WHEATLEY HOUSING GROUP LIMITED
BOARD MEETING

23 February 2022 at 10.30am

AGENDA

1. Apologies for Absence

2. Declarations of Interest

3. a) Minutes of Meetings held on 15 December 2021 and matters arising
   b) Action list

4. a) Group CEO Update
   b) Committee Chair updates (issued in advance)

Strategic asset management, regeneration and finance and governance theme

Strategic asset management and regeneration

5. Wyndford regeneration

6. [redacted]

7. Group five-year development programme

8. Five-year asset investment programme

9. Transforming our repairs environment

Finance and governance

10. Strategic governance review and restructuring update

11. a) Rent and other charges 2022/23
    b) Business Plan Financial Projections

Other Business Items

12. New operating model update

13. Energy costs: supporting our customers

14. Scottish Government New Deal for Tenants – consultation response

15. Risk management update

16. Performance report

17. Finance Report

18. [redacted]

19. AOCB

Report

To:	**Wheatley Housing Group Board**
By:	**Olga Clayton, Group Director of Housing & Care**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**Wyndford Regeneration**
Date of Meeting:	**23 February 2022**

1. Purpose

1.1 The purpose of this report is to:

- update the Board on the outcome of the eight week customer consultation and seek the Board's agreement to demolition of the Wyndford 26 storey blocks and wider regeneration of the area;
- update the Board on our rehousing strategy and progress; and
- update the Board on the regeneration plans and next steps.

2. Authorising and strategic context

2.1 The regeneration of Wyndford and determining the future of the four 26 storey blocks has been identified as a strategic priority for the Group and as such is incorporated in our 2021/22 strategic projects as well as our 5 year strategy. The Group Board approved the consultation approach in October 2021. The £54m investment in the Wyndford will be the first large scale regeneration project to be delivered by the new Wheatley Homes Glasgow, delivering on promises made to customers as part of the Cube transfer. It will also be one of the largest regeneration initiatives in Scotland. The proposal for re classification of the four Wyndford 26 storey blocks for demolition status was presented to and agreed by the GHA Board on the 11th February 2022 and is now presented to Group Board for approval.

3. Risk appetite and assessment

3.1 Our risk appetite for development is 'open', while we have a cautious approach to governance and finance. The proposals outlined in this report have been developed taking account of these risk appetite levels and are more fully captured below.

4. Background

4.1 As approved by the Group Board in October 2021, letting ceased with immediate effect on the four 26 storey blocks at 151, 171, 191 and 120 Wyndford Road. The blocks contain 400 one-bed flat and 200 bedsits. The blocks are occupied by 443 Scottish Secure Tenants and 97 nonstandard lets.

4.2 Performance in the four blocks has been a long-standing issue with approximately half the tenants having lived there for less than five years, turnover and refusal rates being some of the highest in the city and approximately quarter of tenants having a live transfer application.

4.3 Lack of capacity in the Cube business plan had prevented the option of regeneration. Remodelling of the buildings was considered in 2018, but the overall cost was prohibitive. Former Cube customers transferring to GHA has opened up the option of large-scale regeneration, due to the stronger financial base provided by the combined organisation.

4.4 Following the cease letting decision, an extensive eight-week programme of consultation commenced with Wyndford residents on proposed demolition of the four blocks, as well as the significant investment and wider regeneration to the remainder of the estate.

4.5 Consultation on the proposed regeneration, including demolition began on 22 November 2021 and was carried out over an eight-week period, ending on 14 January 2021. This is longer than our standard six-week timescale for consultations. The engagement took the form of promoting the proposals to tenants via digital channels as well as more traditional means such as drop-in events and visiting tenants of the affected properties. The consultation was supported by TPAS (Tenant Participation Advisory Service) who provide free, independent advice to tenants throughout the consultation period.

4.6 The consultation began with brochures being sent to all Wyndford tenants detailing the case for demolition and our regeneration proposals to build hundreds of new energy efficient homes. The offer made to customers also included wider investment to the area, addressing key local issues and priorities including:

- better car parking and bin stores;
- creating attractive outdoor spaces that will enhance the local neighbourhood;
- creating a new concierge station from which staff will be on hand 24/7;
- expanding the hugely popular services provided by our Neighbourhood Environmental Teams;
- introducing new safety and security measures by installing improved CCTV and new video door-entry systems;
- internal upgrades to tenants homes;
- installing electric car charging points and new bike stores; and
- introducing new community artwork to record the history of the area.

4.7 A similar bespoke brochure was sent to every tenant living in the four 26 storey blocks, providing additional reassurances, agreed by the Board at its October meeting, that:

- all of our tenants living in these four blocks will be offered one-to-one interviews to establish their personal housing need;
- those moving from the blocks will be offered another Wheatley Group home matching their needs and circumstances;
- tenants who wish to remain in Wyndford will have the opportunity to move to another home within the community. Those who wish to return to Wyndford after the redevelopment is completed will be given priority for one of the new homes that will be built;
- tenants moving from these blocks will receive a Home Loss payment of £1,500 and a Disturbance Payment of up to £1,250; and
- no rent increases for the blocks earmarked for demolition.

5. Discussion

Customer engagement

5.1 The formal response to the consultation ended on 14 January 2022, although we have continued to engage with tenants since. Throughout the consultation, staff engaged with tenants across the Wyndford estate, with particular focus on those living in the 26 storey blocks. This engagement included home visits, phone calls, text messages, as well as arranged ‘Have Your Say’ events which took place at Maryhill Hub. We also shared useful information on our web and social media pages. In total, 309 responses were received, with 77% of responses from those living in the four blocks who would be most affected by the regeneration proposals.

5.2 Feedback from tenants on the proposals has been positive with 85% of the tenants we spoke to indicating they supported the regeneration plans, including demolition of the four 26 story blocks, 14% stating that they did not support the plans, and the remaining 1% did not indicate whether they supported or not.

5.3 The responses from those living in the 26 storeys are representative of the overall feedback, with 87% of tenants in support of the plans, and 13% not in favour.

5.4 As part of discussions, tenants were also asked to share their thoughts on what excited them about the plans for regeneration. It should be noted that not all tenants commented on this:

- 59% of customers expressed their excitement on building hundreds of new homes in the community;
- 59% of customers felt the proposals, including investment in the wider community, would create a safe and attractive environment; and
- 36% of customers told us that an enhanced community facility is what excited them most.

5.5 The ‘Have Your Say’ events held during consultation were facilitated and attended by staff from across the group, including housing officers, regeneration and development and the investment team. This provided an opportunity for Wyndford residents to see what the emerging regeneration plans could look like, as well as our vision for the wider Wyndford neighbourhood. The events have also been attended by local ward Councillors. All local MSPs and Councillors were engaged throughout this process by relevant senior staff. We will continue to engage with locally elected members and MSPs to keep them appraised of the developments and support them responding to any constituency queries.

5.6 Approximately, 100 customers attended these events, and 56 customers expressed interest in being involved in a bespoke local group we will establish called the ‘Wynford Future Focus’. This will provide a platform to engage with tenants and stakeholders on a regular basis throughout the lifetime of the regeneration. In addition to this, we will hold local events and drop in sessions as we approach particular milestones or periods where there will be visible activity in communities.

5.7 This Wyndford Future Focus and local events will be in addition to ongoing, visible presence in communities through our housing officers and the new concierge station. Housing officers will be regularly updating tenants on progress, answering any queries as the arise from tenants and communicating on progress.

5.8 Our approach to engagement throughout the entire regeneration period will include a focus on co-creation and understanding tenants' priorities. The Wyndford Future Focus group will also include the Head Teacher of the Wynford Nursery Group and the Chair of the Maryhill Hub to ensure that local stakeholders are represented. We will further keep the wider community informed through quarterly newsletters.

5.9 Following Board approval, we will communicate the consultation outcome to all Wyndford tenants by the end of February, again with a bespoke version to those living in the four 26 storey blocks.

Rehousing strategy

5.10 Prior to consultation, 22% of tenants living in the 26 storeys had already expressed an interest in moving from these blocks and during our engagement activities, more tenants have told us they would like to move as soon as possible.

5.11 One-to-one housing options discussions have already commenced with these customers to understand their preferences and housing need. 50% of our tenants living in the blocks have now had a housing options discussion and have been awarded our highest priority banding, Band A, which will allow them to be matched to any suitable property as they become available.

5.12 90 tenants have already been offered a suitable property in their preferred locality, with 22 of these already signed up for their new tenancy, and 9 having accepted their offer.

5.13 We have met with all external agencies who we lease properties to within the blocks; GCC, Blue Triangle, SAMH and Mears. From the original 123 lets to these agencies, 39 have successfully been recovered. We continue to liaise monthly with these agencies to mutually agree termination dates for the remaining leases. The latest update on our agency lets are:

Table 1

Agency	Numbers of Homes	Current Position
GCC	91	30 of the 91 homes have been returned to GHA
Mears	25	7 returned and the remaining 18 will be returned by May
Blue Triangle	3	2 returned to GHA
SAMH	4	SAMH have requested 2 replacement properties

- the 25 properties let to Mears will not be replaced as these leases are due to expire on 15th September 2022;
- we are in discussions with GCC in relation to replacement temporary accommodation and have been mapping the current temporary accommodation portfolio across the city to ensure we do not create over saturation in areas;
- Blue Triangle has already terminated 2/3 leases due to the natural move on of the customer and it is not expected that they will require any replacement properties; and
- SAMH currently has 4 properties, and we are in discussion with them around replacements.

Regeneration progress

5.14 We have been in dialogue with the City Council on the potential to advance a regeneration project in Wyndford since early 2020. Most recently a meeting was held with the Head of Housing and Divisional Director of Housing, Planning and Building Control at Glasgow City Council to provide a strategic overview of the consultation and potential opportunities at Wyndford. This engagement will continue with a focus on the next steps to reach agreement from GCC on the transfer of the land in their ownership which will support the wider regeneration proposals. We are also in discussions with GCC on the future of the Maryhill Hub which the City Council own and manage.

5.15 The development team attended the consultation events to seek the community's general thoughts on how the future Wyndford vision should be developed and understand priorities for the neighbourhood. The informal feedback on the future proposals generally focused on creating a safe and comfortable environment and delivering affordable housing for the existing community. Feedback was also received on the importance of delivering a space for the community to hold activities and meetings. There was also a concern that land would remain vacant and an associated desire to see quick progress and activity.

5.16 The team also received completed Place Standard questionnaires. The Place Standard is a tool that provides a simple framework to structure conversations about place. It considers the physical elements of a place (it's buildings, spaces, and transport links) as well as the social aspects (whether people feel they have a say in decision making). The feedback through the Place Standard Tool will be used along with the informal feedback to inform the brief for the Masterplanning work which will be co-designed with the community. The Wyndford Future Focus Group will be instrumental in this process.

5.17 The design team has been assessing the technical constraints and opportunities on a desktop basis and considering survey and site investigation requirements that will commence subject to Board approval. This will feed into the co-designed Masterplanning process and provide the detail requested by Glasgow City Council to progress negotiation of the necessary land transfer at nil value. Both processes are due to commence in the spring.

5.18 The consultant team is preparing the demolition tender documents for issue in April 2022. The team is also progressing the procurement of asbestos surveys to be undertaken by the end of March 2022. The intention is to allow possession of the site for demolition from March 2023.

[paragraphs 5.19 – 5.20 redacted]

Conclusions

5.21 The initial consultation on the proposal to demolish the 4 blocks ended on the 14th January, however we will continue to have a visible presence in communities and engage with our customers throughout. This will include co-creation on investment plans and seeking views on the works that could be prioritised as well as engaging on new build proposals. We will continue to support tenants and answer any questions they have as rehousing commences. Feedback, from tenants gives us confidence that there is support for the regeneration proposals and plans to demolish the four blocks at 151, 171, 191 and 120 and there will be an ongoing engagement with the community to develop the masterplan proposals. Based on this, the proposal for reclassification of stock and plans for regeneration and demolition was proposed to and agreed by GHA Board on the 11 February 2022 and is now proposed to Group Board for approval.

