand as pandemic restrictions have been removed.
- Bad debt costs are £937k favourable to budget across the Group with a prudent provision set aside for increases in arrears. Interest costs are £2,722k lower than budget with interest rates on WLF 1 borrowings lower following the loan restructuring in March 2021.

Net capital investment spend of £93,051k is £16,416k favourable budget.

- Capital investment income relates to the cash receipt of new build grant, which is £20,576k below budget, and is linked to the delays in the timing of the new build programme and lower level of new build spend on which grant can be claimed.
- Core programme spend is lower than budget by £16,093k. Factors, influencing the delivery of the planned programmes include ongoing impact of COVID working restrictions and shortages in material supplies affecting window and kitchen programmes. City Building have been engaged to assist delivery of investment projects in DGHP and we anticipate progress to accelerate in all Group RSLs through the second half of the year. There has also been lower spend in GHA of £1.3m from the VAT Shelter arrangement.
- In New Build, a higher level of spend had been anticipated for sites including Calton Village, Hurlford Avenue and Sibbalds Brae but these sites had later starts than anticipated due to planning. Sighthill, Watson, South Gilmerton and Rowanbank and Penicuik sites are all running lower than budget and driving the variance. In DGHP faster progress was made at Lincluden in Q4 20/21 which has reduced spend in 2021/22.

Wheatley Group Financial Report
To 31 October 2021 (Period 7)

RSL Borrower Group

2a) RSL Borrower Group – Year to date

	Year to 31 October 2021			Full Year Budget £'000
	ACT £'000	BUD £'000	VAR £'000	
INCOME				
Net Rental Income	144,606	144,682	(76)	246,490
Grant income	10,536	18,080	(7,544)	44,683
Other Income	17,585	17,079	506	22,277
Total Income	**172,727**	**179,840**	**(7,113)**	**313,450**
EXPENDITURE				
Employee Costs	32,385	32,857	472	56,698
ER/VR	432	432	-	2,700
Running Costs	14,741	15,522	781	27,238
Repairs & Maintenance	27,958	26,603	(1,355)	45,187
Bad debts	2,094	2,799	705	4,831
Depreciation	52,159	52,159	-	89,379
Demolition Programme	125	674	549	1,200
Total Expenditure	**129,894**	**131,045**	**1,151**	**227,233**
NET OPERATING SURPLUS	**42,833**	**48,796**	**(5,963)**	**86,217**
	24.8%	27.1%		27.5%
Gain/(loss) on sale of fixed assets	-	-	-	-
Net interest payable	(33,671)	(36,515)	2,844	(60,575)
STATUTORY SURPLUS/(DEFICIT)	**9,162**	**12,281**	**(3,119)**	**25,642**
INVESTMENT				
Total Capital Investment Income	18,475	36,116	(17,641)	57,978
Core Investment Programme	32,377	41,968	9,591	72,767
New Build Programme	48,185	63,410	15,225	107,049
Other fixed assets	9,821	9,956	135	14,919
Total Capital Investment Expenditure	90,383	115,334	24,951	194,735
NET CAPITAL INVESTMENT SPEND	**(71,908)**	**(79,218)**	**7,310**	**(136,757)**

Key highlights year to date:

The RSL Borrower group operating surplus to 31 October is £42,833k, £5,963k unfavourable to budget. At the statutory surplus level, a surplus of £9,162k is reported showing an unfavourable variance of £3,119k compared to the budget. The variance to budget continues to be driven by lower grant income on new build completions, higher repair costs with the remobilisation of repairs services offset by running cost savings from our new operating model.

Total income at £172,727k is £7,113k unfavourable to budget:

- Net rental income is £76k unfavourable to budget across the RSLs. Rent loss on voids is showing an unfavourable variance mainly due to an increase in rent losses on empty properties in GHA which is running with voids of 0.94% compared to budget of 0.7%.
- Grant income is £7,544k unfavourable to budget. Grants recognised to date relates to the total of 133 units completed at GHA developments and New Mills Road for DC. The adverse variance is mainly driven by budget phasing and delayed completions of MMR properties at Watson now due to complete later in the year and in Q1 2022/23, delays at Sighthill where 86 units were budgeted to be delivered in October 2021 which are now forecasted to complete in Q4 and units at South Gilmerton that were expected to be completed by July also delayed to Q4.
- Other income is £506k higher than budget and includes unbudgeted income for furnished lets of £382k with the associated costs for furnished lets packages provided of £280k in running costs.

Total expenditure at £129,894k is £1,151k favourable to budget:

- Employee costs are £472k favourable to budget which is due to a combination of both vacancies compared to the budgeted structure and the phasing of the uptake of the home working allowance by staff. Running costs are £781k favourable to budget. Our new ways of working have enabled us to make operational cost savings. Home based working has resulted in reduced activity in certain Solutions areas and we are seeing lower property and office running costs. This is offset by unbudgeted furnished lets costs of £280k funded by additional income.
- Revenue repairs and maintenance spend is £1,355k unfavourable to budget with favourable variances to budget across compliance and cyclical repairs offset by higher than budgeted levels of responsive repairs primarily driven by the timing of spend with higher customer demand as pandemic restrictions have been removed and the phasing of the budget with the budget for responsive repairs weighted towards the end of Q3 and Q4.
- Interest payable represents the interest due on the loans due to Wheatley Funding Ltd 1 and is £2,844k favourable to budget following re-structuring of WFL1 loans in March 2021.

Net capital expenditure is £7,310k lower than budget.

- Core programme spend is £9,591k lower than budget with the spend in in October being £1.4m lower than budget. While lower spend is recorded across all active RSLs in the borrower group it is anticipated that spend will accelerate during Q3. Of the underspend, £1.3m relates to the VAT Shelter arrangement in GHA.
- New build spend reflects delays in planning approvals and slow progress on sites due to supply issues. Greater spend had been anticipated across a number of sites for GHA including Calton Village, Sighthill and Hurlford Avenue, however there are also lower levels of spend at WLHP, at Blackness Road and Sibbalds Brae, offset by an increase in spend at Winchburgh O. At DC, spend at Penicuik is lower than budget due to slow progress on site and spend is lower at Rowanbank due to the revised date for Golden Brick.
- Capital investment income relates to the cash receipt of new build grants and is £17,641k below budget. The lower levels of grants claimed are linked to the lower level of new build spend as noted above.

2b) RSL Borrower Group underlying surplus – year to date

The Wheatley Group and RSL Borrower Group operating Statement (Income and Expenditure Account) on pages 2 and 4 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 October 2021, an underlying surplus of £18,408k has been generated using this measure which is £14,016k favourable to budget. The variance is driven by the lower levels of core investment expenditure, savings in running costs, lower bad debt costs and lower interest costs.

Borrower Group Underlying Surplus - October 2021

	YTD Actual £ks	YTD Budget £ks	YTD Variance £ks	FY Budget £ks
Net operating surplus	42,833	48,796	(5,963)	86,217
add back:				
Depreciation	52,159	52,159	0	89,379
less:				
Grant income	(10,536)	(18,080)	7,544	(44,683)
Net interest payable	(33,671)	(36,515)	2,844	(60,575)
Total expenditure on Core Programme	(32,377)	(41,968)	9,591	(72,767)
Underlying surplus	**18,408**	**4,392**	**14,016**	**(2,429)**

2c) GHA – Year to date

	Year to 31 October 2021			Full Year
	YTD Actual £ks	YTD Budget £ks	YTD Variance £ks	Budget £ks
INCOME				
Rental Income	£116,604	£116,489	£115	£198,828
Void Losses	(£1,101)	(£823)	(£278)	(£1,410)
Net Rental Income	**£115,503**	**£115,666**	**(£163)**	**£197,418**
Grant Income	£9,557	£14,927	(£5,370)	£28,859
Other Income	£15,758	£15,203	£555	£18,750
Total Income	**£140,818**	**£145,796**	**(£4,978)**	**£245,027**
EXPENDITURE				
Employee Costs - Direct	£19,767	£20,259	£492	£35,238
Employee Costs - Group Services	£7,022	£6,938	(£84)	£11,162
ER / VR	£432	£432	£0	£2,741
Direct Running Costs	£6,591	£6,517	(£74)	£11,504
Running Costs - Group Services	£4,090	£4,715	£625	£8,054
Revenue Repairs and Maintenance	£23,020	£22,283	(£737)	£37,726
Bad debts	£1,887	£2,345	£458	£4,074
Depreciation	£40,051	£40,051	£0	£68,939
Demolition and Tenants Compensation	£125	£674	£549	£1,205
TOTAL EXPENDITURE	**£102,985**	**£104,214**	**£1,229**	**£180,644**
NET OPERATING SURPLUS / (DEFICIT)	**£37,833**	**£41,582**	**(£3,749)**	**£64,383**
Net operating margin	*26.9%*	*28.5%*	*-1.7%*	*26.3%*
Net Interest payable & similar charges	(£27,170)	(£29,353)	£2,183	(£50,123)
STATUTORY SURPLUS / (DEFICIT)	**£10,663**	**£12,229**	**(£1,566)**	**£14,259**

INVESTMENT	Year to 31 October 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
Total Capital Investment Income	**£9,262**	**£19,763**	**(£10,501)**	**£28,458**
Total Expenditure on Core Programme	£27,519	£35,717	£8,199	£61,803
New Build & other investment expenditure	£24,211	£34,820	£10,609	£55,725
Other Capital Expenditure	£8,978	£9,158	£180	£12,438
TOTAL CAPITAL EXPENDITURE	**£60,708**	**£79,695**	**£18,988**	**£129,966**
NET CAPITAL EXPENDITURE	**£51,446**	**£59,932**	**£8,487**	**£101,508**

Key highlights year to date:

The GHA budget includes the stock transferred from Cube from 28 April 2021.

- Net operating surplus £37,833k is £3,749k unfavourable to budget. Statutory surplus for the period to 31 October is £10,663k, £1,566k unfavourable to budget. The main drivers of the variance continue to be lower levels of grant income and higher spend across a number of expenditure lines.
- Net rental income of £115,503k is £163k lower than budget at the end of P7. Void losses are £278k higher than budget and represent a 0.94% loss rate compared to budget of 0.70%.
- Grant income recognised to date relates to the total of 121 units completed at Bellrock, Auchinlea, Kennishead and Baillieston. The budget assumed 46 MMR properties completing at Watson in Q2 which are delayed due to the ongoing construction and supply issues. These are now due to complete in Q1 2022/23. In addition we had budgeted 86 units for Sighthill which are now forecasted to complete in Q4.
- Total employee costs are £408k under budget, including employee recharges from Solutions which are £84k higher than budget. This is mainly related to additional resources deployed in the Customer First Centre, percentage of recharges to GHA and phasing of budget which is more towards the latter half of the year.
- Total running costs are £551k favourable to budget. Solutions recharges report the main favourable variances to budget and are running £625k, driven by the savings in Solutions resulting from a continuation of home working.
- Revenue repairs and maintenance is £737k unfavourable to budget. Favourable variances to budget are seen across compliance and cyclical repairs offset by higher responsive repairs due to higher levels demand experiences in the second and third quarter to date.
- The net capital expenditure of £51,446k is £8,487k lower than budget. Grant income of £9,262k has been received with the variance driven by the lower level of spend in the new build programme and the accelerated grant claim in 2020/21 for Sighthill.
- Core capital investment programme spend is £8,199k lower than budget as the remobilisation of activities continues. The variance is primarily kitchen & bathrooms, the windows programme and ICW costs with material supplies on a longer lead time. Of the variance £1.3m relates to works benfitting from the VAT shelter.
- New build spend is £10,609k lower than budget. Higher levels of spend had been anticipated for a number of sites including Shandwick Street, Calton Village, Hurlford Avenue, Sighthill and Watson, all of which are under the budget at P7. Progress on Sighthill has been slower to date under the restrictions and a delay in handover of the site to the developer by GCC had also delayed progress.
- Other capital expenditure of £8,978k is £180k lower than budget. Other capital spend includes Wheatley House works.

2d) Cube – Year to date

	Year to 30 September 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Rental Income	£3,047	£3,053	(£6)	£3,053
Void Losses	(£53)	(£136)	£83	(£136)
Net Rental Income	**£2,994**	**£2,917**	**£77**	**£2,917**
Grant Income	£44	£47	(£3)	£47
Other Income	£39	£42	(£3)	£42
TOTAL INCOME	**£3,077**	**£3,006**	**£71**	**£3,006**
EXPENDITURE				
Employee Costs - Direct	£550	£582	£32	£582
Employee Costs - Group Services	£131	£124	(£7)	£124
ER / VR	£0	£0	£0	£0
Direct Running Costs	£234	£253	£19	£253
Running Costs - Group Services	£71	£90	£19	£90
Revenue Repairs and Maintenance	£577	£435	(£142)	£435
Bad debt costs	£17	£82	£65	£82
Depreciation	£1,503	£1,503	£0	£1,503
TOTAL EXPENDITURE	**£3,083**	**£3,069**	**(£14)**	**£3,070**
NET OPERATING SURPLUS / (DEFICIT)	**(£6)**	**(£63)**	**£57**	**(£64)**
Net operating margin	*-0.2%*	*-2.1%*	*1.9%*	*-2.1%*
Net Interest payable & similar charges	(£676)	(£748)	£72	(£748)
STATUTORY SURPLUS / (DEFICIT)	**(£682)**	**(£811)**	**£129**	**(£812)**
INVESTMENT				
TOTAL CAPITAL INVESTMENT INCOME	**£1,541**	**£1,671**	**(£130)**	**£1,671**
Total Expenditure on Core Programme	£441	£358	(£83)	£358
New Build & other investment expenditure	£1,386	£1,817	£431	£1,817
Other Capital expenditure	£45	£65	£20	£65
TOTAL CAPITAL EXPENDITURE	**£1,872**	**£2,240**	**£368**	**£2,241**
NET CAPITAL EXPENDITURE	**£331**	**£569**	**£238**	**£570**

Key highlights year to date:

Results are presented for Cube for the period of trading up to the transfer of engagements to Loretto Housing Association on 28 July 2021.

Net operating deficit of £6k is £57k favourable to budget. Statutory deficit for the year to date is £682k, £129k favourable to budget.

- Rental income of £3,047k is broadly in line with budget. Void losses in the year to date are 1.74% against a budget of 4.45%, generating a favourable variance of £82k.
- Other income includes any income from non-social housing stock and district heating schemes (prior to transferring to GHA on 28 April).
- Direct employee costs of £550k are £32k favourable to budget, following transfer of a number of Cube's housing staff to GHA on 28 April, three days earlier than the budget assumed. Group Services Employee Costs of £131k represents Cube's share of Wheatley Solutions staff up to the point of transfer.
- Direct Running Costs are favourable to budget by £19k, as a result of an under spend on Initiatives. Group Services Running Costs of £71k represents Cube's share of Wheatley Solutions running costs.
- Revenue repairs and maintenance expenditure is £141k unfavourable to budget, mainly due to the acceleration of the compliance based cyclical maintenance programme. Reactive maintenance reported an under spend to budget for the period to 31 July.
- Bad debts report a favourable variance to budget. A prudent approach to Universal Credit was taken when setting the budget.
- Gross interest payable of £676k represents interest due on the loans due to Wheatley Funding Ltd 1. A saving to budget is reported following the restructuring of WFL1's loans in March.

Net capital expenditure of £331k is £238k lower than the budget primarily as a result of the timing of new build spend.

- The majority of capital investment income and new build spend relates to Queens Quay.
- Investment works expenditure of £441k is for internal common works and compliance capital (both part of core programme works), voids and capitalised repairs.
- Other capital expenditure of £45k relates to Cube's share of group wide IT investment.

2e) West Lothian Housing Partnership – Year to date

	Year to 31 October 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Rental Income	2,183	2,195	(12)	3,920
Void Losses	(6)	(30)	24	(51)
Net Rental Income	**2,177**	**2,165**	**12**	**3,869**
Other Income	1	0	1	32
Grant Income Recognised in the Year	0	0	0	12,467
TOTAL INCOME	**2,178**	**2,165**	**13**	**16,368**
EXPENDITURE				
Employee Costs - Direct	291	328	37	581
Employee Costs - Group Services	42	42	(0)	69
Direct Running Costs	111	180	69	296
Running Costs - Group Services	30	31	1	49
Revenue Repairs and Maintenance	336	355	19	647
Bad Debts	2	30	28	51
Depreciation	1,204	1,204	0	2,065
TOTAL EXPENDITURE	**2,016**	**2,170**	**154**	**3,758**
NET OPERATING SURPLUS / (DEFICIT)	**162**	**(5)**	**166**	**12,610**
Net Operating Margin	*7%*	*0%*	*8%*	*77%*
Interest receivable	0	0	(0)	1
Interest payable	(640)	(746)	106	(991)
STATUTORY SURPLUS / (DEFICIT)	**(479)**	**(751)**	**272**	**11,619**

	Year to 31 October 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INVESTMENT				
Total Capital Investment Income	**1,733**	**4,495**	**(2,762)**	**7,274**
Total Expenditure on Core Programme	427	554	127	828
New Build & Other Investment	5,600	9,056	3,456	15,975
Other Capital Expenditure	46	39	(7)	67
TOTAL CAPITAL EXPENDITURE	**6,073**	**9,649**	**3,576**	**16,869**
NET CAPITAL EXPENDITURE	**4,340**	**5,154**	**814**	**9,595**

WEST LOTHIAN
Housing Partnership

Key highlights year to date:

- Net operating surplus of £162k is £166k favourable to budget. Statutory deficit for the period to 31 October is £479k, £272k favourable to budget with main drivers being lower staff and running costs, bad debts and lower interest costs compared to budget.
- Total income is £13k favourable to budget with net rental income £12k favourable to budget due to lower levels of void loss.
- Total expenditure of £2,016k is £154k favourable to budget. Employee costs of £291k are £37k favourable to budget, due to a Housing Officer vacancy and staff recharges for one FTE to a different group subsidiary both of which were not budgeted.
- Running costs are £69k favourable to budget resulting from savings in office running costs generated while staff continue to work from home.
- Gross interest payable of £640k is £106k favourable to budget following the re-structuring of WFL 1 fixed rate loans in March.
- Core investment expenditure of £427k is £127k below budget with longer lead times in material supplies being experienced.
- New Build expenditure of £5,600k is reported at the end of period 7 with the variance of £3,456k driven by delayed spend at several sites including Almondvale (£0.4m), Jarvey Street (£0.3m), Blackness Road (£0.7m), Dixon Terrace (£0.2m), Preston Crescrent. (£0.2m), Winchburgh BB (£0.3m). Sibbalds Brae (£2.2m) is not yet approved and has experienced delayed planning approval which is now anticipated to be issued in December 2021. This site will now progress as a golden brick development with minimal spend now expected this year. The overall underspend is offset by Winchburgh O (£0.9m over budget to date) .
- Grant income of £1,733k has been received in the year to date for Winchburgh O (£1.6m) and Blackness Rd (£0.1m). The budget of £3,751k included expected grant receipts for, Sibbalds Brae which has not yet been approved. The variance against budget reflects the lower than budgeted expenditure detailed above.

2f) Loretto Housing – Year to date

Loretto Housing

	Period To 31 October 2021			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Rental Income	6,322	6,313	9	12,188
Void Losses	(149)	(204)	55	(393)
Net Rental Income	**6,174**	**6,109**	**64**	**11,795**
Other Income	**172**	**168**	**4**	**295**
Grant Income	**71**	**78**	**(7)**	**167**
Total Income	**6,417**	**6,356**	**61**	**12,257**
EXPENDITURE				
Employee Costs - Direct	1,088	1,071	(17)	2,120
Employee Costs - Group Services	186	201	15	398
ER / VR	0	0	0	0
Direct Running Costs	970	987	17	1,752
Running Costs - Group Services	107	145	38	287
Revenue Repairs and Maintenance	1,322	1,167	(155)	1,941
Bad debts	46	170	124	328
Depreciation	3,039	3,039	0	6,003
TOTAL EXPENDITURE	**6,758**	**6,780**	**22**	**12,828**
OPERATING SURPLUS / (DEFICIT)	**(341)**	**(424)**	**83**	**(571)**
Interest Payable	(1,221)	(1,321)	100	(2,514)
STATUTORY SURPLUS / (DEFICIT)	**(1,562)**	**(1,745)**	**183**	**(3,085)**

	Period To 31 October 2021			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INVESTMENT				
Total Capital Investment Income	**2,673**	**3,710**	**(1,037)**	**6,260**
Investment Works	781	1,025	244	2,834
New Build	8,257	6,692	(1,565)	11,956
Other Capital Expenditure	164	174	10	351
TOTAL CAPITAL EXPENDITURE	**9,202**	**7,890**	**(1,311)**	**15,142**
NET CAPITAL EXPENDITURE	**6,528**	**4,180**	**(2,348)**	**8,881**

Key highlights year to date:

- Net operating deficit of £341k is £83k favourable to budget. Statutory deficit for the year to date is £1,562k, £183k favourable to budget. The main driver of the favourable variance is lower voids, bad debts and interest payable. The results at October include the activities transferred from Cube Housing Association from 28th July.
- Gross rental income of £6,322k is £9k favourable to budget.
- Void losses in the year to date are 2.35% against a budget of 3.23%. There has been a notable improvement in voids since the implementation of new referral criteria at Broad St, one of Loretto's three temporary accommodation sites.
- Grant income relates to medical adaptations.
- Employee costs are £17k unfavourable to budget, this is due to the Community Engagement Officer's post and handover / training period for a small number of new staff joining the team. Employees recharged from Group Services are for Loretto's share of Wheatley Solutions staff.
- Direct running costs are £17k favourable to budget, with a number of budget lines showing underspends, which offset higher property costs. Group services running costs of £107k represents Loretto's share of Wheatley Solutions running costs.
- Revenue repairs and maintenance expenditure is £155k unfavourable to budget as a result of the timing of the cyclical programme.
- Bad debts are £124k favourable to budget. A prudent approach was taken when setting the budget.
- Gross interest payable of £1,221k represents interest due on the loans due to Wheatley Funding Ltd. YTD costs are £100k lower than budget, following the re-arrangement of WFL1's loans in March.
- The net capital position of £6,528k is £2,348k higher than budget. This is due to the timing of new build spend and grant received.
- Investment works expenditure of £781k mainly relates to capitalised repairs and core programme works, including central heating.
- New build expenditure of £8,257k, is £1,565k higher than budget and relates mainly to 4 ongoing sites – Hallrule, Dargavel, Cobblebrae Farm and Queens Quay, with Hallrule and Queens Quay materially driving the higher spend year to date. Approx. £1.6m of the capital investment income received is for Hallrule, with the remainder being for Cobblebrae (£647k) and Queens Quay (£339k).
- Other capital expenditure of £164k relates to the Loretto contribution to Wheatley Group IT. Full year budget includes £108k budgeted for office refurb and conversion of housing properties previously used as offices by Wheatley Care. This budget has been brought forward from 2020/21.

2g) Dunedin Canmore – Year to date

	Year to 31 October 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Rental Income	17,961	18,044	(83)	30,985
Void Losses	(202)	(219)	18	(376)
Net Rental Income	**17,759**	**17,825**	**(66)**	**30,609**
Grant Income Recognised in the Year	864	3,028	(2,164)	4,909
Other Income	1,761	1,710	51	3,158
TOTAL INCOME	**20,384**	**22,563**	**(2,179)**	**38,676**
EXPENDITURE				
Employee Costs - Direct	2,351	2,366	15	4,862
ER/VR	0	0	0	-
Employee Costs - Group Services	957	946	(11)	1,562
Direct Running Costs	1,979	1,984	5	3,210
Running Costs - Group Services	557	620	63	1,123
Revenue Repairs and Maintenance	2,849	2,407	(442)	4,438
Bad Debts	142	172	30	296
Depreciation	6,363	6,363	0	10,908
TOTAL EXPENDITURE	**15,198**	**14,859**	**(339)**	**26,399**
NET OPERATING SURPLUS / (DEFICIT)	**5,186**	**7,704**	**(2,518)**	**12,277**
Net Operating Margin	*25%*	*34%*	*-9%*	*32%*
Interest receivable	0	4	(3)	6
Interest payable	(3,964)	(4,349)	384	(7,280)
STATUTORY SURPLUS / (DEFICIT)	**1,222**	**3,359**	**(2,137)**	**5,003**

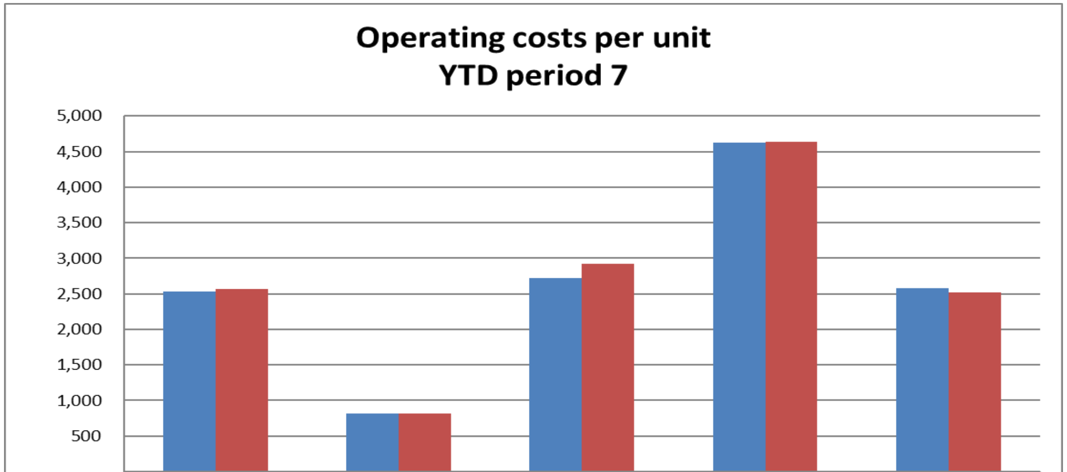
	Year to 31 October 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INVESTMENT				
Total Capital Investment Income	**3,266**	**6,477**	**(3,211)**	**14,315**
Total Expenditure on Core Programme	3,209	4,314	1,105	6,944
New Build & Other Investment	8,731	11,025	2,294	21,576
Other Capital Expenditure	588	520	(68)	1,008
TOTAL CAPITAL EXPENDITURE	**12,528**	**15,859**	**3,331**	**29,528**
NET CAPITAL EXPENDITURE	**9,262**	**9,382**	**120**	**15,213**

Key highlights year to date:

Net operating surplus of £5,186k is £2,518k adverse to budget. Statutory surplus for the period to 31 October is £1,222k, £2,137k adverse to budget. The main driver of the variance is the new build grant with £864k recognised in the year (relating to 12 SR units completed at Newmill Ph2 in October) against a budget of £3,028k. Units at South Gilmerton were expected to be completed in May, July and September are impacting grant income recognised, these now delayed until later in the year

- Net rental income is £66k adverse to budget. Gross rent is £83k adverse to budget driven by the new build units for South Gilmerton being completed later than budgeted. Void losses are £17k favourable to budget.
- Total expenditure is £339k adverse to budget. Revenue repairs and maintenance costs are £442k adverse to budget driven by reactive repairs which are £478k higher than budget as a result of increased demand after covid restrictions have been eased. Cyclical repairs including compliance work are £36k favourable to budget to October.
- Employee costs are showing favourable variances to budget, largely due to unbudgeted staff secondments to other subsidiaries. Group running cost recharges are favourable to budget due to savings generated in office running costs while staff remain working from home.
- Interest expenditure of £3,964k is £385k favourable to budget with lower interest rates on borrowings following the fixed rate loan restructuring in March 2021.
- In Capital, grant income of £3,266k has been received in relation to claims for the Wisp 3C, Roslin, Penicuik, South Gilmerton and Westcraigs.
- Investment expenditure on existing properties is £1,105k lower than budget. This is largely as a result of the final stages of remobilisation, the rephasing of budget and slower progress in the pre 1919 tenemental programme.
- New build spend of £8,266k is £2,294k lower than budget mainly as a result of slower progress and delays on site at South Gilmerton and Rowanbank which was approved as a golden brick site.