6. Digital transformation alignment

6.1 During consultation and beyond customers have a wide range of options on how to engage with us – through traditional methods as well as digital, offering a greater flexibility for them to be involved in the co-creation of plans.

6.2 This gives a real opportunity for customers to feel empowered to shape what happens in their community; and more opportunities for customers to have a say on decisions affecting investment in the local environment. We will use 3D imaging and rendering, along with the use of models to allow tenants and the wider community to envisage how the new Wyndford will look and feel. Tenants will be engaged at an early stage of the development proposal and involved in design and customer choices.

6.3 All new build affordable housing built at Wyndford would be digitally enabled. This means that when customers get keys to their home, they can arrange for an internet connection to 'go live' without the internet service provider having to provide additional cabling to the premises.

7. Financial and value for money implications

7.1 The financial projections being presented to Board as part of these papers reflect the planned demolition of the 600 units at Wyndford, including the expected cost and reduction in rental income and service charges. This demonstrates that the demolition of the properties can be delivered while meeting our loan covenants and golden rules.

8. Legal, regulatory and charitable implications

8.1 We have undertaken formal consultation with tenants in line with regulatory expectations and legal requirements.

9. Equalities implications

9.1 Within the programmes, all new build units are designed to Housing with Varying Needs (Part 1), as integrated into the 'Glasgow' mandatory standards promoted by GCC. The inclusion of 10% wheelchair units is a standard funding requirement.

10. Environmental and sustainability implications

10.1 Our sustainability approach in Wyndford, as in other large regeneration areas, would follow best practice. All generated waste would be separated to ensure maximum recycling and minimum landfill is achieved. Inert demolition material (concrete, timber & metal) should achieve upwards of 97% recycling with other mixed waste targeted at 95%.

10.2 A selected demolition contractor would require to demonstrate that sustainability is considered throughout the project, including providing end destinations for building materials and suitable locations for on-site waste storage and segregation.

10.3 Our proposed new build properties will be developed to meet Aspects 1 and 2 of the Silver Sustainability Standards which covers reduction in carbon dioxide emissions and energy use for space heating. This is in line with Grant condition requirements from GCC, as Transfer of the Management of Development Funding authority. Our new build homes would meet EPC Band B.

10.4 The proposed new development at Wyndford will assess the commercial and sustainability benefits of connecting to the existing SSE energy network, that provides heat and hot water across the Wyndford neighbourhood.

11. Recommendations

11.1 The Board is asked to:

1) in light of the GHA Board's agreement on 11 February, approve reclassification of stock for the four 26 storey blocks at respectively 120, 151, 171 and 191 Wyndford Road, Glasgow to demolition status;
2) agree to progress with demolition of these four blocks as part of a wider regeneration of the area;
3) agree to communicate the consultation response and next steps to Wyndford tenants;
4) note the updates on rehousing strategy and engagement with agencies whom we lease to;
5) note the updates on regeneration plans, to be advanced with support from GCC, for Wyndford; and
6) note that, following a tender process, a demolition contract proposal will be brought back to the Board for approval in due course.

Report

To: **Wheatley Housing Group Board**

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

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

Subject: **Group five-year development programme**

Date of Meeting: **23 February 2022**

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1. Purpose

1.1 This report seeks approval of the Group five-year development programme.

2. Authorising and strategic context

2.1 The responsibility for operational oversight of the Group development programme rests with the Group Development Committee, in line with the Committee's Terms of Reference. This is in the context of our approval of the five-year development programme.

2.2 The five-year development programme was agreed by the Group Development Committee at its meeting on the 27th January 2022. Each developing entity in the Group (all RSLs and Lowther) also agreed their programmes at their February meetings. The overall programme is now being presented to this Board for approval.

2.3 The Scottish Government's key housing policy document, *Housing to 2040,* and the subsequent Bute House Agreement (SNP agreement with the Scottish Green Party, August 2021), confirmed the Scottish Government's ambition to deliver 110,000 affordable homes by 2032 as well as moving towards decarbonising Scotland's domestic (and non-domestic) buildings.

2.4 In 2021/22 the Scottish government announced that through the Affordable Housing Supply Programme, they will invest £3.5 billion in housing in the current Parliamentary term (2021-2026), and £3.44 billion of that will deliver more social and affordable homes. As part of this, significant grant levels have been allocated to our key local authority partners, including £537.9 million to Glasgow and £233.8m to Edinburgh. These allocations, known as Resource Planning Allocations ("RPAs") are a key enabling mechanism for local authorities and us as their delivery partners, providing greater certainty and confidence in the programme and capacity for future delivery.

3. Risk Appetite and assessment

3.1 The Group's risk appetite in respect of the new build development programme is "open", which is defined as "*willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward*".

3.2 A key risk is that we do not identify a pipeline of development opportunities to realise our assumed development programme. To mitigate this risk, we have brought together a strong programme of named sites in the proposed five-year programme. In addition, we have a further pipeline of additional sites, that are subject to regular dialogue with the local authority and developers.

3.3 While the overall grant allocation over the coming years is strong, there remains a risk that development costs continue to increase and the Scottish Government grant criteria (which the Council use to assess applications) do not provide for sufficient subsidy to make individual projects viable. This is also a risk in the context of the increasing green specification for new build projects; with the requirement that any schemes granted building warrant from 2024 will need to have zero carbon heating systems.

3.4 The new subsidy regime announced by Scottish Government in late 2021 increases the benchmark grant level and provides additional top-up grant for low carbon elements. The benchmark level is to be reviewed on an annual basis which will allow for ongoing monitoring of the cost associated with new homes meeting zero carbon ambitions. However, we continue to stress test our business plan at RSL and Group level to ensure we would not be adversely impacted were development to become unviable/uneconomic and we had to reduce our programme as a result.

4. Background

4.1 The Covid-19 pandemic, Brexit, global economic factors and material supply issues have impacted significantly on our development programme through 2020/21 and across 2021/22. The cessation of construction activity during the initial lockdown, followed by new procedures agreed between the construction industry and the Scottish Government for safe site operations, has enabled construction activity to continue but productivity has been impacted.

4.3 Material supply issues impacted our development programme throughout 2021/22. They are reported to be a combination of pressure on product availability in the UK market, driven by high demand and wider global issues caused by the pandemic and Brexit (also linked to the availability of labour). The findings of a materials survey which we completed was reported to the Group Development Committee in September and has been shared with the Scottish Government and SFHA.

4.4 We have taken on board remaining uncertainty linked to the factors above when considering the planning and business plan implications of the Group five-year programme.

5. Customer Engagement

5.1 The proposed housing and tenure mixes across the programme will be agreed with our housing management teams and the relevant Strategic Housing Authorities and are based on local housing need and demand.

5.2 In line with our engagement framework we will involve customers in the development process and provide customer choices in kitchen colours and finishes.

6. Discussion

Development Footprint

6.1 Our future development pipeline is shaped by our understanding of the regeneration and housing development opportunities that are currently agreed, or may emerge, in our operational area. For us this continues to be driven by Local Authority Housing Strategy and the associated Strategic Housing Investment Programme.

6.2 [redacted]

6.3 The planning of our programme involves discussions with the respective local authorities, Scottish Government More Homes Division, in addition to signalling of our interest in these areas to our network of national house builders and private sector developer contacts.

Development appraisal criteria

6.4 The Group Development Committee and developing RSL boards approved the criteria that forms the basis for assessing new development opportunities. On the basis that proposed projects are included in the respective RSL's approved five-year development programme, the following criteria must also be met for any new development project to be eligible for approval:

Criteria	Measure/Test
Local Housing Strategy	Contribute to the Local Housing Strategy of the respective local authority. The project appraisal should detail which of the LHS outcome(s) the project will contribute.
Building and strengthening strategic partnerships/ Relationships	Contribute to strengthening our relationship with local authorities and developers. The appraisal will identify the strategic partnerships and/or relationships to which the project will contribute.
Improving customer choice	The housing mix will be developed in consultation with RSL Housing Management and respond to known and anticipated housing need for social rented housing and in conjunction with Lowther Homes for our future mid-market rent programme.
Housing Market Areas	Within the agreed local authority areas unless otherwise agreed with the Group Board and the respective RSL.
Internal Rate of Return	The Internal Rate of Return shall be a minimum of [redcated]% over [redacted] years, other than in DGHP which is [redacted] years (as agreed by Group Board in September 2020).
Borrowing	Borrowing will be repaid within 30 years and in DGHP within 35 years.
Valuation Growth	Projects will be valuation positive on our balance sheet and assumed to deliver valuation growth within 3 years.

6.5 The Development Committee has the authority to approve projects where they meet the agreed criteria. This allows a balance between a strategic programme role, and the ability to set clear parameters for projects to proceed.

6.6 Where any of these criteria are not met the project may be referred by the Development Committee, where it considers there to be an exceptional reason for proceeding, to the respective RSL Board for consideration.

Group Development Programme

6.7 Over the period from 2015/16 (to December 2021) we have completed 4,036 new affordable homes. Our current Group business plan assumes we will complete 3,066 units of RSL affordable housing over the next five financial years from 2022/23, with up to a further 300 of mid-market rent housing to be directly delivered by Lowther Homes. This gives us a total development programme of 3,366 units in the period to 2026/27, based on current lending capacity.

6.8 Table 1 below sets out the breakdown of the planned east, west and south programmes at current funding levels. Table 2 sets the programme by RSL. Table 3 summarises the programme of directly developed mid-market rent housing that will be taken forward by Lowther Homes in Glasgow. Graph 1 summarises the entire Group programme by tenure.

Table 1 – East, West and South RSL programmes

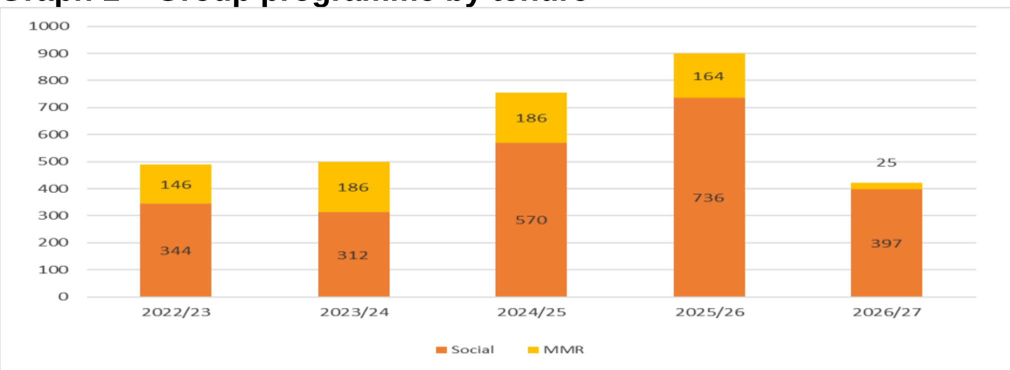
Area	22/23	23/24	24/25	25/26	26/27	Total
East	158	160	337	264	142	1,061
West	295	286	70	252	137	1,040
South	37	52	349	384	143	965
Total	**490**	**498**	**756**	**900**	**422**	**3,066**

Table 2 – programme by RSL

RSL	22/23	23/24	24/25	25/26	26/27	Total
DC	92	122	256	199	80	**749**
GHA	102	206	70	212	137	**727**
Loretto	193	80	-	40	-	**313**
WLHP	66	38	81	65	62	**312**
DGHP	37	52	349	384	143	**965**

Table 3 – [redacted]

Graph 1 – Group programme by tenure



6.9 Attached at appendix 1 is the detailed Group five-year development programme, based on the development capacity in place at the time of writing (under the £27,000 debt per unit loan covenant). We are working with our lenders to increase our capacity to around 12,500 new homes over a ten-year programme.

6.10 A provisional allocation of the expected new capacity impact per RSL is summarised below. Once the legal process is concluded with our lenders and investors, more detail on the plans and pipeline for the growth programme will be brought back to the Board for consideration.

RSL	Current Baseline (5-year programme)	Potential Revised Programme (10 year programme)
GHA	727	4,000
Loretto	313	2,000
Dunedin Canmore	749	5,000 (incorporating WLHP)
WLHP	312	-
DGHP	965	1,500
Total	**3,066**	**12,500**

7. Digital transformation alignment

7.1 All properties in the programme will be digitally enabled, supporting social inclusion. Providing this infrastructure will allow our customers to access high speed internet services quickly at point of entry, without additional works having to be carried out by their internet service provider.

8. Financial and value for money implications

8.1 Our business plan assumes a net cost of RSL development of £254m over the next five years, in addition to Lowther Homes net development costs assumed of [redcated] . This is a base case and as noted in the report, it is anticipated that additional capacity will be realised on conclusion of the current discussions with lenders. Members will be updated on the status of these discussions at the meeting. The successful delivery of the development programme helps us realise the wider assumptions within our Group financial projections.

8.2 In line with our approved methodology for the appraisal of new build schemes, a forecast cash-flow is prepared based on the cost of a development, and our assessment of the development's future income, management, maintenance and lifecycle costs.

8.3 This cash-flow is used to calculate certain key indicators including net present value and internal rate of return to ensure it generates sufficient return to cover cost of funds plus a margin for risk. The minimum requirement for social and mid-market rent schemes is [redcated]%. At this stage, no amendment is proposed to these criteria, since our appraisal assumptions incorporate the assumption that interest rates will rise over the 30-year assessment period. We will keep the interest rate environment under close review and will revert to the Board with an update in the event that this changes significantly.

8.4 Continued use of both our Group contractor framework, and where appropriate access to external contractor frameworks, combined with seeking to extend our developer partnerships for land led opportunities, should continue to offer the Group a significant programme of development. This combination will allow us to achieve tangible benefits for tenants as increased efficiency can enable us to deliver better value for money.

9. Legal, regulatory and charitable implications

9.1 On a regular basis details of the Group development programme are shared with the Scottish Housing Regulator.

9.2 Legal support for the Development Programme is provided via both our in house and framework solicitors as required.

9.3 In keeping with Group approach, the construction obligations in the Building Contract will allow contractors to claim additional time as a result of a recurrence of Covid 19. There will be no entitlement to claim additional money.

9.4 Where projects are awarded directly through Section 75 agreement or developer led opportunities, the group is taking advantage of a commercial opportunity that has been offered to us. Where developers are not called off the group Framework Agreement our experience of the current market suggests that the likelihood of any procurement challenge is low and is mitigated by the willingness of the Group to consider opportunities presented by other developers. Taking advantage of new opportunity is considered to be in the best interests of the Group and contributes to our strategic growth plans

10. Equalities Implications

10.1 Within the programmes, all new build units are designed to Housing with Varying Needs (Part 1), as integrated into the 'Glasgow' and 'Edinburgh' mandatory standards promoted by the respective local authorities. The inclusion of wheelchair units on a number of sites is a standard funding requirement.

11. Environmental and sustainability implications

11.1 The properties will be developed to meet Aspects 1 and 2 of the Silver Sustainability Standards which covers reduction in carbon dioxide emissions and energy use for space heating. The EPC level of this development will be Band B and we will work with Design Teams to develop an approach to zero carbon emissions homes. We will continue to engage with the Scottish Government and other partners on the delivery of net zero housing.

12. Recommendations

12.1 The Board is asked to:

1) approve the Group five-year development programme (base case); and
2) note an update on our additional new build growth plans will be brought back following completion of the loan agreement amendments.

List of Appendices:

Appendix 1 – Group five-year development programme.

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Group Five Year Development Programme

Table 1 – East, West and South programmes

Region	22/23	23/24	24/25	25/26	26/27	Total
West	295	286	70	252	137	**1,040**
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South	37	52	349	384	143	**965**
Total	**490**	**498**	**756**	**900**	**422**	**3,066**

Table 2 – Group programme by RSL

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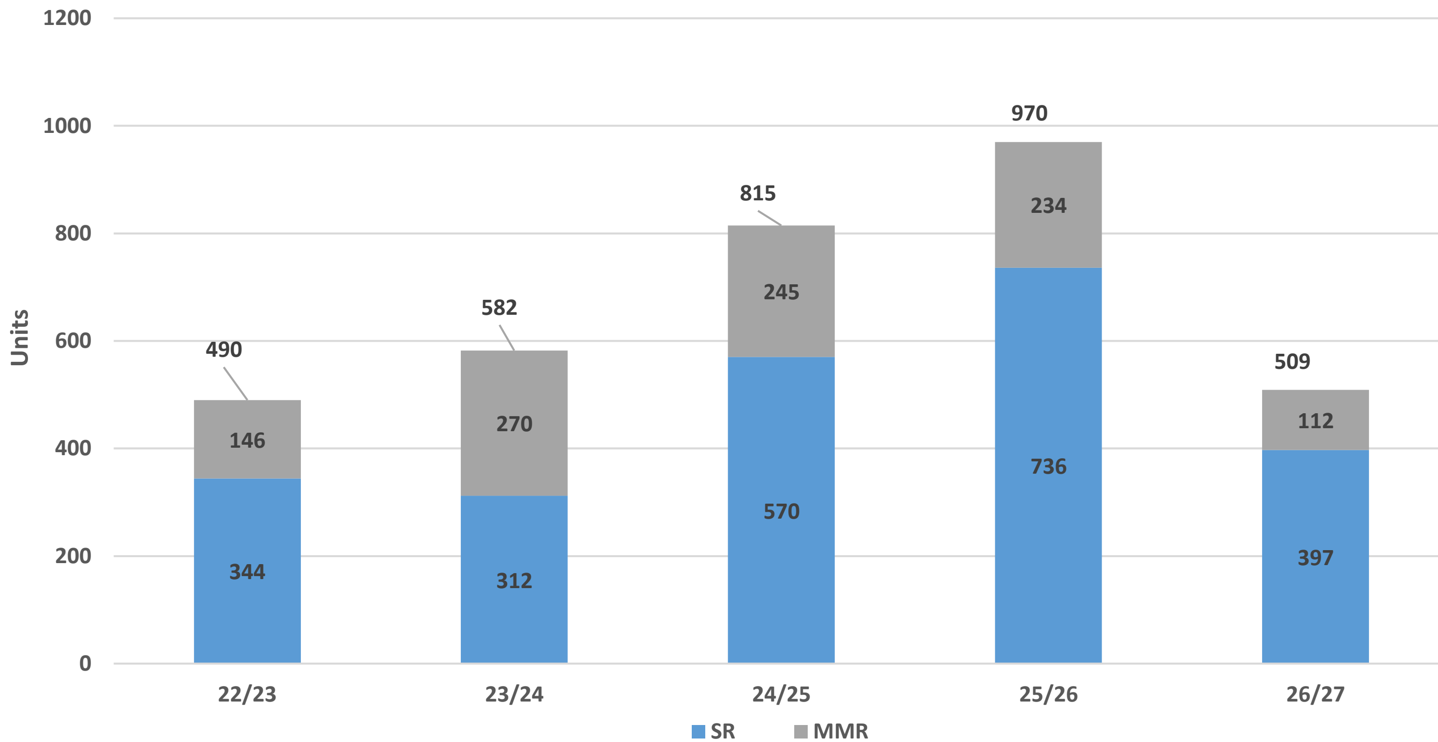
DC	92	122	256	199	80	**749**
WLHP	66	38	81	65	62	**312**
LHA	193	80	-	40	-	**313**
DGHP	37	52	349	384	143	**965**
Total	**490**	**498**	**756**	**900**	**422**	**3,066**

Table 3 – Lowther Homes programme

LOWTHER	22/23	23/24	24/25	25/26	26/27	Total
Lowther	-	84	59	70	87	300
Total	**-**	**84**	**59**	**70**	**87**	**300**

RSL Programme – projected completions

Wheatley Group



MMR	1,007	units
Social Rent	2,359	units
Total	3,366	units

(total is inclusive of Lowther MMR units)

Group Programme – projected completions by tenure

Wheatley Group

Project	LA	Contractor	Type	Units	5 - Year Programme 22/23	23/24	24/25	25/26	26/27
Sighthill	GCC	Keepmoat Homes Ltd	MMR	168	56	-	-	112	-
Watson Street	GCC	CCG Scotland	MMR	46	46	-	-	-	-
Calton (phase 1)	GCC	McTaggart	MMR	123	-	80	43	-	-
Shawbridge St	GCC	McTaggart	MMR	35	-	35	-	-	-
Shawbridge Arc	GCC	CCG	MMR	71	-	71	-	-	-
Shandwick	GCC	CCG Scotland	SR	47	-	20	27	-	-
Wyndford	GCC	TBC	SR	100	-	-	-	50	50
Calton Village Ph3	GCC	TBC	SR	39	-	-	-	-	39
Calton (ph2)	GCC	McTaggart	SR	98	-	-	-	50	48
			Total	**727**	**102**	**206**	**70**	**212**	**137**

GHA Five Year Development Programme

Project	LA	Contractor	Type	Units	5 - Year Programme 22/23	23/24	24/25	25/26	26/27
Hallrule	GCC	McTaggart	SR	32	32	-	-	-	-
Queens Quay	West Dunartonshire	CCG Scotland	SR	80	80	-	-	-	-
Sawmill	Argyll + Bute	Bellway	SR	36	36	-	-	-	-
Dargavel	Renfrewshire	Robertson Partnership	SR	45	45	-	-	-	-
Vellore Road	Falkirk	Lovell	SR	8	-	8	-	-	-
Forfar Avenue	GCC	McTaggart	SR	30	-	30	-	-	-
Maddiston	Falkirk	Miller Homes	SR	24	-	24	-	-	-
Gartcosh	North Lanarkshire	Balfour Beatty	SR	18	-	18	-	-	-
South Crosshill Rd	East Dunbartonshire	Barrat Homes	SR	40	-	-	-	40	-
			Total	**313**	**193**	**80**	**-**	**40**	**-**

Loretto Five Year Development Programme

DCH Five Year Development Programme

Project	LA	Contractor	Type	Units	5 - Year Programme 22/23	23/24	24/25	25/26	26/27
Wisp Ph3c	CoE	Springfield Properties	SR	24	24	-	-	-	-
Roslin	Midlothian	Taylor Wimpey	SR	38	19	19	-	-	-
Penicuik	Midlothian	CALA Group	SR	57	37	20	-	-	-
Lanark Road	CoE	Abbotswell Deve. Ltd	MMR	12	12	-	-	-	-
Rowanbank	CoE	Artisan Real Estate	SR	33	-	33	-	-	-
Macmerry	East Lothian	Balfour Beatty Homes	SR	36	-	36	-	-	-
Westcraig - Phase 1 (Plt 4)	CoE	Cruden Building	MIXED	158	-	-	158	-	-
Roslin (Ph2)	Midlothian	Taylor Wimpey	MIXED	38	-	-	38	-	-
Westcraig - Phase 2 (Plt 5)	CoE	Cruden Building	MIXED	142	-	-	-	142	-
Wallyford - Area 7	East Lothian	Cruden Homes (East) Ltd	MIXED	60	-	-	60	-	-
Dalhousie South	Midlothian	Springfield Properties	SR	40	-	-	-	20	20
South Fort	CoE	Barratt Homes	SR	14	-	14	-	-	-
Rosewell	Midlothian	Barratt Homes	SR	25	-	-	-	25	-
West Craigs - Phase 3 - Plt 13	CoE	TBC	MIXED	60	-	-	-	-	60
St Crispins	CoE	CALA Group	SR	12	-	-	-	12	-
			Total	**749**	**92**	**122**	**256**	**199**	**80**