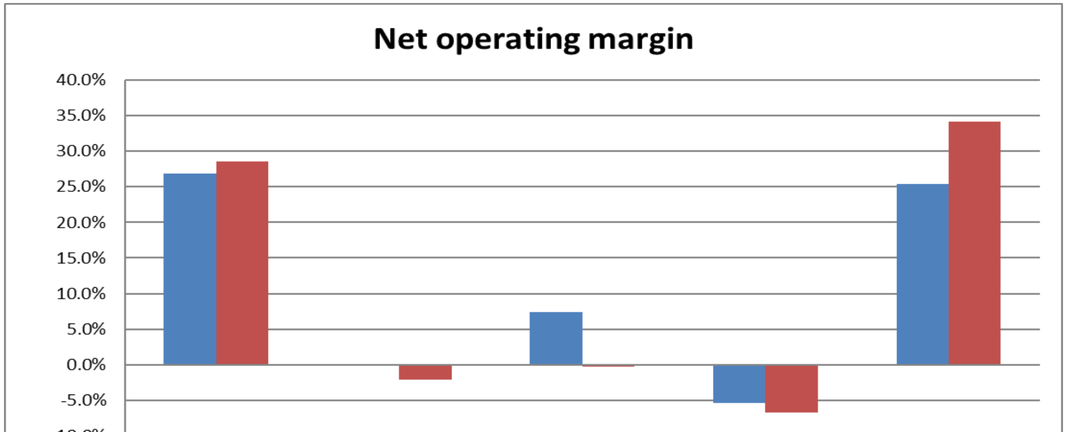
3) Summary of RSL operating costs and margin v budget



	GHA	Cube	WLHP	LHA	DCH
Actual	2,532	819	2,717	4,622	2,573
Budget	2,562	815	2,925	4,637	2,516

Operating costs per unit:

- At period 7 GHA, WLHP and Loretto are reporting favourable or in line with budgeted operating costs per unit for the year to date.
- In Dunedin Canmore, operating costs per unit are marginally higher than budget with higher spend in repairs.
- Operating costs per unit vary across the RSLs depending on the stock profiles and types of accommodation offered.



	GHA	Cube	WLHP	LHA	DCH
Actual	26.9%	-0.2%	7.4%	-5.3%	25.4%
Budget	28.5%	-2.1%	-0.2%	-6.7%	34.1%

Net operating margin:

- Net operating margin is favourable to budget in RSLs for the year to date with the exception of GHA and Dunedin Canmore where higher levels of repairs spend and lower levels of grant income are reported compared to budget. Similar to operating costs, favourable variances across expenditure lines is driving higher margins in the other RSLs.

Wheatley Group Financial Report
To 31 October 2021 (Period 7)

Dumfries & Galloway Housing Partnership (DGHP)

4) Dumfries and Galloway Housing Partnership – Year to date

DGHP

OPERATING STATEMENT	Year to October 2021			Full year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Rental Income	26,408	26,125	283	44,772
Void Losses	(211)	(199)	(12)	(344)
Net Rental Income	**26,198**	**25,926**	**272**	**44,428**
Grant Income	3,415	957	2,458	5,291
Other Income	1,941	1,644	298	2,655
TOTAL INCOME	**31,554**	**28,527**	**3,028**	**52,374**
EXPENDITURE				
Employee Costs - Direct	2,154	2,294	140	4,344
Employee Costs - Group Services	1,151	1,187	35	1,918
Transformation budget	210	210	(0)	305
Direct Running Costs	1,833	1,775	(58)	2,785
Running Costs - Group Services	1,239	1,311	72	2,231
Revenue Repairs and Maintenance	5,566	5,964	398	9,909
Bad debts	235	614	379	1,052
Depreciation	6,714	6,714	(0)	11,510
Demolition		-	-	244
TOTAL EXPENDITURE	**19,102**	**20,067**	**966**	**34,298**
NET OPERATING SURPLUS	**12,452**	**8,459**	**3,993**	**18,076**
Net operating margin	*39%*	*30%*		*35%*
Interest Receivable and similar income	4	82	(79)	141
Net Interest payable & similar charges	(3,736)	(3,693)	(44)	(6,249)
STATUTORY SURPLUS	**8,720**	**4,849**	**3,871**	**11,968**

INVESTMENT	Actual £ks	Budget £ks	Variance £ks	Full year Budget £ks
TOTAL CAPITAL INVESTMENT INCOME	**669**	**3,620**	**(2,950)**	**6,855**
Total Expenditure on Core Programme	14,527	20,922	6,395	32,816
New Build	5,916	10,074	4,158	16,970
Other Capital Expenditure		-		
Premises	144	1,187	1,043	2,035
IT	932	1,269	337	2,176
TOTAL CAPITAL EXPENDITURE	**21,520**	**33,452**	**11,932**	**53,997**
NET CAPITAL EXPENDITURE	**20,850**	**29,832**	**8,982**	**47,142**

Key highlights year to date :

- Net operating surplus of £12,452k is £3,993k favourable to budget. Statutory surplus for the period is £8,720k, £3,871k favourable to budget. The key driver of the variance is higher grant income due to timing v budget together with lower expenditure, most notably repairs and maintenance, where accelerated works and completion of backlog in responsive repairs was planned but further increased demand from tenants, extensive void works and vacancies within repairs teams is creating capacity challenges.
- Net Rental income is £272k favourable to budget, benefitting from the earlier completions at Sanquhar in March 2021. YTD Void losses represent 0.8% of gross rent. Garage rent is reported in other income consistent with the other RSLs.
- Grant income to date is £2,458k favourable to budget. The budget was based on 12 completions at Sanquhar in the year which were recognised in March 2021 on early completion. Actual grant income relates to 5 units at Monreith which were delayed from the prior year and 26 units at Lincluden handed over in September.
- Other income is £298k favourable to budget driven by the Aids and Adaptations claim which has now been received for both Q1 and Q2. The bid for A&A has been accepted at £604k which is £100k more than anticipated for the full year. Also included is unbudgeted income for the Young Persons Project with unbudgeted costs to deliver reported in running costs
- Total expenditure is favourable to budget by £966k with most costs favourable to budget at P7.
- Running costs are in line with budget between direct and group services costs with direct running costs including unbudgeted spend to support the continuation of the Young Persons Project.
- Transformation costs relate to ERVR expenses.
- Repairs costs of £5,566k are under budget by £398k the timing of spend on FIT and other compliance activity offset by higher spend on reactive repairs as the backlog is addressed.
- Within net capital expenditure, spend of £20,820k is £8,982k lower than budget. In grant income, £669k of claims have been received year to date in relation to Eastriggs. The budget assumed income would have been received for Lincluden, however the Lincluden cash claims against cost were made in full in 2020/21.
- Core programme is £6,395k lower than budget across all lines of expenditure. However, mitigating actions have been agreed to return spend closer to budgeted levels with City Building engaged to help with the delivery of the programme.
- New Build expenditure is £4,158k lower than budget, driven by lower levels of spend versus budget at Lincluden (£3.7m). Sanquhar was completed in 2021 and Lincluden had accelerated spend in Q4 of 2020/21.

Wheatley Group Financial Report
To 31 October 2021 (Period 7)

Care and Commercial

5a) Wheatley Care – Year to date

WHEATLEY CARE - COMPANY	Year to 31 October 2021 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INCOME				
Care Projects	11,658	11,709	(51)	20,035
COVID 19 PPE Reclaim Income	36	-	36	-
Head Office	61	59	2	101
TOTAL INCOME	**11,755**	**11,768**	**(13)**	**20,136**
CARE CONTRACT COSTS				
Employee Costs - Care Contracts	8,761	9,227	467	15,818
Running Costs - Care Contracts	1,367	1,338	(29)	2,294
TOTAL CARE CONTRACT COSTS	**10,128**	**10,565**	**438**	**18,112**
EXPENDITURE				
Employee Costs - Head Office	1,016	729	(287)	1,250
Employee Costs - Group Services	96	94	-	154
ER/VR	-	-	-	-
Head Office Running Costs	126	105	(21)	181
Running Costs - Group Services	48	53	3	97
Group recharges - PPE	115	-	(115)	-
Management fee payable to LHA	135	135	-	231
TOTAL EXPENDITURE	**1,536**	**1,116**	**(420)**	**1,913**
SURPLUS/(DEFICIT)	**92**	**87**	**5**	**111**

Key highlights year to date:

- Net Operating surplus of £92k is £5k favourable to budget for the 7 months to October 2021. Total income is £13k adverse to budget, offset by lower Care contract employee costs. Unbudgeted PPE costs of £115k are reported, as well as a reclaim of £36k received in respect of PPE costs.
- Total Care Project income of £11,658k is £51k unfavourable to budget largely driven by lower levels of TSS income, albeit this service is neutral on the bottom line. In total, external services are £71k higher than budget but there are notable variances for specific services: Fordneuk and ARBD Care Home year to date are reporting fewer hours and lower occupancy levels against budget (£19k and £5k less income than budgeted respectively), Fife Supported Accommodation reported £58k lower income than budgeted following a number of voids and West Lothian contracts are reporting an adverse variance of £52k with uplifts assumed in the budget not awarded. This is offset by unbudgeted income for the Housing Support Service in Dumfries and Galloway (DG HSS) of £153k. Uplifts of 2.2% have been applied to income in the Glasgow services, Edinburgh SDS, Falkirk and Grangemouth, Falkirk SDS and Fife Supported services, and also applied to the rate elements within the West Lothian services – but not to the Core and Cluster elements. All other services have not had any uplift applied.
- Employee Costs – Care Contracts expenditure of £8,761k is £467k favourable to budget (after accruing the pay uplift at 2.2% which is the preferred option proposal). The staff cost saving relates to a number of services operating with staff vacancies vs budget, inclusive of TSS. Staff savings are mostly linked to fewer hours being delivered at services. Staff levels are monitored monthly and adjusted to meet individual service needs. The Glasgow, Fife and Edinburgh services are the main contributors to the year to date underspend with favourable variances against budget of £170k, £76k and £120k respectively.
- Running Costs – Care Contract costs of £1,367k are £29k adverse to budget with overspends on telephone and mobile costs as well as staff travel and cleaning costs in some services with the advanced cleaning regime.
- Employee Costs – Head Office expenditure of £1,016k is £287k adverse to budget, with the current structure different to budget for the year to date, and an accrual made centrally of £158k for proposed one-off payment to staff in all services. Central support staff were increased (after the budget had been set) following on from a review of the strategy.
- Head Office Running Costs – Head Office Costs are inclusive of a £10k contribution from Care to the Ensemble project and £9k of training and community event invoices. These costs were not included in the budget.
- Group recharges – PPE unbudgeted costs total £115k. Claims have been submitted to local authorities and the position will remain under review.

5b) Lowther – Year to date

[redacted]

6) Wheatley Solutions – Year to date

EXPENDITURE	Year to Oct 2021 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
Employee costs				
Executive Team	834	853	20	1,411
Employee Relations and WFP	1,309	1,278	(31)	2,170
Marketing and Communications	397	448	50	760
Assurance	410	411	1	693
Academy	313	273	(40)	461
Finance	2,079	2,059	(20)	3,477
Company Secretary	535	554	19	943
Information Technology	932	879	(53)	1,490
Business Growth	397	492	95	836
Customer First Centre	2,653	2,555	(98)	4,346
Property	633	663	30	1,156
Wheatley 360	176	230	54	390
Furlough income	(76)	0	76	0
Total employee costs	10,539	10,481	(58)	17,766
Running costs				
Executive Team	29	170	140	346
Employee Relations and WFP	300	472	172	791
Marketing and Communications	265	284	19	487
Assurance	9	57	48	97
Academy	159	409	251	785
Finance	428	406	(22)	696
Company Secretary	274	401	127	739
Information Technology	3,102	3,168	66	5,430
Business Growth	81	179	97	306
Customer First Centre	12	38	26	66
Property	893	855	(38)	1,459
Wheatley 360	9	11	2	20
Total running costs	5,969	6,858	888	11,921
Regulated insurance activities	2,040	2,093	53	3,609
Head office costs	863	863	0	1,479
TOTAL EXPENDITURE	**19,412**	**20,295**	**883**	**34,776**

Key highlights year to date:

The table presents the financial performance of Wheatley Solutions for the 7 month period ended 31 October 2021. Both employee costs and running costs are recovered in full by way of a recharge to each of the group subsidiaries. This recharge is reflected in the bottom half of the table.

Overall, Wheatley Solutions reports total expenditure of £19,412k at the end of period 7, 2021/22. This is £883k lower than budget for the period with lower running costs being the key driver for the variance.

- Employee costs of £10,539k are £58k higher than budget for the period:
    - A number of departments report small variances against budget which relate to timing differences of when the annual home working allowance has been claimed. The departments reporting larger favourable variances to budget relate to budgeted vacancies.
    - IT, Employee Relations, Academy and the Customer First Centre are higher than budget following on from changes to the budgeted structure as at 1 April 2021. Finance is higher as a result of maternity leave cover. Additional resourcing has been brought into the Customer First Centre to underpin the implementation of the new ways of working for customer facing services.
- Running costs of £5,969k are favourable to budget by £888k for the period. The key variances within this are:
    - A number of the departments report lower costs across Wheatley Solutions with large numbers of staff continuing to work from home. Reduced activity in Academy, Business Growth (lower litigation costs), Company Secretary and Employee Relations (lower health and wellbeing claims) are the areas contributing most to savings against budget.
    - Property team reports spend of £893k which is £38k higher than budget. This relates to external legal advice with regards to two contractor negligence claims, with spend of £230k for the period. This was not factored into the budget but is offset by savings against budget as a result of lower office running costs being incurred during the period of Wheatley House being refurbished.
    - Executive Team is where the Group wide consultancy budget sits and due to lower activity in the current year is the reason for reporting £140k below budget.
- Income for regulated insurance activities are in line with budget for the period. Insurance premium costs are lower than budget by £53k.