					5 - Year Programme				
Project	LA	Contractor	Type	Units	22/23	23/24	24/25	25/26	26/27
Almondvale	West Lothian	Cruden Homes	MIXED	52	52	-	-	-	-
Blackness Road	West Lothian	Cala Management Ltd	MIXED	14	14	-	-	-	-
Winchburgh (site BB)	West Lothian	McTaggart Construction	MIXED	81	-	-	81	-	-
Raw Holdings	West Lothian	Persimmon Plc	SR	38	-	38	-	-	-
Deans South	West Lothian	Springfield Partnerships	SR	127	-	-	-	65	62
			Total	**312**	**66**	**38**	**81**	**65**	**62**

WLHP Five Year Development Programme

Project	LA	Contractor	Type	Units	5 - Year Programme				
					22/23	23/24	24/25	25/26	26/27
Nursery Avenue	D&G	McTaggart Construction Ltd	SR	19	19	-	-	-	-
Eastriggs ***	D&G	Ashleigh	SR	18	18	-	-	-	-
Glenluce ***	D&G	Ashleigh	SR	10	-	10	-	-	-
Thornhill ***	D&G	Springfield	SR	60	-	-	30	30	-
Johnstone Bridge ***	D&G	Ashleigh	SR	33	-	-	33	-	-
Corsbie Rd	D&G	The Wee House Co	SR	60	-	30	30	-	-
Ashwood dr	D&G	TBC	SR	12	-	12	-	-	-
Springholm ***	D&G	Ashleigh	SR	47	-	-	47	-	-
Curries yard ***	D&G	CCG Scotland	SR	89	-	-	44	45	-
Barnhill	D&G	Springfield	SR	50	-	-	50	-	-
Springbank Road (Nursery Ave Ph2)	D&G	TBC	SR	20	-	-	-	-	20
Ernespie Rd, Castle Douglas	D&G	Springfield	SR	40	-	-	40	-	-
Catherinefield Farm ***	D&G	CCG Scotland	SR	60	-	-	-	22	38
Windermere Rd, Annan	D&G	Springfield	SR	50	-	-	-	50	-
Glasgow Road, Dumfries	D&G	Springfield	SR	22	-	-	-	22	-
Marchfield Lovell	D&G	Lovell	SR	50	-	-	-	50	-
Marchfield h/10 + h/11	D&G	TBC	SR	90	-	-	-	90	-
Max High	D&G	TBC	SR	150	-	-	75	75	-
Summerhill / Echelfechan Regan	D&G	TBC	SR	35	-	-	-	-	35
Stock Regen - Unallocated	D&G	TBC	SR	50	-	-	-	-	50
			Total	**965**	**37**	**52**	**349**	**384**	**143**

*** = Legacy site

DGHP Five Year Development Programme

[redacted]

Report

To:	**Wheatley Housing Group Board**
By:	**Olga Clayton, Group Director of Housing and Care**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**Five-year asset investment programme**
Date of Meeting:	**23 February 2022**

1 Purpose

1.1 This report seeks Board approval of the Group five-year asset investment programme.

2. Authorising and Strategic context

2.1 Under the Group Authorise, Manage, Monitor Matrix, the Group Board is responsible for the approval of the Group business plan. The Group Board is also responsible for the approval of the key business planning considerations which arise from the approved business plan, including the approval of its investment profile, priorities and capital investment plan.

2.2 Each individual RSL and Lowther Homes Board has approved their individual five-year asset investment programme, which form the basis of the Group position presented in this report.

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". This risk appetite is mirrored here in relation to the investment programme.

4. Background

4.1 Our Group asset investment plan details our approach to major property improvement works across our housing asset portfolio and neighbourhoods over the next five years. The plan includes both our RSL portfolios as well as that of Lowther Homes.

4.2 The plan outlines our approach to delivering investment works and whilst there is a consistency of approach, cognisance is taken of different requirements for Lowther assets and also between our RSL stock. These requirements are built into each individual investment plan.

4.3 The plan is reviewed and updated annually to reflect changing customer priorities, new regulatory requirements, and strategic investment decisions. This report seeks board approval for changes from the previously approved plan. All amounts include irrecoverable VAT where appropriate.

5. Customer Engagement

5.1 As a landlord, we have a legal responsibility to keep our tenants safe in their homes. These safety and compliance duties drive the allocation of a significant proportion of the overall investment budget. With our remaining resources our aim is to increase customer participation in future investment planning decisions, both in relation to the type and timing of investment, putting customers firmly in control of their homes.

5.2 The allocation of the discretionary elements of the budget beyond compliance and safety work has been informed by customer feedback in recent years, such as that gathered through pop-up local events pre-pandemic, customer satisfaction surveys, rent consultations and the input of locality directors and housing teams reflecting the views coming from customers in local communities.

5.3 Over the next five years, we propose to go further, through our ‘Stronger Voices, Stronger Communities’ framework. This framework:

- Gives customers greater control of their home by choosing how and where investment is delivered
- Uses both online and offline approaches to make it easier for customers to engage and to share their priorities; and
- Adopts new technologies such as a community voice app to enable interactive engagement e.g., voting on investment proposals, ordering improvements for their home, making choices, and providing feedback on our investment and asset services

5.4 Our investment plan includes our ‘Customer Voice’ budget in support of this framework, which will deliver £9m of customer driven investment over the next five years across our RSL portfolio. This budget will be used to deliver an enhanced programme of local priority investment work over and above existing planned investment commitments. The content of this programme will be informed exclusively by our tenants working with our frontline housing teams. This programme is in addition to £100m already allocated across the Group to deliver current customer priority investment work programmes such as new windows, heating, kitchens and environmental improvements.

6. Discussion

Overall programme

6.1 We have a robust and sector leading approach to the management of our assets. This includes continuing to maintain and invest in our existing housing assets, to ensure that our homes and neighbourhoods remain viable and desirable in the long term.

6.2 Our five-year plan across the RSLs and Lowther includes a core programme budget of £216m, which will be directed towards major property improvement works. In addition, the programme includes £116m for capitalised repairs and improvement works to vacant RSL properties, £15m for the delivery of major medical adaptations for RSLs and a further £30m for capitalised staff to support the delivery of the programme. Total investment over the five years is £377m.

6.3 The commitment to improving our homes and communities over the next five years has a continuing focus on delivering investment that our customers want to see in their homes and communities whilst also protecting our customers and assets through our safety and compliance programmes. Our investment plans also place a strong emphasis on sustainability; around 45% of our total core programme is directed towards the delivery of energy efficiency measures designed to tackle the effects of fuel poverty and reduce the carbon footprint of our RSL and Lowther asset portfolio. Our wider core investment programme continues to follow three broad themes:

- Warm, High-Quality Homes;
- Safe Homes; and
- Great Neighbourhoods

Further details of the programme that make up these themes are provided at Appendix 1. The figures in Appendix 1 and below are before on-costs unless otherwise stated.

Warm, High-Quality Homes

6.4 A range of investment activities fall within this theme including for example:

- Energy Efficiency Measures (heating, wall insulation, windows, doors),
- Internal Modernisation (new kitchens and bathrooms)

6.5 We plan to invest £93m over the next five years in improving the energy efficiency of our homes. These measures will include window replacements, wall insulation and improving the efficiency and operability of electric heating for homes in non-gas areas.

6.6 Our investment plan also takes cognisance of the UK Government's ambition to decarbonise the national gas network, which will see the gradual introduction of hydrogen as a replacement for natural gas from around 2025/26. This transition would see the introduction of an increasing blend of hydrogen and will see natural gas completely phased out in some parts of the network by the early 2030s. In preparation for this transition, we plan to commence a programme of replacing existing gas boilers with hydrogen-ready models capable of accommodating an increasing hydrogen blend from 2025/26. The geographical phasing and pace of the transition are not yet known however, we will ensure that our longer-term investment plans post 2025/26 are agile enough to move with the pace of the switch as dictated by government and technology.

6.7 Our planned programme of energy efficiency improvements will not only benefit our customers in terms of reducing fuel costs and fuel poverty but will also assist in relation to sustainability and delivering our legislative obligations under the Scottish Government's Energy Efficiency Standard for Social Housing mark 2 ("EESSH2").

6.8 This new standard requires, as far as reasonably possible, that RSL properties reach Energy Performance Certificate ("EPC") Band B by 2032, although exceptions are permitted on the grounds of cost, feasibility, and consent. The Scottish Government proposes to review EESSH2 in 2023 to strengthen and realign the standard with the target for net zero heating in houses from 2040, as set out in their Heat in Buildings Strategy and the Housing to 2040 Route Map. Our wider strategic approach to the delivery of EESSH2 will be informed following the outcome of this review.

6.9 Maintaining excellent internal housing quality standards is essential to ensure that our homes remain desirable. Our five-year investment plan includes the installation of around 6,250 kitchens and 3,000 bathrooms.

6.10 We recognise the negative impact that damp and mould can have on our customers' health and quality of life. The primary cause of damp within our homes relates to condensation, generally resulting from excessive humidity or poor ventilation which can be exacerbated by the effects of fuel poverty. To tackle this, we have already introduced a new process where customers with repeat cases of damp and mould are referred to our fuel advice service to ensure they are provided with advice around energy tariffs and benefits to which they are entitled. Our investment plan seeks to further supplement this approach through the delivery of a targeted mechanical ventilation replacement programme benefitting around 10,000 customers over the next five years. This investment will ensure customers have efficient and effective means of ventilating their homes to help mitigate the effects of condensation dampness. The programme will be developed using asset intelligence to identify trends which will help to inform priority areas and stock types.

Safe Homes

6.11 Our planned asset investment places a strong emphasis on ensuring our homes remain safe and secure, and helping to support the Group's Fire Prevention and Mitigation Framework. Over the 5 years of our investment plan, we will deliver improvements across a range of Home Safety related programmes encompassing:

- Completion of emergency lighting installations in our Multi-storey Flats,
- Domestic rewiring,
- Lifecycle replacement of smoke and heat detection across all stock types,
- Installation of Thermostatic Mixer Taps for our most vulnerable customers,
- Upgrade of vital mechanical and electrical infrastructure

6.12 We will continue with our programme of upgraded emergency lighting installations across our high-rise portfolio. To date we have completed over 70% of the programme and we are on target to complete all installations by the end of 2023/24 financial year.

6.13 Our Safe Homes programme across the Group includes the upgrade of smoke and heat detection with all subsidiaries fully compliant, except our largest RSL, GHA, which still has a low number (71) remaining linked to particular vulnerabilities with individual customers.

6.14 Access to customers' homes has been a significant challenge in delivering these improvements. To address this, we developed and implemented a robust and streamlined process involving our new Customer First Centre model and our frontline teams pro-actively contacting and agreeing access with our tenants. We made every reasonable effort to obtain access, and only as a last resort were forced appointments arranged. In addition, we will continue to promote and publicise our wider annual compliance programmes as part of our 'Home Safe' campaign and plan these improvements alongside other investment and repair works to drive improved access levels whenever practical.

6.15 Our five-year investment programme also continues to fund additional fire safety measures for some of our most vulnerable customers through supporting our fire safety officers in providing innovative solutions to help keep people safe. Measures include enhanced smoke/heat detection, portable fire suppression systems, fire retardant blankets and stove guards.

Great Neighbourhoods

6.16 We are committed to investing in our wider communities through the improvement of our common areas and environments. Maintaining the "kerb appeal" of our neighbourhoods is an integral part of our investment planning. This approach ensures that our communities are desirable for both existing and prospective customers.

6.17 Our investment programme will help to support the delivery of the 'Keep Scotland Beautiful' environmental quality standard through works to improve controlled entry, common areas and backcourts as well as fencing, paths and steps in our main door properties.

Continuing implications of Covid 19

6.18 The Coronavirus pandemic continues to have an impact on investment delivery, albeit to a much lesser extent than in 2020/21. Working restrictions have eased considerably; however, we have not yet returned to pre-Covid levels of productivity due to Covid infections and associated self-isolation periods continuing to affect our direct labour and supply chain resources.

6.19 Programme delivery during 2021/22 has also been hampered by intermittent material supply issues with a particular impact on manufactured items such as glass and ironmongery. City Building (Glasgow) and direct labour organisation (DLO) teams have been working to mitigate the impact of these shortages by widening their supply chain and manufacturing capacity. We will continue to monitor the situation as we move forward to ensure that we remain agile to react to this evolving situation and to reduce the impact on programme delivery and customer experience.

Cube partnership

6.20 The successful completion of the transfer of stock from Cube in April 2021 is a catalyst for regeneration. It will also allow us to build on the significant investment previously completed in former Cube homes.

6.21 Ballot promises included an additional £25 million investment relating to the stock, which we will continue to deliver across the life of the 5-year plan with key highlights including:

- delivery of an accelerated programme of customer priority investment including windows, kitchens, common area works and environmental improvements
- invest in and deliver new, modern, 24-hour concierge facilities within Wyndford and Broomhill estates,
- an enhanced customer investment offering in the Wyndford estate including accelerated delivery of the environmental masterplan and improved controlled entry provision
- opportunities for customers to shape local priorities through our 'Stronger Voices, Stronger Communities' framework

WLHP & Dunedin Canmore Partnership

6.22 Should the proposed partnership with Dunedin Canmore progress, there would be an opportunity for increased capacity with additional monies available for investment. This additional budget totals £600k over 5 years, with approximately £120k available each year.

EESSH/EESSH2

6.23 Our investment activities will contribute towards the delivery of the SHQS (Scottish Housing Quality Standard) and EESSH2 improving both the condition and energy efficiency of our assets. Our largest RSL, GHA, currently 99.36% compliant with the SHQS standard. GHA's remaining non-compliant elements relate to its final unimproved Winget properties and controlled entry upgrades in majority owned mixed tenure stock. The disposal of the remaining unimproved Winget properties will remove SHQS requirements for this stock.

6.24 The 2020 EESSH targets required stock to have an EPC (Energy Performance Certificate) of band D or above. Current GHA compliance is in excess of 99%. Our 5-year plan includes various works that will help us towards achieving EESSH 2 such as external wall insulation, more efficient central heating systems and window replacements.

6.25 The current and future investment plan also includes provision for a specific 10-year programme focussed on the EESSH2 standard. The make-up of this programme will be developed taking account of the expected Scottish Government consultation on the standard. In parallel, work is underway to develop a Group wide EESSH2 policy statement, which will set out our approach to achieving this standard including how we will make decisions around investment and the development of a regime for data collection to demonstrate compliance.

6.26 We have included an initial budget allocation of £14m to support innovative investment interventions over the next 5 years as we develop our investment approach and understand requirements and associated costs to achieve compliance with the ambitious target of all homes to have a ‘B’ EPC band by 2032.

6.27 An early illustration of this innovation is the planned retrofitting of smarter controls to existing storage heating systems, as part of our warm, high quality home’s theme, providing customers with greater control of their heating and significant savings on their energy tariffs of around £300 per year. This innovation is expected to provide a 14-point improvement to EPC rating, which is more than is achieved by over-cladding or installing a gas boiler.

High rise living

6.28 Our strategic ambition is to change the perception of high-rise living by creating new and exciting services that provide real value to customers, with an emphasis on helping them to grow their skills, knowledge and confidence to take control of their own lives.

6.29 Last year, the Board approved an additional £10m allocation in our 2021/22 investment programme to support this framework through the delivery of an accelerated programme of investment across GHA’s priority MSF communities including:

- CCTV renewals and upgrades
- Landing decoration
- Flooring upgrades
- Environmental improvements
- Upgrading and renewal of controlled entry systems
- Acceleration of our planned improvement of electric storage heating

6.30 By the end of March 2022 we will deliver this programme and with efficiencies from the original programme cost estimates, we have been able to accelerate the delivery of additional priority investment in our MSFs including our render cleaning and lift replacement programmes.

Think Yes for Investment

6.31 We will introduce a new staff facing initiative in 2022/23, “Think Yes for Investment”, which aims to empower our frontline housing teams to Think Yes and use their judgement to make informed investment decisions that create excellent outcomes for customers. The initiative seeks to simplify the process for ordering minor investment work that is not already catered for through our core programmes e.g. a new kitchen worktop, new flooring in a bathroom or new internal pass doors.

Asset intelligence

6.32 Our comprehensive asset information provides the detail and insight to support investment planning and asset priorities to ensure we continue to meet regulatory and statutory requirements. During the summer of 2022 we will be working with our valuer, Jones Lang Laselle, to review and validate our stock condition data ensuring that we have a robust and accurate view of investment need to further support future investment planning requirements.

Management and Delivery

6.33 Our area-based asset teams will provide day-to-day management of our investment programmes including all project management functions, customer communication and all performance, financial monitoring and reporting. The team's approach will include analysing performance and asset condition data to inform bespoke investment interventions and appraisals where required, ensuring we are investing in the right stock and at the right time.

6.34 This approach will ensure that our investment decisions are transparent and justified, whilst also helping to protect and drive maximum value from our existing asset base. City Building Glasgow "(CBG") will continue to act as the principal delivery vehicle for most of our investment activities in the West and South. CBG's capabilities will be supplemented as necessary through specialist providers. In the East the programme will be delivered by our in-house trades' teams and bank teams.

Communications

6.35 Digital communication will be prominent as we explain and engage with customers on the investment taking place across the city. As well as our social media channels such as Facebook and Twitter, we will increase the use of direct messaging to customers in local areas through text (including "GIF" images for those with Smartphones) and secure messaging.

7. Digital transformation alignment

7.1 We will look to align our investment services with our digital transformation strategy. Historically we asked our customers to make a visit – often at a time of our choosing - to an office to view investment plans and make choices. Now, we will look to provide more interactive and convenient methods for the customer to inform investment in their homes. For example, developing tools that make kitchen design and colour choices a digital experience.

7.2 We have also phased out whitemail customer surveys with individual investment project satisfaction surveys now carried out by text. Our rant and rave platform that we have procured will enhance this further allowing us to gather more insightful information on the service experience.

8. Financial and value for money implications

8.1 The investment programme will deliver value for money in a number of ways including:

- **Meeting customer aspirations** - Our investment plan supports the delivery of customer investment aspirations with our locality planning process and customer voice approach forming a key role in the development of the programme and priorities;

- **Quality of life** - Our investment plans help to improve our customers' quality of life and tackle fuel poverty through the provision of warm and affordable homes, which meet SHQS and EESSH standards in relation to quality and energy efficiency. Our investment planning also recognises the importance that a good quality environment can have on the desirability of our communities and on quality of life, with significant funds committed to delivering improvements in these areas.

- **Environmental maintenance** - Our approach to the delivery of environmental improvements, designed with input from our NETS service, will help to build capacity by reducing the maintenance burden on this service, enabling resources to be focussed on other key service priorities;

- **Factored homeowners** - Our five-year plan demonstrates a commitment to seeking innovative solutions to assist factored homeowners to participate in our investment programme, helping to reduce the financial burden where possible, whilst also benefitting tenants living in mixed tenure stock
- **Joint Venture with City Building Glasgow** – our relationship facilitates a more efficient approach to investment planning and delivery, maximising our buying power with suppliers to drive value for money and deliver wider community benefits and apprenticeships.

- **Asset sustainability** - By continuing to deliver investment in our existing assets we ensure the long-term sustainability of our assets, helping to drive down responsive repair costs, whilst giving assurance to our lenders that we have a robust approach in place to manage and maintain our assets.

8.2 The five-year programme of £216m is contained within the overall 2022/23 financial projections.

9. Legal, regulatory and charitable implications

9.1 The asset investment programme helps us to ensure that we meet legal and regulatory requirements regarding property condition.

10. Equalities implications

10.1 Our aspiration is for our homes to meet the long-term needs of our customers, enabling them to remain in their homes and to live as independently as possible. Our approach to medical adaptations enables customers to self-refer for minor adaptations such as handrails and lever handle taps. Major adaptations such as level access showers and structural alterations are also funded through the capital programme following a referral from an Occupational Therapist.

10.2 We have a robust approach to the identification and assessment of customer requirements as part of our project planning activities. Individual customer needs are considered on a project-by-project basis and this helps to inform the project design and specification.

10.3 Our communications strategy takes account of the broad cultural mix of our customer base with the ability to tailor correspondence to different languages.

11. Environmental and sustainability implications

11.1 The Scottish Government has set ambitious targets for the reduction of the carbon footprint and the country's green agenda and response to climate change. We will look to embrace this challenge. We plan to deliver £93m of energy efficiency improvements over the life of the five-year plan, which equates to nearly 45% of the total core programme spend.

11.2 Our investment programme includes the use of new innovative technologies through our connected response programme of electric heating upgrades. This project will contribute positively towards the reduction of fuel poverty for 10,000 customers, whilst also providing improved comfort and use flexibility with their heating. It will also help prolong the lifecycle of these electric heating assets, thereby reducing landfill waste contribution.

11.3 The investment plan recognises the ambition of the UK Government to decarbonise the national gas network demonstrated by our plans to commence with installation of "hydrogen-ready" boilers upon lifecycle replacement of existing gas boilers from 2025/26.

11.4 In preparation for the first EESSH2 regulatory reporting period we are continuing to develop a property-by-property assessment of current energy performance characteristics in order to determine the exact requirements up to 2032 for each dwelling. For now, our investment programme recognises the challenge of EESSH2 with a dedicated budget of £16.5m in our five-year programme to support the delivery of innovative solutions to help deliver compliance with this standard over the next ten years. This is in addition to existing work programmes such as heating upgrades, window replacements and external wall insulation which all contribute positively towards our EESSH2 objectives.