7) Wheatley Foundation – Year to date

	Year to 31 October 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Donations from Wheatley subsidiaries	£1,518	£1,518	£0	£4,000
Employability Grants	£57	£23	£34	£40
External income	£358	£423	(£65)	£973
Big Lottery Grant	£0	£0	£0	£0
Total Income	**£1,933**	**£1,964**	**(£31)**	**£5,013**
EXPENDITURE				
Overheads	£602	£641	£39	£1,103
Tackling Poverty & Social Inclusion	£442	£412	(£30)	£792
Education	£82	£91	£9	£251
Digital Inclusion	£0	£0	£0	£64
Employability	£263	£529	£266	£1,406
Sports / Arts	£38	£0	(£38)	£20
MCR Pathways	£0	£0	£0	£0
Money/Welfare Benefits advice	£950	£919	(£31)	£1,561
TOTAL EXPENDITURE	**£2,377**	**£2,592**	**£215**	**£5,197**
NET OPERATING SURPLUS / (DEFICIT)	**(£444)**	**(£628)**	**£184**	**(£184)**

Key highlights to date:

The table presents the financial performance of Wheatley Foundation for the seven months of 2021/22 financial year. The Wheatley Foundation reports a deficit of £444k for the period. This is better than budget by £184k. Overall, this leaves the Wheatley Foundation with closing reserves of £1,128k.

Income of £1,933k is slightly lower than budget by £31k for the period.

- Donations from Wheatley group subsidiaries total £1,518k which is in line with budget.
- The Foundation have a full year target of £973k with respect to external income. At the end of period 7, £358k had been recognised which is £65k lower than the year to date budget. Notable grants and donations received include:
  - GCC grant of £32k to support emergency fuel top ups for the period.
  - Creative Scotland grant of £33k to support artists deliver projects during the year.
  - Community benefit grants to the value of £179k; the majority raised through clauses written into the Group new build framework.
- The Foundation team have been successful in claiming employability grants of £57k for the period, which is £33k higher than budget.

Expenditure of £2,377k is £214k lower than budgeted.

- Overhead costs of £602k are £39k lower than budget, with changes to the budgeted structure at 1 April and lower team running costs as staff work from home.
- Tackling Poverty & Social Inclusion spend of £442k is reported against a budget of £412k. The main project spend for the period relates to:
  - Expenditure funded by grant awards are one of the main reasons for this theme being higher than budget for the period. Emergency fuel top ups to the value of £33k, funded by GCC grant, and homelessness project spend of £24k, funded by SFHA.
  - Barony Response Fund payments of £93k. This is higher than budget by £81k and this additional spend, approved at February 2021 Board, has been reflected in the forecast for the current year.
  - Eat Well spend of £159k. This covers the costs of providing supermarket vouchers to those referred by Wheatley Group subsidiaries.
- Employability expenditure of £263k is £265k lower than budget. The key items of expenditure for the period relate to £87k for the modern apprentice programme and Wheatley Works costs of £104k. Initial project costs of £72k have been incurred in relation to the European Social Fund employability project awarded by GCC. Activity on this project will increase in the second half of the year.
- Money advice team costs of £950k are higher than budget by £31k for the year to date due to temporary sick leave cover for staff.
- Sports and Arts costs of £38k relate to project delivery linked to the Creative Scotland grant award noted above. Budget phasing assumes expenditure later in year.
- No expenditure is reported to date for Digital Inclusion with the budget profiled for later in the year.

8) City Building (Glasgow) LLP – Year to date

[redacted]

9) Wheatley Group – Consolidated Balance Sheet

	Current Month As at 31 October 2021 £ks	Previous yr end As at 31 March 2021 £ks
Fixed Assets		
Social Housing Properties	2,407,148	2,380,102
Properties under construction	113,651	94,637
Other tangible fixed assets	67,198	59,358
Investment properties	236,134	235,896
Investments -other	116	116
Fixed Assets	**2,824,247**	**2,770,109**
Debtors Due More Than One Year		
Development Agreement	4,372	12,201
Inter Company Loan	0	0
Pension Asset	5,843	5,843
Current Assets		
Stock	2,213	1,919
Trade debtors	0	0
Rent & Service charge arrears	20,384	21,697
less: Provision for rent arrears	(8,408)	(8,019)
Prepayments and accrued income	11,745	14,617
Intercompany debtors	0	0
Other debtors	15,031	14,180
	40,965	**44,394**
Bank & Cash	135,713	132,417
Current Assets	**176,679**	**176,811**
Current Liabilities		
Trade Liabilities	(9,398)	(9,330)
Accruals	(60,621)	(66,347)
Deferred income	(61,101)	(50,964)
Rents & service charges in advance	(12,568)	(10,992)
Intercompany creditors	0	0
Other creditors	(12,958)	(13,367)
	(156,646)	**(151,000)**
Net Current Assets	**24,404**	**38,012**
Long Term Liabilities		
Contingent efficiencies grant	(40,704)	(40,704)
Bank finance	(1,219,367)	(1,190,631)
Bond finance	(296,735)	(296,735)
Development Agreement	(4,372)	(12,201)
Provisions	(5,570)	(5,897)
Deferred income	(40,367)	(38,244)
Intercompany creditors	0	0
Loan arrangement fees	0	0
Other creditors	0	0
Pension liability	(11,228)	(11,228)
Long Term Liabilities	**(1,618,343)**	**(1,595,640)**
Net Assets	**1,236,151**	**1,218,324**
Funding Employed		
Capital & Reserves		
Share Capital	0	0
Retained Income b/fwd	670,828	670,828
Income & Expenditure	17,827	0
Movement in Pensions Provision	0	0
Designated Reserves/gain on business	0	0
Revaluation Reserves	547,496	547,496
Funding Employed	**1,236,151**	**1,218,324**

Key highlights:

- Group net assets stand at £1,236.2m at 31 October 2021.
- The Balance Sheet as at 31 March 2021 is in line with the audited 2020/21 financial statements, and includes the year end statutory adjustments for property and pension valuations as well as the fair value calculation on the Scottish Government loan.
- 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 £3.4m lower than the year end position mainly driven by the lower levels of prepayments and accrued income and lower rent arrears net of provision which fluctuate throughout the year depending on the timing of invoices. Rent arrears net of provision are £12.0m compared to the £13.7m at 31 March 2021.
- Current liabilities are £5.6m more than the year end position. The reduction in accruals, relating to the payment of break fees in relation to the rearrangement of WFL1s financing arrangement in Mach 2021 is offset by an increase in deferred income primarily made up of grants claimed for new build sites not yet completed.
- Long term liabilities are £22.7m higher, mainly driven by the receipt of additional drawdowns in June from EIB of £28m offset by a reduction in the VAT shelter development agreement.
- Income and expenditure of £17.8m relates to the group surplus for the year to date.

Wheatley Group

Report

To: Wheatley Housing Group Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Funding update

Date of Meeting: 15 December 2021

1. Purpose

1.1 This report provides an update on the changes to our borrowing arrangements which were approved by this Board on 7 October 2021.

2. Authorising and strategic context

2.1 Under the group standing orders the Group Board is responsible for approving the Group's funding strategy.

2.2 Our 2021-26 strategy contains an ambition to deliver 5,500 new build homes. Around half of the funding to deliver a social rented home comes from borrowing, with the remainder from Scottish Government grant.

2.3 Our loan agreements limit the level of borrowing we can undertake via a "debt per unit" limit of £27,000. The current limit is not sufficient to allow us to deliver our new build target. For that reason, it was agreed by the Board that a key strategic priority for this year should be the renegotiation of these agreements to create the necessary borrowing capacity to deliver our strategic target.

2.4 'Your Home, Your Community, Your Future' also sets out commitments to make significant social impacts across our communities, strengthening our role in tackling homelessness across Scotland and delivering on an ambitious Green Investment Plan. These themes will be embedded in our financing arrangements by way of Sustainability KPIs.

3. Risk appetite and assessment

3.1 The Board's 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".

4. Background

4.1 We have requested various changes to our existing borrowing arrangements across the RSL Borrower Group and DGHP to enable increased capacity for the Group to deliver on its ambitions to deliver up to 15,000 homes over the next 10 year period.

4.2 We require approvals from multiple lenders given the diversity of our funding arrangements across the Syndicate, other bank lenders, and our Private Placement providers. All changes are to be formally documented by our legal advisors and those of our lenders and subject to final approval by this Board ahead of the targeted accession date of 1 April 2022 when DGHP will join the Group RSL borrowing arrangements.

5. Customer engagement

5.1 Not directly applicable as not related to customer service.

6. Discussion

<u>Summary of proposed changes to Wheatley Group funding arrangements:</u>

6.1 In the paper presented to this Board on 7 October 2021, the changes set out in the table below were agreed:

Change	Rationale
Increase Debt Per Unit DPU from £27k to £35k on a stepped basis	▪ To provide additional capacity for the Group to deliver the ambitious new build target (5,500 in 2021-26; 15,000 over 10 years)
DGHP and DGHP3 to join WFL1 on 01 April 2022	▪ To provide tax efficiencies across the wider development programme of all Group RSLs ▪ To bring all Group RSLs into a single borrowing arrangement. ▪ To improve asset cover
Refinancing of £100m HSBC RCF with Barclays (£50m) and the Syndicate (£50m)	▪ To ensure compliance with the liquidity Golden Rule (2 years' cover) ▪ To reduce the running costs via lower margin/fees ▪ To efficiently use excess security cover in our Syndicate, creating c.£80m additional unencumbered assets
Launch our Sustainable Finance Framework and include sustainability KPIs in the new RCFs	▪ To embed sustainability targets in relation to environmental and social impacts into our funding agreements

6.2 The changes require formal credit approval and amendment agreements from multiple lenders: WFL1 (Syndicate, EIB, BlackRock), DGHP (M&G, RBS and THFC), Barclays (new loan documentation) and amendments to the Security Trust Deeds for WFL1 and DGHP (Prudential and agreement from all WFL1 and DGHP lenders).

6.3 All of this work has been instructed and indicative credit approvals are in place. Formal credit approvals from all lenders are expected in early January. We have received (at Appendix 1) a draft Termsheet from our bank syndicate (Royal Bank of Scotland, Lloyds and Nationwide) which formally sets out the proposed terms of their [redacted].

6.4 Following the request of the Board to further discuss pricing with Royal Bank of Scotland, this Termsheet reflects a [redacted]% reduction in the previously quoted non-utilisation fee on their element of the £50m facility. Pricing for the Lloyds and Nationwide elements will be confirmed shortly but is anticipated to be in line with the figure presented at the October meeting.

6.5 The Termsheet also assumes that DGHP3 would join the RSL Borrower Group. This point is being confirmed across all lenders and investors, and we will update the Board as part of bringing back final legal amendment documentation on whether this option or an on-lend agreement approach is taken (both achieve the same outcome in substance of enabling working capital to be provided to a re-named DGHP3).

Amendment to Debt Per Unit covenant

6.6 As advised in the October meeting, current and prospective WFL1 lenders have been asked to increase the gearing covenant, as measured by Debt Per Unit ("DPU") from the current maximum of £27,000 on a gradual basis up to £35,000. This will provide the capacity for the Group to develop up to 15,000 homes over the next 10 year period.

Refinancing of HSBC £100m Revolving Credit Facility ("RCF")

6.7 As approved in the October meeting, we have progressed the refinancing exercise of the £100m HSBC RCF with Barclays and the Syndicate. Barclays will have a new £50m RCF and the Syndicate will increase their RCF tranches as follows; [redacted].

6.8 Draft documentation for the Barclays RCF is at an advanced stage of development, based on the Termsheet approved in the October Board meeting. Agreement on finalised Sustainability KPIs remains outstanding as this is contingent on agreeing the same with the Syndicate for ease of monitoring and reporting requirements.

6.9 We have broad outline agreement with the syndicate and Barclays in respect of the new £100m of aggregate lending on the following "Environmental, Social and Governance", or "ESG" measures:

i. **Energy Efficiency** - all new homes to be min. EPC Band B
ii. **Homelessness** - commitment that a min. % of lets will be to vulnerable tenants, including the homeless (10,000 over 5 years)
iii. **Education** - commitments on bursaries, early reading support and digital inclusion delivered via Wheatley Foundation.

6.10 If we demonstrate achievement of these, the lending margin will be reduced by between [redacted]% and [redacted]%, depending on the lender.

6.11 Legal documentation by way of an amendment agreement for the Syndicate and full loan documentation and associated security documents for Barclays will be brought back to the Board for final approval prior to execution along with the amendment agreements for each of our other impacted lenders (BlackRock, M&G, RBS, EIB). THFC has already provided formal credit approval and does not require to document the changes.

Sustainable Finance Framework

6.12 The Group was the first Scottish social housing provider to launch a Sustainable Finance Framework, which we announced on 1 November 2021 during COP26. We received favourable industry press coverage for our sustainability commitments on energy efficiency for existing assets, new build homes and the wider social impacts of the work delivered by our teams within our communities.

6.13 [redacted]

7. Digital transformation alignment

7.1 No direct impact on the digital transformation programme.

8. Financial and value for money implications

8.1 As previously presented in the 7 October meeting.

9. Legal, regulatory and charitable implications

9.1 Our banking and property lawyers, Pinsent Masons, are engaged to assist with the WFL1 refinancing and related security charging work. Harper Macleod and EY have provided independent expert advice on charitable law, commercial law and tax implications related to DGHP and DGHP3.

9.2 We do not require approval for debt facilities from the Scottish Housing Regulator, although they are aware of our proposed plans for the development programme and the resultant requirement to increase our financial capacity. There are no charitable implications beyond those contemplated by the work undertaken by Harper Macleod for DGHP3.

10. Equalities implications

10.1 Not applicable.

11. Environmental and sustainability implications

11.1 The Sustainability Framework sets out and directly links our environmental, social and governance activities and outcomes to our future capital markets financing activity, allowing our existing and our future bondholders to be assured that their investments are supporting a green recovery and meaningful social impacts.

11.2 The inclusion of sustainability KPIs in our refinanced RCFs with Barclays and the Syndicate puts our continued commitment to making homes and lives better at the centre of our financing arrangements.

12. Recommendations

12.1 The Board is requested to:

1) note the update on negotiations in respect of changes to our Group funding arrangements;
2) note the draft Termsheet from the Syndicate, subject to confirmation on pricing and whether DGHP3 will join the RSL Borrowing Group; and
3) note that final loan documentation will be brought to the Board for final approval prior to execution

LIST OF APPENDICES

Appendix 1: Term sheet from Syndicate [redacted]

Wheatley Group

Report

To: Wheatley Housing Group Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Governance update

Date of Meeting: 15 December 2021

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1. Purpose

1.1 To update the Board, seeking approval where applicable, on the following governance related matters:

- Strategic governance review implementation plan update; and
- Equality, Diversity, Inclusion and Human Rights

2. Authorising and strategic context

2.1 The Board considered the independent strategic governance review report and agreed our associated implementation plan at its meeting on 27 October 2021. As part of this plan a number of items required to be brought back for Board approval.

2.2 Alongside the strategic governance review, the Annual Assurance Statement included an update on our plans for meeting the Scottish Housing Regulator's ("SHR's") regulatory requirements with regards to data collection. It was noted that we would continue to keep the Board updated on our arrangements to comply with this requirement.

3. Risk Appetite and assessment

3.1 Our agreed risk appetite for governance is "cautious". This level of risk tolerance is defined as a "preference for safe delivery options that have a low degree of inherent risk and have only limited potential for reward". This reflects our risk appetite in relation to laws and regulation, which is "averse", with the avoidance of risk and uncertainty is a key organisational objective and a priority for tight management controls and oversight.

3.2 To mitigate this we engage independent external advice, as we did with the strategic governance review. As an area of increasing regulatory focus, equalities is an elevated risk area, at least in the short term, for the SHR as it seeks more explicit updates on compliance in this area. We are engaging our external legal advisors as part of developing an approach to demonstrate and evidence how we meet our equalities regulatory obligations.

3.3 This independent external advice provides the Board with external sources of assurance commensurate with our risk appetite level.

4. Background

4.1 The Board agreed that the Group Remuneration, Appointments, Appraisal and Governance ("RAAG") Committee should oversee progress with our strategic governance review implementation plan. This is now a standing item at scheduled Committee meetings.

4.2 As part of this approach some elements will be reviewed by the RAAG Committee prior to seeking Board agreement, with others being presented directly to the Board in line with the indicative timelines agreed. Save for expressly delegated matters, Board agreement will be sought on the implementation of specific matters in our action plan.

4.3 In relation to equalities, the Scottish Federation of Housing Associations published "*Collecting Equality Information: National Guidance for Scottish Social Landlords*", developed in conjunction with the Glasgow West of Scotland Forum, the Association of Local Authority Chief Housing Officers and the Scottish Housing Regulator on 19 August 2021. This was much later than initially planned due to the pandemic.

4.4 Prior to this being published, the SHR wrote to all RSLs in June 21 acknowledging this delay and that for RSLs "*it will take time for landlords to consider the guidance when it is published and what changes they may need to make to their approach".*

4.5 We confirmed to the Board that we would take this guidance into account in our future planning for equalities.

5. Customer Engagement

5.1 As a corporate governance related matter, there has been no direct engagement with customers in respect of the strategic governance review. The review does however reiterate that customer engagement informing decision making is a core facet of good governance. As part of this RSL Boards will have the responsibility for ensuring their engagement frameworks are fully implemented, in line with the model we consulted on with tenants.

5.2 The collection of equalities data will require extensive customer engagement. We are required to ask all waiting list applicants, new tenants and existing tenants for protected characteristic data.

5.3 It will be critical that as part of asking for this information we are clear on why we are collecting it, what we will do with it and that provision of this information is voluntary. More specific proposals for how we would approach this customer engagement are under development.

6. Discussion

Strategic governance review implementation

6.1 As part of our implementation approach, we agreed an indicative timeline of December 2021 to revert to the Board on the following:

- assessing whether we could provide a stronger base for investment, new build and keeping rents affordable by combining our RSLs in the east of Scotland (WLHP/DCH)
- the potential for DGHP3 to become our Group development vehicle
- how subsidiary and Committee Chairs would report to the Group Board
- A Board planner for the 2022 meeting cycle

6.2 The first two items in the list above are subject to separate agenda items. An update on the remaining items is set out below:

Subsidiary and Committee Chair updates

6.3 The Group RAAG Committee is considering proposals for how both subsidiary Chairs and Committee Chairs report to the Board at its meeting on 15 December. The Committee is considering this within the context of the separate recommendation on how we clearly document parameters for subsidiary and Committee Chairs escalating matters and the processes for doing so.

6.4 Subject to Committee feedback, the proposed approach will be brought back to the Board for formal implementation. In the interim, Subsidiary and Committee Chairs should discuss any matters they consider may require raised or reported to the Group Board with the Group Chief Executive in the first instance and where it is agreed this is appropriate, with the Group Chair thereafter.

2022 Board planner

6.5 As part of the review process, all Board members were interviewed by Campbell Tickell. One of the elements of feedback from the Board was that we should consider how agendas could be periodically themed or focussed on key strategic areas.

6.6 Indicative themes were presented of finance, governance, sustainability and investment, with these to be considered within the context of a wider 2022 Board planner.

6.7 A draft Board planner for 2022 is attached at Appendix 1 for Board feedback. As would be expected, the early stages of the planner are more detailed than the latter stages. The content in relation to the themes is indicative of the main topics which would be covered under each.

6.8 For the themed meetings, the intention is that this would be covered at the start of the meeting.

6.9 In the event that there was a particularly high number of other business papers at themed meetings, we would consider a separate transactional virtual meeting to consider them.

Equality, Diversity, Inclusion and Human Rights

6.10 The Board reiterated as part of the strategic governance review our organisational commitment to Equality, Diversity, Inclusion and Human Rights. This included how this was demonstrated in the structure and membership of the Board.

6.11 Our regulatory obligations in relation to equalities and human rights are set out in the SHR regulatory framework, which requires all RSLs to:

"Have assurance and evidence that it considers equality and human rights issues properly when making all of its decisions, in the design and review of internal and external policies, and in its day-to-day service delivery." and

"… collect data relating to each of the protected characteristics for their existing tenants, new tenants, people on waiting lists, governing body members and staff"

6.12 As previously advised, the SHR recognised that there was a need for sector wide guidance on this matter and this was subsequently delayed until August 2021. The SHR had advised all RSLs in June 21 that they expected landlords to have appropriate plans to implement an effective approach to the collection of equalities information and that they have started to consider how they can adopt a human rights approach in their work.

6.13 As the Board was advised, we had already agreed a series of actions in this respect as part of an Internal Audit advisory review. This was preceded by early steps such as reviewing our approach to Equality Impact Assessments, which we used for the Group Homelessness Policy, refreshing our HR policies with support from our external employment law advisors and a refreshed suite of staff training.

6.14 In recognition of the scale of this area, it is proposed that all existing agreed Internal Audit actions (due for completion by 31 March 2022) are incorporated into a full review of our Equality, Diversity and Human Rights policy. Internal Audit would still review that the actions agreed are fully implemented as part of this process.

6.15 The reviewed policy is also accompanied by the development of a new Equality, Diversity, Inclusion and Human Rights action plan. This action plan will go significantly beyond just fleshing out in detail how we will meet regulatory requirements and include areas such as:

- Recruitment – staff and Boards, including how we draw on good practice such as the Scottish Government ethnic minority recruitment toolkit
- How EDI is embedded in our policies
- Reporting and monitoring processes
- Board and staff member training and awareness raising
- How we map our staff diversity relative to the communities we serve
- How it will be linked to the diversification of our engagement structures
- Information security steps we will take to protect personal data

6.16 It is intended that we will engage both external legal advice on the data protection and personal data elements and independent external support in revising the policy and developing a new action plan.

6.17 In addition to this, we will engage the Scrutiny Panel, and potentially additional tenant focus groups, to get their feedback on how we should engage with tenants when asking for personal data. Similarly, for staff we will engage with our Trade Unions on our approach to collecting protected characteristics for staff.

6.18 It is intended that the draft of our new policy and action plan would be brought to the Board workshop in March, where there will be a particular focus on how we apply and define this within the context of our Board memberships. Proposals for how our policy and action plan would be monitored from a governance perspective, such as oversight by a specific Board or Committee, will also be set out for Board agreement.

6.19 The policy and action plan would become, once agreed, public documents via our publication scheme. This transparency will be important in terms of reassuring our tenants, prospective tenants and prospective recruits of our commitment to Equality, Diversity, Inclusion and Human Rights.

7. Digital transformation alignment

7.1 As part of the review of our approach to equalities data collection, we will consider both the potential to collect data electronically, how our systems can securely hold data and how this links to our future digital platforms. Our priority with any digital platform will continue to be the privacy by design principle.

8. Financial and value for money implications

8.1 There are no financial implications associated with this report.

9. Legal, regulatory and charitable implications

9.1 The implementation of the strategic governance review findings support us strengthening our governance arrangements and as such our ongoing compliance with the SHR Regulatory Framework.

9.2 The proposals for Equality, Diversity, Inclusion and Human Rights will provide us with a clear basis for evidencing our compliance with out legal and regulatory obligations. This will be supported by sources of independent assurance for the Board.

10. Equalities implications

10.1 The proposals in the report seek to initiate a policy review which will support us more clearly assessing the equalities implications in our decision making in future.

11. Environmental and sustainability implications

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

12. Recommendations

12.1 The Board is asked to:

1) Note the update on the implementation of the strategic governance review;
2) Provide feedback on and approve the 2022 Board planner, which would be subject to review at the April 2022 meeting; and
3) Agree the proposed approach to reviewing our Equality, Diversity, Inclusion and Human Rights policy and action plan.

LIST OF APPENDICES:

Appendix 1 – Draft 2022 Board planner

Group Board 2022 planner

Meeting	Theme/Main business	Other business
February	**Finance & Development theme** ▪ 5 year financial projections (including detailed presentation on underlying assumptions, covenant compliance and stress testing) ▪ 2022 Rent Setting and group charging arrangements ▪ 5 Year development programme ▪ Regeneration – [redacted]	▪ Performance update ▪ Governance update (including Board workshop agenda) ▪ Risk management update ▪ 21/22 Development programme update and projected outturn ▪ Finance report ▪ Treasury Report ▪ Committee Chair update
March (workshop)	**Governance and sustainability theme** - Equality and Diversity - Board diversity - Board composition and tenure limits - Refreshed 3 year Board succession plan - Sustainability strategy – key principles	▪ None
April	**Investment and repairs theme** - Group 5 Year investment plan - Embedding sustainability strategy principles into investment plans - Repairs transformation programme	▪ Customer First Centre update ▪ Care strategic review – next steps ▪ 2023-24 Delivery plan and Group strategy refresh process ▪ Finance report and 2023/24 budget ▪ Treasury update ▪ Governance update ▪ Committee Chair update
June	▪ [redacted] ▪ Annual Charter Returns and Delivery Plan Year-End Update ▪ Fire Prevention and Mitigation Framework ▪ Protecting people policy framework ▪ Group Advice, Information and Letting Model Policy ▪ Risk management review – outcomes and next steps	▪ Finance report ▪ Governance update ▪ Committee Chair update

August (Board + residential)	**Strategy theme (residential element)** ▪ 2021-26 Group Strategy - progress to date by strategic theme - feedback from partner Board strategy workshops - Operating context and key challenges (poss external speaker) - refresh – areas to review and revise	▪ Group Performance Update ▪ Statutory accounts ▪ Risk management update ▪ Finance report ▪ Treasury update ▪ Development programme update ▪ Committee Chair update
September)	▪ Annual General Meeting ▪ 2023 rent setting ▪ Office bearer and Committee member appointments	
October	▪ SHR Annual Assurance statement ▪ Strategic governance review – progress update	▪ Finance report ▪ Treasury update ▪ Performance report ▪ Winter resilience planning ▪ Committee Chair update
December	▪ New way of working – 1 year on	▪ Finance report ▪ Governance update ▪ Committee Chair update
Unallocated	▪ Contract awards as necessary under Scheme of Financial Delegation ▪ WLHP/DCH updates subject to agreement to progress	

Report

To:	**Wheatley Housing Group Board**
By:	**Steven Henderson, Group Director of Finance**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**Risk Management Update**
Date of Meeting:	**15 December 2021**

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1. Purpose

1.1. This report provides the Board with an update on the implementation of the Group's revised risk management framework (section 4), and requests approval of the updated Strategic Risk Register (section 6).

2. Authorising and strategic context

2.1. In line with the Group Standing Orders, the Group Board is responsible for the approval of the Group Risk Management Policy and Strategic Risk Register.

2.2. The Group Audit Committee periodically reviews the Group Risk Management Policy and Strategic Risk Register and makes recommendations to the Board in line with its Terms of Reference. This paper presents the latest Group Strategic Risk Register following the Committee's most recent review.

3. Risk appetite and assessment

3.1. Our agreed Group risk appetite in relation to Board Governance is "cautious", meaning that tolerance for risk taking is limited to events where there is little chance of any significant repercussion should there be a failure. The work outlined in this paper is part of a three-year review cycle to confirm whether the Group's Risk Management approach remains a robust and proportionate approach that facilitates the management of risks within the Group's risk appetite.

3.2. The review of risks within the Strategic Risk Register, as outlined in this paper is designed to provide assurance on the controls in place to manage strategic risks such that the residual risk score is within risk appetite and to identify additional actions management plans to reduce residual risk further, if required.