11.5 This year (2022/23) we expect planned investment work to have an anticipated carbon reduction value of 3234 tonnes CO2. Last year (2021/22) our investment led to an estimated reduction of 8402 tonnes CO2 predominantly as a result of energy efficiency works relating to improving the fabric of DGHP homes. This year the electric heating control improvements discussed are expected to have the biggest impact based on analysis using the Energy Saving Trust Carbon Calculator, Energy Performance Certificate Emissions Factors and OFGEM Typical Domestic Consumption Values. The table below uses this method to analyse anticipated CO2 reduction impact across core programme investment activities. Each new energy efficiency measure installed also provides an uplift to the property EPC score, which helps towards compliance with EESSH2

Element of Programme	CO_2 reduction in tonnes	EPC score improvement
Gas Heating	223.10	+ 0 points
Electric Heating Controls	2541.50	+ 9 points
EWI	213.94	+ 10 points
Windows	94.49	+ 3 points
Domestic Batteries	27.60	+ 11 points
Air Source Heat Pumps	133.20	+ 29 points

12. Recommendations

12.1 The Board is asked to approve the Group five-year asset investment programme 2022-2027.

List of Appendices

Appendix 1: Five Year Investment Plans by RSL and Lowther

Table 1: GHA Five Year Investment Programme by work grouping

GHA INVESTMENT PROGRAMME (INC VAT)						
WorkGroup	2022/23	2023/24	2024/25	2025/26	2026/27	
	£'000	£'000	£'000	£'000	£'000	
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
Gas Heating	1,740	1,811	1,800	900	900	7,151
Hydrogen Heating	-	-	-	1,680	3,000	4,680
Electric Heating/Connected Response Installs	720	792	1,020	979	1,800	5,311
Connected Response Materials (non JV)	720	792	1,020	979	-	3,511
Low-rise Fabric	480	480	480	-	-	1,440
Pre-1919 Tenements	706	600	499	360	360	2,525
Kitchen	958	2,040	2,200	1,878	2,400	9,476
Bathroom	330	456	580	611	431	2,407
Rewire	2,088	1,770	1,536	1,650	1,740	8,784
Windows & Doors	1,560	3,300	1,633	2,270	3,240	12,004
Environmental	2,040	2,851	3,004	984	600	9,478
Common Work	-	834	100	520	520	1,973
Mechanical & Electrical	2,078	1,326	1,045	1,002	720	6,171
High Rise Fabric (Non JV)	-	-	-	-	3,300	3,300
High-rise Fabric	240	-	780	500	-	1,520
EESSH (2032)	-	1,320	3,218	4,571	4,662	13,771
Lift Replacements (Non JV)	684	-	-	-	-	684
Lift Replacements	1,020	2,886	2,640	3,360	2,040	11,946
Fire Safety	120	120	120	120	120	600
High Rise Living Strategy	360	-	-	-	-	360
Living Well	276	280	120	-	-	676
Customer Voice	1,000	1,000	1,000	1,000	1,000	5,000
Think Yes for Investment	200	200	200	200	200	1,000
Central Contracts (Non JV)	28	28	28	28	32	143
District Heating Component Replacements (Non JV)	149	108	228	168	180	833
New Build/MMR	186	26	355	370	857	1,794
Core Programme Total	**17,682**	**23,019**	**23,605**	**24,130**	**28,103**	**116,537**
Heat Metering Regulations	960	-	-	-	-	960
Emergency Lighting Installations	1,380	1,200	1,200	-	-	3,780
Smoke/Heat Detector Installs	990	730	720	720	720	3,880
TMV Installs	480	631	534	174	174	1,993
Capital Compliance Total	**3,810**	**2,561**	**2,454**	**894**	**894**	**10,613**
Core Programme & Capital Compliance Total (inc VAT)	**21,492**	**25,580**	**26,059**	**25,024**	**28,997**	**127,150**

Table 2: Loretto Five Year Investment Programme by work grouping

LORETTO INVESTMENT PROGRAMME (INC VAT)						
WorkGroup	2022/23	2023/24	2024/25	2025/26	2026/27	
	£'000	£'000	£'000	£'000	£'000	
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
Gas Heating	90	92	160	200	204	746
Hydrogen Heating	-	-	-	-	457	457
Low-rise Fabric	-	73	-	329	-	402
Kitchen	372	60	338	468	-	1,238
Bathroom	132	24	62	80	-	298
Rewire	70	78	84	140	60	432
Windows & Doors	361	154	130	173	120	937
Environmental	-	180	560	170	390	1,301
Common Work	19	360	225	200	-	804
Mechanical & Electrical	-	60	-	-	-	60
EESSH (2032)	49	140	258	426	836	1,709
Fire Safety	12	12	12	12	12	60
Customer Voice	148	304	304	304	304	1,362
Think Yes for Investment	47	60	60	89	120	376
Core Programme Total	1,299	1,596	2,193	2,591	2,503	10,183
Heat Metering Regulations	156	-	-	-	-	156
Smoke/Heat Detector Installs	82	118	255	199	180	833
TMV Installs	16	16	16	16	16	80
Capital Compliance Total	254	134	271	215	196	1,068
Core Programme & Capital Compliance Total (INC VAT)	1,553	1,730	2,464	2,805	2,699	11,251

Table 3: Dunedin Canmore Five Year Investment Programme by work grouping

DCH INVESTMENT PROGRAMME (Inc VAT)						
WorkGroup	2022/23	2023/24	2024/25	2025/26	2026/27	
	£'000	£'000	£'000	£'000	£'000	
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
Gas Heating	264	372	200	229	300	1,365
Electric Heating/Connected Response Installs	180	-	-	-	-	180
Low-rise Fabric	75	200	210	300	353	1,138
Pre-1919 Tenements	694	694	750	750	800	3,688
Kitchen	224	49	86	176	210	746
Bathroom	428	482	373	326	348	1,958
Rewire	-	-	-	-	200	200
Windows & Doors	408	450	300	294	450	1,902
Environmental	135	130	150	110	175	700
Common Work	160	146	210	170	250	936
Mechanical & Electrical	27	-	100	196	196	518
Other Capitalised Works	50	50	-	-	-	100
EESSH (2032)	135	135	100	100	150	620
Lift Replacements (Non JV)	50	50	100	100	150	450
Fire Safety	100	100	100	-	100	400
Customer Voice	144	284	284	284	284	1,282
Think Yes for Investment	49	49	49	49	49	246
Core Programme Total	3,124	3,192	3,013	3,085	4,015	16,429
Heat Metering Regulations	137	-	-	-	-	137
Smoke/Heat Detector Installs	50	50	50	50	50	252
TMV Taps	-	156	120	-	-	276
Capital Compliance Total	187	206	170	50	50	665
Core Programme & Capital Compliance Total (inc VAT)	3,311	3,398	3,184	3,135	4,066	17,094

Table 4: WLHP Five Year Investment Programme by work grouping

WLHP INVESTMENT PROGRAMME (Inc VAT)						
WorkGroup	2022/23	2023/24	2024/25	2025/26	2026/27	
	£'000	£'000	£'000	£'000	£'000	
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
Gas Heating	71	50	66	74	68	330
Electric Heating/Connected Response Installs	6	-	-	-	-	6
Low-rise Fabric	-	-	50	100	50	200
Kitchen	123	133	143	153	144	694
Bathroom	148	73	74	73	71	438
Windows & Doors	80	35	60	30	30	235
Environmental	6	8	50	40	30	134
Common Work	26	18	60	40	30	174
Other Capitalised Works	-	-	20	50	-	70
EESSH (2032)	11	20	20	30	30	111
Customer Voice	40	40	40	40	40	198
Think Yes for Investment	30	30	30	30	30	150
Core Programme Total (inc VAT)	539	406	612	660	522	2,740

Table 5: DGHP Five Year Investment Programme by work grouping

DGHP INVESTMENT PROGRAMME (Inc VAT)						
WorkGroup	2022/23	2023/24	2024/25	2025/26	2026/27	
	£'000	£'000	£'000	£'000	£'000	
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
Gas Heating	599	180	180	180	180	1,319
Air Source Heat Pumps	720	720	720	720	720	3,600
Low-rise Fabric	1,224	1,313	984	1,104	2,203	6,828
Kitchen	3,300	2,563	3,215	2,401	2,160	13,639
Bathroom	372	276	456	456	986	2,546
Rewire	96	215	112	215	169	806
Windows & Doors	3,654	2,652	2,950	2,920	2,755	14,930
Environmental	300	300	120	120	632	1,472
Internal Common Work	355	360	360	360	360	1,795
Common Work (Non CBG)	1,500					1,500
Energy	60	-	-	-	-	60
EESSH (2032)	60	60	60	120	120	420
Customer Voice	210	210	210	210	210	1,050
Think Yes for Investment	492	480	480	480	480	2,412
Core Programme Total	12,942	9,329	9,846	9,286	10,976	52,379
TMV Taps	240	120	-	-	-	360
Capital Compliance Total	240	120	-	-	-	360
						-
Core Programme & Capital Compliance Total (inc VAT)	13,182	9,449	9,846	9,286	10,976	52,739

Table 6: Lowther Five Year Investment Programme by work grouping [redacted]

Report

To:	**Wheatley Housing Group Board**
By:	**Olga Clayton, Group Director of Housing and Care**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**Transforming our repairs environment**
Date of Meeting:	**23 February 2022**

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1. Purpose

1.1 This report sets out plans for the joint development, with City Building (Glasgow) ("CBG"), of the repairs and maintenance service provided to customers in Glasgow and the west of Scotland.

2. Authorising context

2.1 Under the Group Authorising Framework, the Group Board is responsible for considering matters of strategic significance. The nature and performance of our repairs service, given its importance to customers and our business, is a strategic matter.

3. Risk appetite and assessment

3.1 The risk appetite relating to our Operating Model (Modernising services, JV, repairs service, NETS and CPP) is "Hungry" i.e. eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk).

3.2 As such, the plans set out here are ambitious; we aim to build on our existing repairs service to make it exceptional for the benefit of customers.

4. Background

4.1 *Your Home, Your Community, Your* Future recognises the quality and importance of the repairs service and the need to build on this with continued innovation to create an outstanding service. Since we became partners in CBG almost 5 years ago, the repairs service has developed considerably with close collaborative working between CBG and Wheatley staff. The culture of the repair service provided by CBG has also changed significantly from one where the Wheatley RSL was often seen as the customer, to one where CBG's focus is much more clearly on the needs of the tenant or owner receiving the service.

4.2 The joint venture model has also proved itself adaptable and able to deal with changing repairs service requirements quickly. The way in which the service responded flexibly during the various phases of the pandemic is a prime illustration of this. The five year review of CBG by Campbell Tickell, which the Board considered previously, commented specifically and in positive terms on how the repairs service had improved since the joint venture was established.

4.3 The vision in *Your Home, Your Community, Your Future* is of customers having increased control over their services, their communities and their lives. This includes the development of a customer led repairs service. Our engagement strategy builds on this with its key pillars of WE Listen, WE Co-create and WE Give Power. Priorities in the development plan discussed below embrace this through the proposed extensive engagement with customers to understand what matters most from their repairs service. Areas to be explored will be driven by what customers tell us but it is likely that the following considerations will feature:

- The relative value to the customer of speed against convenience when selecting a repairs appointment.
- The importance customers attached to commitments being kept.
- The value for the customer in having accurate and timely updates on their repair, and the best mechanism through which these are provided
- The need for more complex repairs to be managed so delivery of the various aspects involved is a seamless experience for the customer with minimal need for their involvement in driving the process.
- The importance for the customer in having an opportunity for feedback and knowing this is listened too.
- How quickly and well we respond to put things rights when they do not go to plan.
- The difference in repairs requirements and expectations among owners and tenants (social, mid and full market).

4.4 Aspects of the approach to transforming the repairs service below build on these likely considerations, including introducing Localz and Rant and Rave so there is far more information available to customers in real time. Having the customer voice shape the service will help ensure it continues to deliver on customer priorities, demonstrates value for money and is increasingly tailored to the needs and expectations of different customer groups. To ensure this is reflected throughout transforming the repairs service and beyond, what customers tell us will be used to establish core commitments for the repair service. These commitments will be developed through the work on transformation and understanding what customers value most but will typically cover aspects such as:

- appointments only being changed following discussion with the customer;
- follow-on appointments being agreed with the customer before the trades person leaves the home;
- no repair ever taking more than twice the initial timescale given to a customer;
- any follow on work related to an already completed repair being treated as an emergency; and
- rectifying any issue raised through feedback on a repair within 24 hours

4.5 Ultimately the success of the proposed transformation will be demonstrated through how customers personally experience the service – how it looks and feels to them. The statements that follow, from *Your Home, Your Community, Your Future*, set out how we want customers to describe their repairs experience:

- I feel in control and have choices
- I have greater control over how I access services.
- I can give instant feedback.
- 80% of my transactions are digital, but face to face support is there if I need it.
- I get timely contact and service offers
- My customer journeys are seamless and feel personal.
- I have access to the information I need
- I am proud of my home.
- I get help when I need it/my needs change.
- I only have to tell my story once.
- You listen to me and I feel you know what matters to me

4.6 A service with these characteristics will mean developing the current service and the approaches that underpin it in Wheatley and CBG in some key areas including:

- <u>Ensuring reliable availability of information in real time</u>. At present information relating to on-going repairs is held by Wheatley and CBG systems, and the interfacing between them means that, at times, the customer first centre, and other staff, do not have complete and timely information readily available when addressing customer enquiries. Furthermore, the lack of a single source of information on repairs means that communication with the customer is not always as slick as it should be.