4. Background

4.1. In 2019, the Internal Audit team conducted a review of the Group's risk management practices, comparing them to good practice. There were six actions arising from the review. Progress in completing the actions was delayed by COVID-19, however implementation of the actions has been resumed and the latest status is as follows:

1) ***Refresh and relaunch the Risk Management Policy to reflect updated guidance***: the updated Policy was reviewed by the Group Audit Committee in February 2020 and approved by the Group Board in April 2021. The delay in Group Board approval was due to the COVID-19 pandemic. **Complete.**

2) ***Align new risks to operational risk owners***: The Internal Audit team has reviewed the risks within the risk registers to align proposed risk ownership with the individuals responsible for the controls that mitigate the risks. The proposed ownership has been confirmed during the management risk workshops held during Q2 2021/22. **Complete.**
3) ***Identify risk champions for each area of the business:*** The description "risk champion" has not been adopted for the Group. However, each risk now has an "assigned to" individual, who is responsible for the review and update of all their assigned risks. **Complete.**
4) ***Introduce a more formal hierarchy for risk escalation:*** A hierarchy for the escalation of risk from operational level risks through to Board reporting was described within the revised Group Risk Management Policy. **Complete.**
5) ***Present risk appetite numerically within risk registers:*** A revised approach to risk appetite has been developed by the Internal Audit team, which facilitates comparison of risk appetite and residual risk scores. The approach will be presented to Group Audit Committee and Board in Spring 2022, at planned Board risk appetite workshops. The timing of the workshops has been delayed so that they can be held as in-person meetings. **In Progress.**
6) ***Risk Registers identify additional actions to bring risk within risk appetite, where required***: The structure of the risk register has been amended to highlight any additional actions required where risks are outwith risk appetite. This structure will be rolled in Board reporting following the Board risk appetite workshops in Spring 2022. **In Progress.**

4.2. The two "In Progress" actions are due for completion by 31 December 2021 as it was initially expected that the Board risk appetite workshops would take place in November 2021. However, consultation with ET confirmed that it would be more appropriate to reschedule the risk workshops to Spring 2022.

4.3. The Internal Audit team has completed training sessions on the risk management framework with relevant staff members as part of a series of risk workshops held across the Group during Q2 2021/22. The table below shows the risk workshops held teams across the Group.

Team	Group Director	Risk Workshop Status
Assets & Sustainability	Tom Barclay	Complete
Investment, Repairs & Compliance	Tom Barclay	Complete
Property Development & Initiatives	Tom Barclay	Complete
Lowther	Tom Barclay	Complete
GHA	Olga Clayton	Complete
DGHP	Olga Clayton	Complete
DC/Loretto/WLHP	Olga Clayton	Complete
Wheatley Care	Olga Clayton	Complete
Wheatley 360	Olga Clayton	Complete
Governance	Steven Henderson	Complete
IT & Digital Services	Steven Henderson	Complete
Treasury	Steven Henderson	Complete

Team	Group Director	Risk Workshop Status
Financial Reporting	Steven Henderson	Complete
Procurement and Performance	Steven Henderson	Complete
Wheatley Foundation	Graham Isdale	Complete
Marketing & Communications	Graham Isdale	Complete
Employee Resources	Martin Armstrong	Complete
Assurance	Martin Armstrong	Complete
Customer Services	Martin Armstrong	Complete

4.4. These risk workshops included review of risks within the Strategic Risk Register. Any proposed changes to the strategic risks arising from these risk workshops have been included within this paper for consideration by the Group Audit Committee members.

4.5. The next stage will be to review the Group's risk appetite statements, which will be achieved through risk appetite risk workshops held with Boards during Spring 2022. A detailed update on the planned approach to the workshops will be presented to the Group Audit Committee in February 2022, for approval.

4.6. The Group Audit Committee's February update will also include proposals for the implementation of the risk management recommendations included within the recent Campbell Tickell Governance report.

5. Customer engagement

5.1. There are no customer engagement implications arising from this report.

6. Strategic risk register update

6.1. The Strategic Risk Register was last reviewed by the Group Audit Committee on 3 November 2021. The following table summarises the more significant proposed changes. The full Strategic Risk Register is attached at **Appendix 1**.

Risk reference	Proposed change
SRR01: Service remobilisation post COVID-19	**Remove risk** from Strategic Risk Register, following the full remobilisation of all services.
SRR02: Ongoing threat of future waves of COVID-19 and / or another pandemic	Controls updated to reflect additional measures now in place.
SRR03: Building Safety	Risk title and description updated to focus on Fire Safety, in line with controls. Additional controls also described
SRR04: New operating model implementation	Controls updated to reflect progress of implementation plans.
SRR07: Rent arrears including Universal Credit	Risk description and controls updated to reflect challenges associated with continuing Scottish Government pandemic guidance.

Risk reference	Proposed change
SRR08: Compliance with funders' requirements	Risk description and controls updated to reflect potential causes of risk more clearly and additional measures now in place.
SRR11: Securing new funding and adverse market changes	Risk description and controls updated to reflect additional measures now in place.
SRR19: Cyber Security	Risk description updated to reflect potential causes of risk more clearly
SRR20 Implementation of partnership promises	Risk title, description and controls updated to reflect promises to Cube and DGHP tenants.
SRR21: Post-2021 Housing Policy and Grant availability	Risk description and controls updated to reflect potential causes of risk more clearly and additional measures now in place.
SRR23: Climate Change impact on Group assets and services	Existing risk separated into two new risks – revised SRR23 and new SRR24.
SRR24: Meeting stakeholder expectations on climate change	New climate change risk.

6.2. In addition, there have been minor updates to the controls/monitoring in relation to the following risks:

Risk reference	Proposed change
SRR12: Business Continuity / Disaster Recovery	Controls updated to reflect review of arrangements that is in progress.
SRR15: Failure to recruit, develop, retain, and succession plan	Minor update to controls.
SRR16: Laws and Regulations	Minor update to risk reflecting consideration of OSCR, Scottish Charities regulator's requirements.
SRR22: Covid-19 vaccination roll-out	Controls updated to reflect additional measures now in place.

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1. There are no financial or value for money implications arising from this report.

9. Legal, regulatory and charitable implications

9.1. There are no direct legal, regulatory or charitable implications arising directly from this report.

10. Equalities implications

10.1. This report does not require an equalities impact assessment.

11. Environmental and sustainability implications

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

12. Recommendation

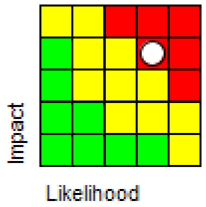
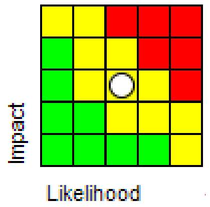
12.1. The Board is asked to:

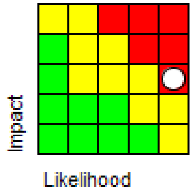
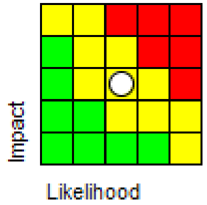
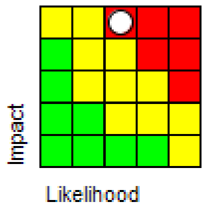
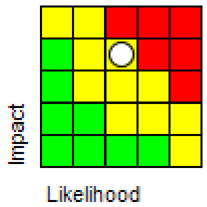
1) Approve the proposed changes to the Strategic Risk Register; and
2) Note the progress towards implementation of changes to the Group's Risk Management approach.

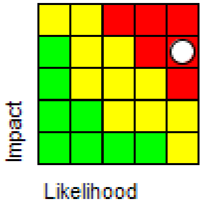
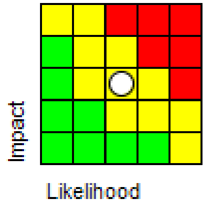
List of Appendices
Appendix 1 - Wheatley Group Strategic Risk Register
Appendix 2 - Risk Scoring Definitions
Appendix 3 - Risk Appetite Definitions

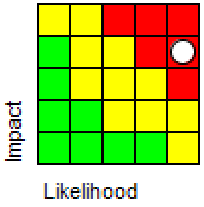
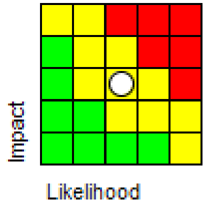
Appendix 1

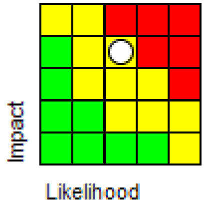
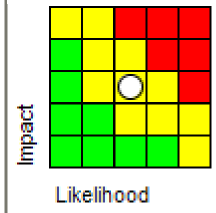
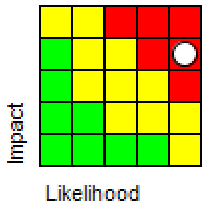
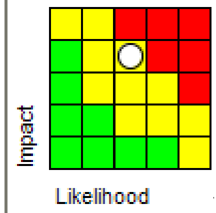
Wheatley Group Strategic Risk Register as approved by the WHG Board on 28 April 2021 (*proposed changes in red font*)

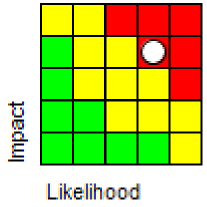
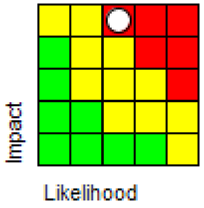
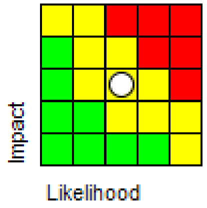
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
~~SRR01~~ ~~Service remobilisation post COVID-19~~ ~~Risk Owner:~~ ~~Group CEO (Martin Armstrong)~~	~~A lack of clear planning, coherence and communication with staff and customers in our service remobilisation planning as we move through the Scottish Government's COVID-19 recovery phases could lead to:~~ • ~~poor or inconsistent service outcomes~~ • ~~customer and staff confusion and frustration, including an increase in complaints~~ • ~~risks to customer and staff health and safety (for example if PPE requirements are not properly understood and delivered)~~ • ~~deterioration in trade union and stakeholder relationships~~		~~Service remobilisation plans must meet strict criteria and be approved by the Exec Team. Governance oversight is provided by all Boards. Services cannot move between different stages of remobilisation without a full review of lessons learned from the previous stage and a further gateway approval from the Exec Team.~~ ~~The following are key components of each service's remobilisation plans and must be approved by the Exec Team at each stage:~~ • ~~Health and safety implications/forecast requirements of PPE can be met~~ • ~~Furloughing implications are agreed and understood~~ • ~~Customer views from the previous stage service model have been assessed and any lessons learned understood~~ • ~~Trade union partners have endorsed the proposals for remobilisation~~ All services are now fully remobilised.		~~Cautious~~

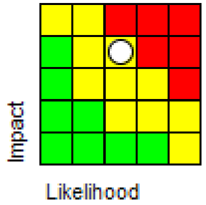
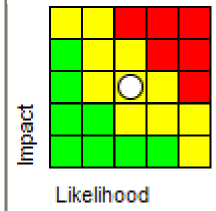
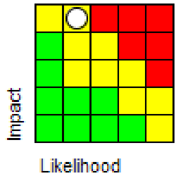
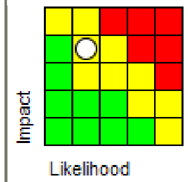
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
SRR02 Ongoing threat of future waves of COVID-19 and / or another pandemic Risk Owner: Group CEO (Martin Armstrong)	The risk of future waves of Covid-19 and / or another pandemic along with the risk of further periods of lockdown (either Scotland wide or by geographical area) may result in previously remobilised services being paused.		Through lessons learnt from previous lockdown and remobilisation, services now have contingency plans (both Group wide and at a local level in place) for future waves and / or another pandemic. These include protocols for different grades of service model depending on the level of government restrictions (according with the levels system), Operational Safety Manual amendments which can be reinstated at short notice depending on the situation and 16-week PPE forward supply stocks being maintained at all times. We have a clear set of links with Scottish Government and other stakeholders through our standing place on the sector resilience group which allows us to quickly input to and understand Scottish Government responses and guidance.		Cautious
SRR03 ~~Building safety~~ Fire Safety Risk Owner: Group Director of Property and Development (Tom Barclay)	~~The risk that the health and safety of our customers and staff is put at risk through failure to comply with all relevant building health and safety rules.~~ ~~The continuously changing nature of regulations and guidance in this area, for example in relation to fire safety, elevates the risks in relation to continuing compliance.~~ There is a risk that a failure to comply with relevant fire safety standards for our buildings results in harm to the health or safety of our customers and/or staff, leading to injuries or fatalities, enforcement action and reputational damage.		~~External review, commissioned by the Assurance Team, of our Fire Safety arrangements every 2 years.~~ ~~Community Improvement Partnership focused on fire prevention and education.~~ ~~Business Continuity Plans.~~ Group Fire Safety Team focuses on identification of fire preventions actions for implementation by MDs. Quarterly reporting of implementation of actions to Group Audit Committee. Outwith relevant premises, Fire Prevention and Mitigation Framework, including our approach to		Averse

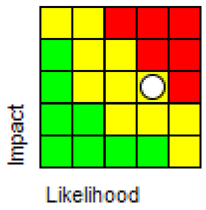
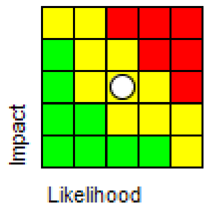
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
			high rise block inspections and Livingwell, and Fire Risk Assessments. Extensive compliance and investment regime to achieve compliance with building safety regulations (as required) and best practice guidance.		
SRR04 New operating model implementation Risk Owner: Group CEO (Martin Armstrong)	The implementation of a new operating model as we emerge from the COVID-19 crisis, including changing staff patterns/places of work, reducing the number of offices and placing greater reliance on technology could be poorly implemented and communicated, leading to staff disengagement and lack of support from our trade union partners.		~~A clear strategy is in place for ongoing consultation with all relevant staff, including through our Trade Union partners, who are supportive of the new model.~~ ~~Detailed guidance has been provided to all staff on the health & safety aspects of home working. E.g. roll-out of new technology to support lone working.~~ ~~There will be clear communication of the protocols for accessing new staff hubs and what they should be used for once Scottish Government guidance allows use of non-essential offices again.~~ The Customer Consultation on the new operating model continues, and results of the completed consultation will be reported to Boards for consideration. Operational planning for implementation is in progress, including the delivery of the Customer First Centre. A New Business Model Steering Group meets fortnightly to facilitate this planning. Executive team receives regular reporting of plans and has oversight of plans, including for the Customer First Centre.		Open