- <u>Having a complete end-to-end view of service for customers.</u> At present the repairs service works well end-to-end for the vast majority of repairs. However, when things do not go to plan, the multiple IT systems, interfaces, processes and people involved, in a repairs system that was designed around a traditional client and contractor relationship between Wheatley and CBG, means there is limited transparency on the status of a repairs and next steps. This makes addressing customer enquiries, especially relating to more complex jobs, time consuming and introducing self-service and proactive customer updates more difficult.

- <u>The speed with which issues are addressed.</u> Linked to the above, the complex processes and multiple systems involved and the lack of a single source of real-time information on each repairs means that identifying and rectifying the cause of a repairs service failure for the customer can be challenging and take time.

- <u>Developing tailored approaches to better meet the needs of particular customers.</u> The repairs service is primarily built on meeting the core need of providing a quality emergency and responsive repair service for RSL customers. In the main, this works well and provides a platform for delivering other aspects of the wider repair service such as for owners and compliance related activities. However, there is scope to reexamine the processes and ways of working that support this wider delivery to make sure that these are as effective as the core responsive service.

4.7 Establishing the Customer First Centre with its focus on first contact resolution, efficient processes, timely provision of information and rapid rectification means the time is right to further develop the repairs service so it is truly built around meeting customer needs. Also, the recent five year review of our CBG joint venture by Campbell Tickell, highlighted that while the joint venture and the repair service has been a significant success, there is scope for further improvement and a need to focus on delivering this over the next few years.

4.8 The required results of repairs transformation discussed above also apply to our inhouse services in the east and south. Work in these areas will progress alongside this plan, as part of an overall repairs transformation. In doing this, common themes to transforming the repairs service across our three geographic areas, such as defining and designing the customer experience and communications will be developed at the same time for all. Whereas transformation in areas that are differ in our geographies, such as IT systems, will be phased.

4.9 Development of the IT systems that underpin the repairs service will begin with our in-house services. This will allow us to pioneer new technology and its uses in areas such as streamlining repairs workflows, automating updates for customers, improving performance information and end-to-end transparency across the repairs journey. The investment already made in implementing Servitor in DGHP will provide the platform for this. Transformation related activities will focus on implementing approaches and workflows in Servitor to support the required customer experience. Migration of Dunedin Canmore’s repairs operations to the Servitor platform used by DGHP will happen as part of this in-house development. Focusing on implementation in our in-house IT environment first will allow expertise and approaches to be developed that can then be applied to the systems aspect of the proposed transformation with CBG.

5. Customer Engagement

5.1 Customers have been kept informed throughout the pandemic on the availability and nature of the repairs service, including its return to a business-as-usual service, through regular service bulletins that were sent by post and extensive text messaging providing updates on specific repairs.

5.2 Developing the customer voice so actual experience helps shape the repairs service is a key priority in the plan below, as is ensuring that Boards have direct access to customer feedback as part of their role in setting strategic direction for the service.

6. Discussion

6.1 We know that for Wheatley customers repairs is the single most important service that they receive, and that it is most often the way in which customers interact with Wheatley RSLs and CBG.

6.2 When CBG was established as a joint venture, an implementation plan was put in place that provided the foundation for the repairs service as it stands currently.

6.3 This plan provided a framework for joint working between Wheatley and CBG on agreed priorities and tasks, and a basis for reporting progress at each CBG and Group Board meeting. The success of this approach was acknowledged by Campbell Tickell in its year one review of the joint venture.

Transforming the repairs service

6.4 Initially, successful aspects of our MyRepairs service from before the pandemic (which was impacted by the need for home based working with limited face-to-face interactions) will be reintroduced, including physically co-locating an operational manager and senior planner from CBG with repairs call-handling staff in the Customer First Centre. This will allow far more immediate dialogue on repairs issues, ready access to in-depth expertise and a direct link with CBG's operations which previously proved extremely helpful in addressing repairs related issues as they arose.

6.5 More generally, our plans for developing the repairs service include:

Early wins

Development objectives	Desired impact
Ensure that customer voice guides our priorities in transforming the repairs service	Changes deliver value for customers
Having IT staff from CBG and Wheatley working as a single team to a shared IT strategy that will be developed jointly.	More effective system related change for the benefit of customers
Introducing rapid rectification of repairs related issues when there is negative feedback. In practice, this could be done through the customer first centre monitoring customer feedback as it happens and responding to negative ratings quickly. This might include contacting the customer and arranging for the trades team to return to the job quickly to resolve the problem.	Issue identified by customers are address more quickly and effectively
Changing the approach to no access emergency jobs so that the Customer First Centre contacts the customer to determine why the job could not be completed and re-raises it if still required	Customer does not have to contact CFC to re-raise an emergency repair when they were not available when trades arrived
Scoping a small, personalised repair service that has Trades delivering against customer needs that are 'do-able' regardless of scale or being DIY in nature - a sort of 'no-job too small' ethos	Customers feel we are helping them with small jobs to improve their home, rather than responding when things are broken

Analysing repairs demand and repairs categories used, and designing a recategorisation that focus on driving up next-day appointments (instead of emergency) and clearer differentiation between routine repairs and more complex, multi-trade jobs	The repairs service is designed with the needs of customers at its heart
Assess the impact of the required repairs service on repairs delivery capabilities and capacity in CBG, and design the organisational structure needed to provide the required service	The future repairs service can be delivered by CBG
Revamping our repairs performance management framework including to ensure that the Board is aware on how customers are feeling about the service as part of the information they receive	Customer voice becomes central to repairs performance reporting

System design, development and change

Development objectives	Desired impact
Improving web self-service for repairs so that customers have access through their online account to 'one click diagnosis' of the most common repairs types and can reschedule or cancel appointments	Customers can raise repairs at a time and place that suits them
Developing a much stronger customer voice within the repair service, including through ensuring close linkage and involvement with engagement structures (e.g. Glasgow Scrutineers and online panels) so we know first-hand how customers are feeling, can act to make improvements and get views on potential innovations	Customers are fully engaged with the repairs service and can shape it for the better
Customers having real-time information on progress with their repair including the ability to track their repairs operative when on route and the opportunity to rate the service there and then through direct feedback to the Customer First Centre	Customers are better informed and able to shape the repairs service through having an easy way to express their views
Appointing all repairs, including follow on works and requiring that any changes are communicated from the Customer First Centre and only done, where practically possible, in discussion with the customer in advance;	Customers have greater confidence that appointments will happen at a convenient time for them
Introducing real-time dashboards that provide repairs operational highlights (and low lights) and that automate triggers to alert customer first centre staff to proactively contact the customer where it is likely that a commitment, such as an agreed appointment time, will be missed;	Customers feel we are proactive in addressing potential issues

Developing processes and technology so that trades staff are required to provide the customer with a follow-up appointment, where this is necessary, before they leave a customer's home	It is more convenient for the customer to agree and appointment that suits
Introducing a mechanism through which customers can directly message the trades person in the run-up to their job being carried out, with brief updates such as to ask them to wait, as they are running slightly late	Customers feel they have more control
Simplifying the way repairs are categorised and managed so there are essentially only two main types of repairs – emergency and non-emergency that better align with customer and business priorities including for next day appointments and more jobs carried out as routine appointments. This will be done as part of looking to greatly improve transparency and reduce the currently complex systems and process interactions needed to deliver a repair Reviewing the owner repairs service and developing it so as it meets the particular needs of Lowther Homes and its customers	Customers feel that the repair service better reflects their need through the service become simpler to use
Developing the management approach and systems needed for compliance related programmes (smoke and heat, electrical installation testing, TMV servicing etc) so as they are better embedded in the overall repairs system	Customers have the same levels of flexibility in arranging compliance related works that they have with other types of work
Progress CBG's ongoing drive to encourage a better gender balance within its delivery teams, and a workforce demographic that reflects the communities in which it works.	The make-up of the repairs service better reflects and understands the customer demographic
Make changes to ensure CBG has the capacity and skills balance among its staff, and specialist supply chain to meet future repairs service and business requirements	Our repairs service has the skills it needs to meet customer and business needs in the future
Look to move towards a greener, cleaner electric vehicle fleet and encourage more sustainable practices in terms of material waste and energy consumption.	Delivering our repairs service has a lesser impact on the environment

6.6 The objectives discussed above are being developed into an implementation plan. Our view, based on planning to date of milestones associated with this plan is provided at Appendix 1. Following agreement of the milestones, in-depth project and resource planning will be undertaken across all workstreams along with risk analysis.

6.7 This will inform the development of an in-depth project delivery plan which will amongst other things guide delivery activities and provide assurance on required timescales. This project delivery plan will also be informed by planned work to develop repairs delivery in DGHP, so as common elements – such as Group-wide repairs categorisation and service design – are undertaken jointly to ensure consistency.

6.8 Initial momentum in transforming the repairs service will come from establishing the Customer First Centre with specifically trained repairs call handers and expertise, and better understanding what customers want from the service. Longer term improvements will come from developing the processes and technology that supports the repairs system spanning Wheatley and CBG.

6.9 The proposed implementation plan was warmly received at the recent CBG Board and there was strong endorsement of the important role that the views of tenants should play in driving improvement. The importance of the CBG Board knowing what tenants and owners think of the repairs service, through a revised performance framework, was also recognised and welcomed. The CBG Board's commitment to the implementation plan and the importance of customer voice fits well with it now being chaired by the GHA Chair. Progress against this implementation plan will be reported to CBG's Board at its next and subsequent meetings. Progress updates on the implementation plan will also be provided to this Board.

6.10 Delivery will be overseen by a steering group including the CBG Executive Director and our new Group Director of Repairs and Investment. Staff involved in project delivery will work as a joint team drawn from across CBG and Wheatley to ensure necessary capacity and expertise. Those involved will benefit from the opportunity to develop their leadership capabilities through having a shared and better understanding of the customer journey and how this is achieved through aligning technical and operational excellence.

6.11 Alongside, the activities to develop the repairs service through the implementation plan, steps will be taken to further strategic and operational performance management arrangements between us and CBG. These will build on the approaches in place currently and those in the services agreement between us and CBG. Doing this will increase accountability and help ensure clarity on service expectations and delivery.

7. Digital transformation alignment

7.1 Digital transformation is a major part of delivering the priorities for developing our repairs service, our MyRepairs vision and the policy framework previously approved. Deploying digital technology in areas including booking and changing a repair online, tracking progress with a repair and providing real time feedback are all aspects of how customers will increasingly have control over their repairs experience, and a service tailored to particular needs.