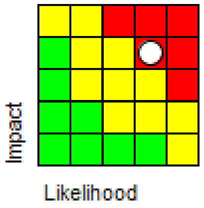
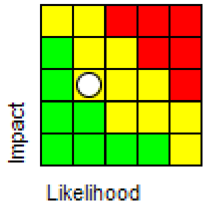
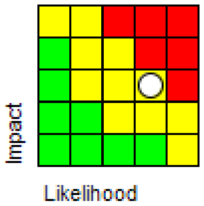
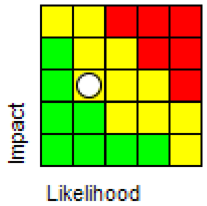
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
SRR05 Care and support Services <u>Risk Owner</u>: Group Director of Housing and Care (Olga Clayton)	A failure in the care of an individual could result in serious personal harm, leading to risk to life and limb, financial liability and loss of future work due to reputational damage. The commissioning environment relating to care and support services creates risks that funding is insufficient to allow services to break-even while paying staff fair wages.		Care and support services governance arrangements, including the authorising environment, are clear and have been approved. These include regular reviews of service financial positions and processes to hand back services which cannot be delivered in a financially viable manner. Care Assurance Framework (which includes monitoring the results from Care Inspectorate service visits and Group Assurance inspections) in place which assesses the quality of care and adherence to Care policies and procedures across Group. During the COVID-19 period, the Care Inspectorate is using video-calls to undertake reviews of Coronavirus controls in care homes. This approach will be rolled out to “Care at Home” registered services in the near future. There are also regular formal calls between inspection officers and registered managers. Regular management review of service users’ care packages to monitor where people are leaving the services and how to redeploy resources or attract new users. The Protecting People Policy Framework sets out arrangement for protecting the People We Work For, including those considered to be vulnerable. Work to deliver against the Framework is reported to the Wheatley Care Board.		Cautious

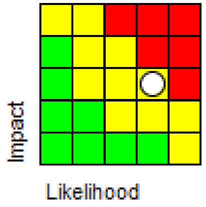
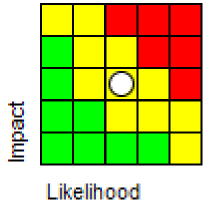
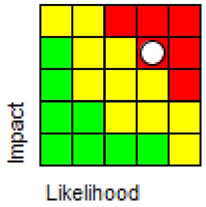
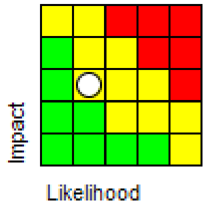
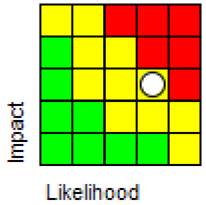
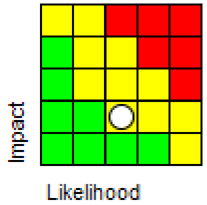
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
SRR06 Customer satisfaction Risk Owner: Group Director of Housing & Care (Olga Clayton)	Customers do not feel our homes and services meet their needs and/or the standards they expect, leading to declining customer satisfaction.		Customer service excellence is a key element of 2021-26 strategy. We use a variety of methods to collect customer feedback, both during the year and annually. This information helps us understand customer views and informs our delivery and investment plans every year. This will be augmented by a range of new approaches to improve satisfaction among particular target groups such as young families. The new performance management framework will also include a stronger focus on measuring drivers of customer value in our key services. Small housing officer patch sizes of 1:200 allow housing staff to deliver personalised services under the ThinkYes approach.		Hungry
SRR07 Rent arrears including Universal Credit Risk Owner: Group Director of Housing and Care (Olga Clayton)	The impact of COVID-19, including legislation to prevent evictions, increased lead-in times and uncertainty around Sheriff eviction decisions, as well as the closure of the Furlough scheme and the continued expansion of Universal Credit, continue to impact on our rental income stream and increase our arrears. This also has negative impacts for customers, with increasing financial hardship.		Staff across the Group – including frontline housing teams, the customer service centre and communications – run ongoing campaigns and programmes of contact with customers affected by financial hardship and with problems in paying their rent, whether caused as a result of COVID-19, the wider issues with Universal Credit or for other reasons. This includes a dedicated Universal Credit team, use of GoMobile for staff to assist customers with online transactions and working with partners to influence the UK and Scottish policy and funding environment. Online service portals are more accessible and housing officers are becoming more available. Our small housing patch sizes provide a key mitigation,	Previous:  Revised:	Cautious

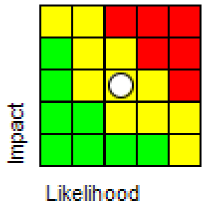
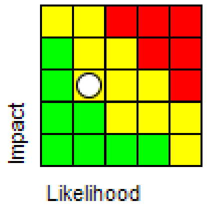
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
			allowing staff to work proactively with customers before their debts become unmanageable, drawing in Wheatley 360 support services such as welfare benefits advice, as required. The Group business plan also contains a significant buffer within its assumptions for risk in relation to bad debts and rent arrears. In addition, arrears performance is reviewed by Boards at every meeting.		
SRR08 Compliance with funders' requirements Risk Owner: Group Director of Finance (Steven Henderson)	There is a risk of defaulting on loan agreements ~~caused by a failure~~ as a result of failing to meet or maintain compliance with loan agreements. This would result ~~resulting~~ in withdrawal of the funding, potential for cross-default on other facilities, ~~and~~ difficulty in obtaining future funding from other funders, and would likely result in higher cost of funding.		Regular meetings with funders and investor representatives to update on financial status of the Group. Financial performance monitored monthly and covenant compliance reviewed quarterly by the Group Board, before being submitted externally to funders. Covenant compliance monitoring tool introduced by Finance. Funder requirements document identifies key dates and requirements. Financial performance is monitored on an ongoing basis through monthly reporting cycle and Group/subsidiary Board review of management accounts. Subsidiary and Group Business Plans are subject to annual updates and review by respective Boards. In addition, ongoing dialogue is maintained with relevant credit rating agencies in order to mitigate the risks of unexpected rating changes.		Cautious

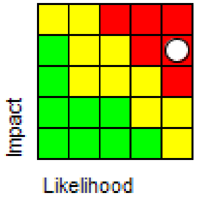
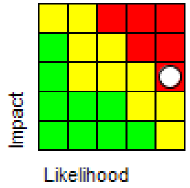
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
SRR09 Governance Structure Risk Owner: Martin Armstrong (Group Chief Executive Officer)	The governance structure is not clearly defined, is overly complex and lacks appropriate skills at Board and Committee levels to govern the Group effectively. Failure of corporate governance arrangements could lead to serious service and financial failures.		The Group's authorising environment has been agreed. The Corporate Strategy highlights the importance of the need for continual Board development enabling the Board and Committee members to remain strategically focused. Governance training is provided as appropriate. Formal succession planning for Board members is in place. Governance arrangements regularly reviewed by the Scottish Housing Regulator, external consultants, internal and external audit functions. Subsidiary Board structures may be rationalised from time to time to reduce complexity, eg as has been done with Wheatley Care and Lowther/YourPlace.		Cautious
SRR10 Group Credit Rating Risk Owner: Group Director of Finance (Steven Henderson)	There is a risk that external factors such as a downgrade of the UK's credit rating or a default by another organisation within the social housing sector results in a downgrading of the Group's credit rating to BBB+ or below, resulting in a potential requirement to repay our European Investment Bank loans, a reduction in the availability of future borrowing, and/ or an increase in the cost of current debt.		The Group's business plan is designed to maintain a strong stand alone credit rating, for example excluding build for sale. Our financial Golden Rules include maintaining strong levels of liquidity to mitigate refinance risks. Ongoing dialogue is maintained with relevant credit rating agencies in order to mitigate the risk of unexpected rating changes which are controllable. Mitigation drafting used in legal clauses - in the event the rating fell to BBB+, the legal clauses are specific that this is not an event of default (thereby avoiding cross-default). Negotiation period – the legal clauses provide for a period to negotiate with EIB on mitigating measures, such as revisions to covenants or posting of increased security/collateral.		Cautious

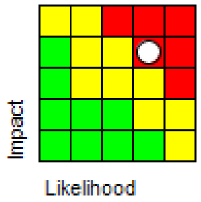
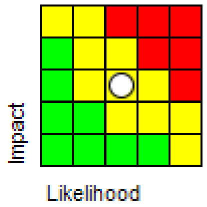
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
			Standby funders to replace EIB if necessary - A strong relationship is maintained with EIB to mitigate future risk from external factors causing a credit rating downgrade. Strong investor/lender relationships are maintained with a number of other organisations at all times in case of unanticipated funding need.		
SRR11 Securing new funding and adverse market changes Risk Owner: Group Director of Finance (Steven Henderson)	There is a risk that the Group's ability to raise borrowing at cost-effective rates or raise the funds required to meet our liquidity Golden Rules is limited by wider economic or political conditions such as another banking crisis, rising interest rates, default in the sector, increasing focus on ESG credentials or constitutional changes; resulting in an inability to hold enough cash to meet our commitments or achieve our business objectives.		Our strategy is to diversify funding sources and relationships, providing a range of options for future funding in the event of adverse funding market changes. Our liquidity Golden Rules are designed to ensure that we have sufficient cash available for two years + 25% contingency, and this rule is re-assessed annually by the Group Board. Compliance with these is reported to the Group and WFL Boards quarterly. We also review our approach to hedging in respect of interest rate risk on a quarterly basis. We do not borrow in currencies other than sterling to reduce exchange rate risks, including in the event of a potential future change in currency, nor do we borrow from non-UK domiciled investors (with the exception of the EIB). ~~The Group's Internal Rate of Return (for appraising and approving projects) will be revised when finance costs increase to ensure new build projects do not become loss-making.~~ Annual ESG reporting in place with reports issued alongside the statutory accounts. A Sustainability Financing Framework will be issued in Q3 2021/22, which will be accredited by S&P. ~~The Treasury~~		Open

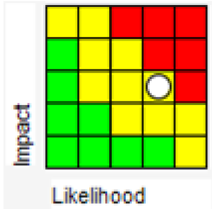
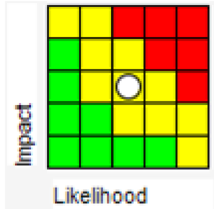
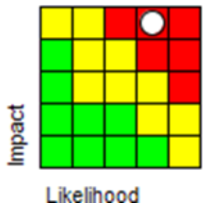
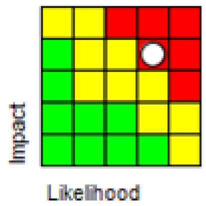
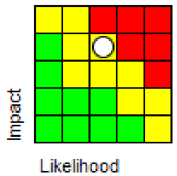
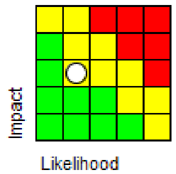
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
			~~team will appoint a 3rd party to provide accreditation of the report during 2021.~~		
SRR12 Business Continuity / Disaster Recovery Risk Owner: Group Director of Property & Development (Tom Barclay)	The Wheatley Housing Group does not have adequate or tested Business Continuity / Disaster Recovery Plans in place for key business activities (for example: repairs service, care provision/staff cover, customer payment systems/technology) including those with significant contractors, resulting in significant disruption to service and avoidable reputational damage.		Business Continuity Plans are in place across all business areas. A business continuity implementation group is responsible for collating, reviewing and designing the Group's Disaster Recovery and Business Continuity Plans. The business continuity framework is being further developed in line with the Group's new business operating model and in light of experience through the COVID-19 pandemic. ~~A programme to annually test these plans has been developed.~~ ~~Group Assurance continue to monitor progress and robustness of plans.~~		Minimal
SRR13 Commercial Operations Risk Owner: Group Director of Property & Development (Tom Barclay)	Failure to achieve financial growth returns in our commercial operations. This results in reduced surpluses available to support the Group's charitable activity, in particular through the Wheatley Foundation.		Robust monitoring arrangements in place to appraise the operational performance and delivery of strategic objectives; and Levels of performance are monitored by Divisional Management Teams (DMTs), Executive Team (ET) and the relevant Boards as well as Group Board.		Open

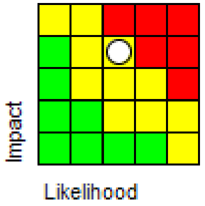
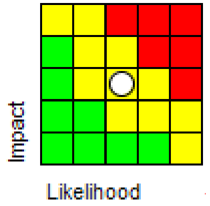
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
SRR14 Political and Policy Changes Risk Owner: Martin Armstrong (Group Chief Executive Officer)	The risk that political and policy changes (within Scotland and the UK) affect the ability of Wheatley Housing Group to deliver strategic objectives resulting in significant adverse reputational impact.		The current policy and national political environment brings a degree of uncertainty. The Group has an established stakeholder management framework in place and relevant Managers will be focussed on responding to changes in policy and administration as they arise. The Group's policy of not building homes for sale also mitigates potential property market risk.		Cautious
SRR15 Failure to recruit, develop, retain, and succession plan Risk Owner: Group CEO (Martin Armstrong)	Failure to recruit, develop, retain and succession plan for high quality / qualified staff, resulting in reduced levels of service provision, staff not competent to perform their job to expected standard and achieve strategic objectives.		MyContribution process for all staff and integrated with MyAcademy. Training logs for all staff and training courses at the Academy and online Leadership Development Programme, succession planning and talent management programme. HR policies on recruitment and selection IGNITE Graduate Programme to bring in new talent across Group RSLs and Wheatley Solutions. Employee satisfaction surveys.		Open
SRR16 Laws and Regulations Risk Owner: Group Director of Finance (Steven Henderson)	Non-compliance with statutory laws and regulations, including but not limited to: (i) Scottish Housing Regulator and Care Inspectorate regulations, (ii) Financial Conduct Authority (FCA) regulations, (iii) compliance with Health and Safety Building Regulations (iv) Freedom of Information (Scotland) Act, and (v) General Data Protection Regulations		A Group wide Scottish Housing Charter Assurance process is supported by the Tenant Scrutiny Panel reviewing outcomes. FCA regulations are considered when new products and services are developed. Qualified personnel undertaking capital improvement works as well as suitable sign off and compliance checks of new installations (e.g. external wall coverings), to ensure these meet relevant building standards.		Averse

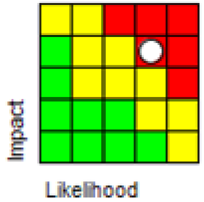
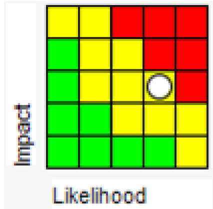
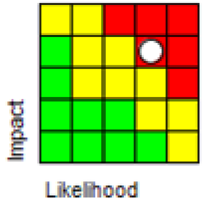
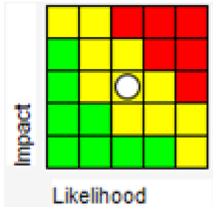
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
	(vi) OSCR, the Scottish Charities Regulator resulting in adverse feedback and loss in confidence from ~~Regulator, the Scottish Information Commissioner~~ regulators, funders, customers and potential partners, as well as potential fines and penalties.		New product offerings follow a clear route to governance, with approval required from the Executive Team before formal approval is requested from the Group Board. Legal and financial advice is obtained for all financial offerings to customers. Compliance Plan monitored on an on-going basis and any issues raised to Executive Team and Audit Committee on an exceptions basis. The Group has on-going relationship management with Regulator. Group wide approach to how the Group manages information. Privacy Impact Statements to be implemented across the Group. Changes to existing legislation are identified and implemented by identified responsible officers across the Group.		
SRR17 Pension contributions <u>Risk Owner</u>: Group Director of Finance (Steven Henderson)	Increases in the required pension contributions for all Group pension funds may lead to potential cost pressures for the Group.		The Group's Pensions Policy sets out a range of measures to manage pension costs. We have established a Wheatley Group defined contribution scheme which is the default arrangement for new joiners and auto-enrolment for most subsidiaries. We are also consolidating SHAPS and LGPS schemes where possible to reduce the risk of cessation liabilities being triggered.		Averse

Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
SRR18 Supply chain disruption Risk Owner: Group Director of Property & Development (Tom Barclay)	There is a risk of delays in the sourcing of goods and materials, or of Wheatley Care workforce challenges arising from the impact of macroeconomic events such as the post-Brexit trade deal, Covid manufacturing productivity challenges and global purchasing behaviours such as US/Asia mega-purchasing; resulting in increased costs and / or delays for new build and property investment and repairs works, or negative impacts on the wellbeing and satisfaction of People We Work For.		**General** Procurement procedures include assessment of suppliers' financial health. Proactive monitoring of supply chains by Operational leads with regular contract management meetings. Regular engagement with Scottish Government on cost or delay impact as potential issues emerge. In the event of supplier insolvency, procurement frameworks / approved supplier listings would be used to identify alternative suppliers. **Repairs Service** Manage stock levels including, where possible, advance purchase of components and materials. Engagement with key suppliers. Specific contingency plans for key services e.g. lifts. Local staff directly employed by CBG or DCPS. **Investment Programme** Manage stock levels of components and materials. Engagement with key suppliers. **New Build** Regular engagement with new build contractors where the Group's financial exposure is greatest to test financial standing. Monitor on a site basis the availability and adequacy of contactor's resource on site – consider increased clerk of works site monitoring to ensure quality of workmanship. **Operational Supplies**		Cautious

Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
			Utilisation of Group and 3rd party frameworks to minimise price increase risk. Engagement with key suppliers on stock levels. **Wheatley Care** Working with SG via membership organisations to understand potential level of risk. Contingency plans to mitigate locally and maintaining a 16-week stock of PPE.		
SRR19 Cyber Security Risk Owner: Group Director of Finance (Steven Henderson)	~~The Group's approach to Cyber Security is not robust and staff are not actively engaged due to culture or poor staff understanding; or knowledge of the subject, the Group's response to it or their individual role. This is particularly important with increased home working across the Group.~~ ~~A lack of compliance with the approach and arrangements made could lead to greater opportunity for cyber-attack, resulting in unplanned system downtime, data loss, reputational damage, customer dissatisfaction and potential legislative or regulatory breach.~~ There is a risk that the Group is subject to a cyber attack due to a failure of the Group's cyber security arrangements such as: - staff not aware of policies and procedures - technology is out of date - inadequate management of end of life services resulting in an inability to deliver services, and potential financial loss.		IT cyber security live tests undertaken and results reported to ET and Group Board. Group IT has an information and cyber security approach that covers i) overall Information Security Policy for Group, and ii) staff engagement and training across 5 key learning themes. Established processes across key risk areas: Information Security Response / Access Controls / Secure Disposal / Group Data Protection Policy /IT Cloud Services Policy / Vendor Security Assessments. Group IT is externally assessed annually on information security and IT general controls via 3rd party auditors. A Bi-Annual cyber security assessment is conducted by NCC across 20 key control areas. An internal Information Security Working Group has been established within technical teams across Group IT. Biannual cyber security update reported to the Group Audit Committee.		Minimal

Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
SRR20 Implementation of ~~DGHP~~ partnership promises Risk Owner: Group CEO (Martin Armstrong)	We may fail to deliver the tenant promises made in the DGHP and Cube ~~partnership~~ ballots, including achieving compliance with regulatory standards (such as the Scottish Housing Quality Standard). This could lead to increased regulatory scrutiny, as well as falling customer satisfaction due to failure to deliver on promises made.		The DGHP and Cube implementation plans have now been mainstreamed into the Group's strategy and are included with the Group's performance framework.		Open
SRR21 Post-2021 Housing Policy and Grant availability Risk Owner: Group Director of Finance (Steven Henderson)	There is a risk that without sufficient Scottish Government financial support we may be unable to deliver some of the ~~objectives in our 2021 – 2026 Strategy~~ Scottish Government and EESSH2 targets in relation to energy efficiency.		Wheatley Group staff are meeting with Scottish Government representatives regularly to proactively present the case for housing investment to Ministers and senior officials directly and through our representative bodies SFHA and CIH. This includes participating in the Scottish Government review of grant availability. A Green Investment Plan proposal has been developed and will form the basis of direct discussions with the Scottish Government. Financial scenario planning in place to understand potential impact on our investment programme under a variety of grant scenarios.		Cautious
SRR22 Covid-19 vaccination roll-out Risk Owner: Group CEO (Martin Armstrong)	There is a risk that a lack of clarity over employers' responsibilities in relation to the Covid-19 vaccine, including employment law and data protection implications of requiring staff to notify their employer and / or the vaccine being made mandatory for certain roles, results in reputational damage and / or potential breach of employment law or data protection regulations.		The Employee Relations team continues to consult with employment law advisers to obtain ongoing legal advice. The Group continues to liaise closely with trades unions and staff to develop its approach. Data privacy notices for Care staff have been updated to allow the Group to keep a record of which staff have received the vaccine, and work to updated privacy notices for all Group staff		Averse

Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
			continues. Care management is monitoring uptake levels as part of a local risk assessment approach. ~~Where Care staff have not received a vaccine, or unable to wear full PPE, the Group's interim approach is to reassign employees to non-customer facing roles, to safeguard both customers and the employee.~~		
~~SRR23~~ ~~Climate change~~ ~~Risk Owner :~~ ~~Group Director of Property and Development (Tom Barclay)~~	~~Climate change poses a number of risks to the Group, including:~~ ~~Regulatory and legislative compliance – that the scale of cost and/or nature of available technology may not allow us to improve the energy efficiency of our properties to required regulatory standards such as EESSH 2;~~ ~~Asset resilience – more frequent flooding, seasonal temperature variation or extreme climate events could negatively impact our infrastructure, properties and operations;~~ ~~Funding and investment – without a clear plan for how we reduce our carbon and energy use, as part of a wider sustainability strategy, our ability to access institutional investment may become restricted; and~~ ~~Communication – our organisational commitment to contributing to the climate change/sustainability is not sufficiently publicised and could impact external perceptions of our commitment in this area.~~		~~Our strategy includes an objective to reduce emissions from our corporate activities to net zero by 2026.~~ ~~We have detailed asset information and baseline data, an EESSH 2 plan is under development and we are in discussions with the Scottish Government about funding to accelerate investment in our properties through a Wheatley Green Investment Plan.~~ ~~Business continuity plans (both at Group and local level) provide for operational responses to extreme weather events such as flooding and severe winter snow (eg "Beast from the East" type events).~~ ~~We produce an annual ESG report for investors setting out our progress on the environmental agenda, and will produce a sustainability framework for investors to support the raising of sustainability-linked finance in future.~~ ~~In addition to ESG reporting, increased public messaging around our work in relation to climate change.~~		~~Cautious~~

Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
SRR23 Climate Change impact on Group assets and services Risk Owner : Group Director of Property and Development (Tom Barclay)	There is a risk that the Group's inability to adapt to results of climate change results in damage to the value of our assets and our ability to deliver services.		Business continuity plans (both at Group and local level) provide for operational responses to extreme weather events such as flooding and severe winter snow (e.g "Beast from the East" type events). Climate Impact Assessment report commissioned from external consultants (Foresight report). Performance Reporting team has commissioned report to overlay climate change impacts on Group's geographic locations.		Cautious
SRR24 Meeting stakeholder expectations on climate change Risk Owner : Group Director of Property and Development (Tom Barclay)	The Group is not able to deliver climate-change mitigation activities that meet the expectations of key stakeholder requirements and regulatory requirements.		Our strategy includes an objective to reduce emissions from our corporate activities to be carbon neutral ~~net zero~~ by 2026. We have detailed asset information and baseline data, an EESSH 2 plan is under development and we are in discussions with the Scottish Government about funding to accelerate investment in our properties through a Wheatley Green Investment Plan. We produce an annual ESG report for investors setting out our progress on the environmental agenda, and will produce a sustainability framework for investors to support the raising of sustainability-linked finance in future. In addition to ESG reporting, increased public messaging around our work in relation to climate change.		Cautious

Risk Scoring Definitions

Appendix 2

Impact scoring for strategic risks

Risk Rating Score	Impact Classification	Reputation	Health, Safety and Welfare	Finance
1	Insignificant	Managed/reported to Business Unit Local media (short term duration)	Minor injury cleared with first aid treatment	Up to £100,000
2	Minor	Managed/reported to Departmental Management Team Local media (short/medium term duration)	Reportable dangerous occurrence (near misses)	£100,001 to £500,000
3	Moderate	Managed/reported to Team and Board Members Regional media (short/medium term duration)	Reportable over three day injuries or reportable diseases	£100,001 to £500,000
4	Significant	Regional/National media coverage (medium/long term duration)	Major reportable injury or injuries	£500,001 to £1M
5	Catastrophic	Third Party Intervention Public Interest Group National/international media (long term duration)	Fatality or permanent disability	Over £1M

Likelihood scoring

Risk Rating Score	Likelihood Classification	Risk Description
1	Remote	Likely to occur greater than 10 years
2	Unlikely	Likely to occur within 5 to 10 years
3	Possible	Likely to occur within 3 to 5 years
4	Likely	Likely to occur within 1 to 3 years
5	Very Likely	Likely to occur within 1 year

Impact					
	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
					Likelihood

Risk Appetite Definitions

Appendix 3

	Averse	**Minimal**	**Cautious**	**Open**	**Hungry**
	Avoidance of risk and uncertainty is a key Organisational objective.	**Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward.**	**Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.**	**Willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc.).**	**Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk).**
Risk Category	**Example behaviours when taking key decisions….**				
Reputation and credibility	• Minimal tolerance for any decisions that could lead to external scrutiny.	• Tolerance for risk taking limited to those events where there is no chance of significant repercussion.	• Tolerance for risk taking limited to those events where there is little chance of any significant repercussion should there be a failure.	• Appetite to take decisions with potential to expose us to additional scrutiny but only when appropriate steps have been taken to minimise any exposure.	• Appetite to take decisions that are likely to bring external scrutiny but where potential benefits outweigh the risks.
Operational and Policy delivery	• Defensive approach to objectives – aim to maintain or protect, rather than to create or innovate. • Priority for tight management controls and oversight with limited devolved decision making authority. • General avoidance of systems / technology developments.	• Innovations always avoided unless essential. • Decision making authority held by senior management. • Only essential systems /technology developments to protect current operations.	• Tendency to stick to the status quo, innovations generally avoided unless necessary. • Decision making authority generally held by senior management. • Systems / technology developments limited to improvements to protection of current operations.	• Innovation supported, with demonstration of commensurate improvements in management control. • Systems / technology developments considered to enable operational delivery. • Responsibility for non-critical decisions may be devolved.	• Innovation pursued – desire to 'break the mould' and challenge current working practices. • New technologies viewed as a key enabler of operational activity.
Financial / VFM	• Avoidance of financial loss is a key objective. • Only willing to accept the low cost option. • Resources withdrawn from non-essential activities.	• Only prepared to accept the possibility of very limited financial loss if essential. • VFM is primary concern.	• Prepared to accept the possibility of some limited financial loss. • VFM still the primary concern but willing to also consider the benefits. • Resources generally restricted to core operational targets.	• Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level. • Value and benefits considered (not just cheapest price). • Resources allocated in order to capitalise on potential opportunities.	• Prepared to invest for the best possible reward and accept the possibility of financial loss (although controls may be in place). • Resources allocated without firm guarantee of return – 'investment capital' type approach.
Compliance – legal / Regulatory	• Avoid anything which could be challenged, even unsuccessfully. • Play safe.	• Want to be very sure we would win any challenge.	• Limited tolerance for "sticking our neck out". Want to be reasonably sure we would win any challenge.	• Challenge will be problematic but we are likely to win it and the gain will outweigh the adverse consequences.	• Chances or losing are high and consequences serious. But a win would be seen as a great coup.