8. Financial and value for money implications

8.1 The development of the repair service discussed will be subject to detailed business planning as necessary and is expected to be taken forward as part of existing budgets. The service development will contribute to both customer value and business value including through the following:

Customer Value	Business Value
Improved customer satisfaction	Reduced reactive repairs in favour of planned maintenance work leading to financial efficiency
Lower effort for customers to report and track and rate repairs	Reduced waste through reduction in No Access and correct diagnosis
Better access to repairs information through their online account etc	Reduce costs through moving from out of hours emergency repairs to next day appointments
Shape and influence services through new technology	Improved financial planning through use of predictive analytics
Feel in control and have choices about their home through a flexible approach to delivery and technology	

9. Legal, regulatory and charitable implications

9.1 There are no specific legal or regulatory implications.

10. Equalities implications

10.1 The developments proposed are aimed at providing a repairs service that meets customer needs. Tailoring the service to individuals, including ensuring that no one is left behind, are key aspects which will ensure that developing our repairs service has a positive equalities impact. In addition, as part of the proposed repairs transformation, CBG is looking to develop the gender balance and wider diversity of its delivery team. Progress in this area will be monitored by the CBG Board.

11. Environmental and sustainability implications

11.1 An effective repairs service that prolongs the life of components in homes and protects assets will have environmental and sustainability benefits through reducing waste and delaying the resource implications associated with manufacturing and transporting replacement products, and disposing of existing ones.

11.2 Where waste is unavoidable, the increasing focus on the 'Circular Economy' including planned Scottish Government legislation, will increase the emphasis on the provenance and use of materials and resources. Waste streams are already segregated and recycled where possible. Future innovation will present opportunities for sustainable outcomes through our repairs service including as we look to transition our fleet to electric vehicles as highlighted in the proposed milestones at Appendix 1 to this report.

12. Recommendations

12.1 The Board is asked to note this update including the proposed implementation plan, and agree to receive updates on progress at subsequent meetings.

List of Appendices
Appendix 1 – Draft Repairs Transformation Plan

Draft Repairs Transformation Plan

Repairs implementation

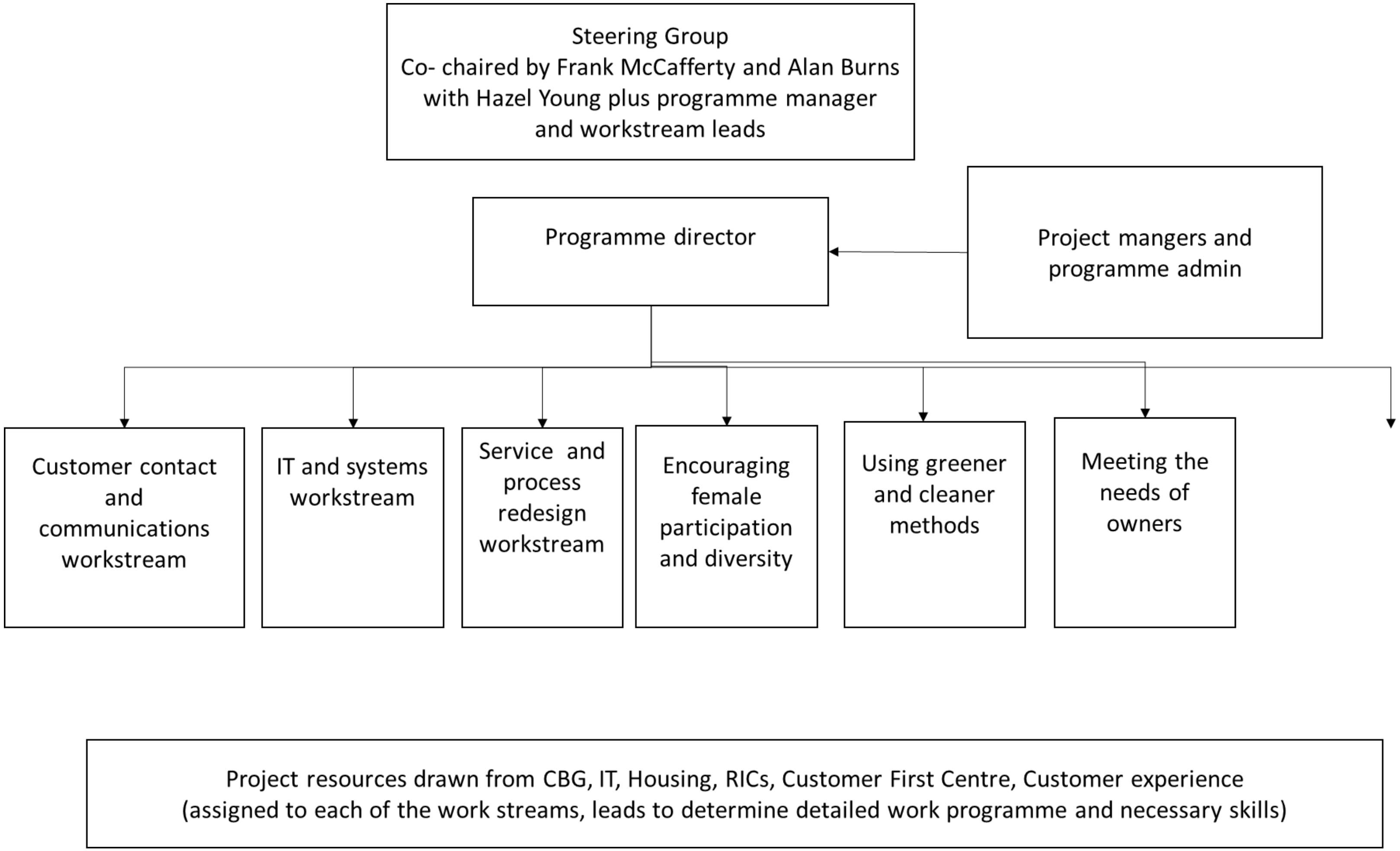
One Team, One place, One system, One aim
– An outstanding service that delights our customers.

High level Project scoping

Changes that will create our vision for the future

Customer First Centre controls all customer communication through much closer (embedded) working with CBG Operations team	Customer has real-time information and opportunity to feedback	All repairs are appointed, any changes initiated by 'us' are communicated from the Customer First Centre	Real-time dashboard with operational highlights (and low lights), including triggers where we need to contact customer because commitment will be broken
No access (emergency), Customer First Centre contacts the customer	Follow-up appointments scheduled before trades leave customers home	Customer has access through their WSS account to one click diagnosis and is able to reschedule and cancel appointments	Direct communication between customer and trades person
A new smaller repair, personalised service offer as part repairs portfolio	Dynamic rectification in response to negative feedback	We only have two types of repairs – emergency and non-emergency	Small value 'owner repairs' are not recharged

Proposed delivery team structure



Key workstreams

Programme management workstream		
Prog	Paper to CBG Board in Nov 2021	Nov 21
Prog	Team structure agreed and approach to resourcing agreed	Feb-22
Prog	Project plan scoped and in place with necessary resources	Feb-22
Prog	Wheatley Board in February	Feb 22
Prog	Quarterly updates	On-going
Customer contact and communications workstream		
Cust	Operations manager/senior schedulers at Customer First Centre	Jan-21
Cust	Customer First Centre/Operational team linkage scoped to determine greatest impact, and approach to wider colocation agreed	Feb-22
Cust	All customer comms points reviewed and agreed	Mar-22
Cust	Implement revised and agreed customer comms for all repair types	Apr-22
Cust	Customer First Centre is core point of contact for all customer repair enquiries	Apr-22
Cust	Develop customer feedback approach to Board	Apr 22
Cust	Rant and Rave in place for repairs	Apr-22
Cust	Customer First Centre staff trained and confident in using core CBG systems	May -22

Cust	WSS current offering reviewed in full – and cocreate roadmap with customers	May-22
Cust	Preparation in place for the provision of real-time feedback	Jun 22
Cust	WSS revised and improved to support our vision	Aug-22
Cust	WSS operational and promoted to our customers as channel of choice	Oct-22
Cust	Real-time feedback installation	Nov 22
Cust	Real-time feedback operational – linked to Localz	Dec 22
Cust	Capture view on repairs through city wide and area based online panels	On-going
Cust	Capture insight from Glasgow Scrutineers	On-going
IT and systems workstream		
IT	Single team established	Feb-22
IT	Preparation in place for Localz	Feb-22
IT	CBG Servitor upgrade planned and upgrade date agreed	Feb-22
IT	Single IT strategy to support repairs transformation	Mar-22
IT	CBG Servitor Upgrade Implemented	Apr-22
IT	Access to core CBG systems implemented	Apr-22
IT	Develop future repairs systems architecture spanning CBG and WHG including role of Astra, Servitor etc	Apr 22
IT	Develop implementation and resourcing plan for revised architecture	May-22

IT	Localz installation	Oct-22
IT	Localz operational	Dec-22
IT	Systems implementation (timescale indicative and subject to detailed planning and scoping)	Dec-22
Service and process redesign workstream		
Ser	Customer Service Advisors located in Lipton House	Jan 22
Ser[1]	Review current approach to all repairs including how appointed and categories used • Assess current demand by repairs categories • Agree future repairs categories (priorities include next day appointment, programmed becomes larger, complex job category, appointment for all) • Develop repairs service standard driven by what matters for customers (choice of appointment, appointment kept etc.) and what is important in achieving this operationally (e.g. number of live jobs in system, consequences of rescheduling etc.) • Update repairs catalogue to reflect new categories • Assess impact – financial, resource, schedule of rates etc. • Define and agree reshaped repairs service delivery model (number of live jobs in system, typical appointment availability etc.) • Design CBG operations to achieve reshaped service delivery model (net-neutral cost)	Feb 22
Ser	Customer First Centre has process in place for rapid rectification	Feb-22
Ser	Scoping complete to ensure CBG has capacity needed for rapid rectification	Feb-22
Ser	Joined up approach to rectification in place	Mar-22
Ser	Relaunch ‘next day appointment’ and monitor shift from emergency	Mar-22

Ser[2]	Scope how to simplify end-to-end process including which ones (multi-appointment, follow on work, compliance) could be improved including through embedding in Servitor (e.g. gas, complex, multi-trades, sub-contractor), with necessary development work	Mar 22
Ser	Scope of service agreed for smaller repair, personalised service	Mar-22
Ser	Set out future repairs service and design taking account of customer views on priorities	May-22
Ser[3]	Planning complete for implementing redesigned repairs deliver model (dependency on 1 above)	Jun-22
Ser	Smaller repair service operational	Sept-22
Ser[4]	Processes redesigned because of scoping work for direct management in servitor (dependency on 2 above)	Dec-22
Ser	Implement redesigned processes (dependency on 4 above)	Mar-23
Ser	Implement redesigned repairs delivery model (dependency on 3 above)	Mar-23
Encouraging diversity		
Diversity	Progress CBG's ongoing drive to encourage a better gender balance within our delivery teams, and a workforce that reflects the communities in which it works.	Apr-22 & thereafter ongoing
Cleaner and greener		
Future	Assess future repairs delivery requirements including relating to green agenda and assess against current repairs delivery expertise	May-22
Future	Future proof supply chain including ensuring embed customer service values	August 2022 onwards

Future	Move towards a greener, cleaner electric vehicle fleet	2022-2025 onwards
Future	Encourage more sustainable practices in terms of material waste and energy consumption.	2022-2025 onwards
Meeting the needs of owners workstream		
Owners	Review owner billing including suitability of existing SoRs and approach to lower value jobs	Jun 2022
Owners	Review current approach to owner repairs including current demand by repairs categories, future repairs categories, repairs service standard driven by what matters for owners, assess impact (financial, resource, schedule of rates etc) and define and agree reshaped owner repairs service delivery model	Jun 22
Owners	Review processes that support owner repairs (raising job, planning job, completing job, charging for job etc) service and refine	Jun 22
Owners	Ensure key changes through other workstreams including improved communications, all jobs appointed, appointments kept and rapid rectification apply to owners, as well as tenants	As timescales for workstreams
Owners	Implement revised processes to support owner repairs	Dec 22
Owners	Deploy revised owner repair service delivery model	Mar 23
Information and performance workstream		

Info	A weekly report bringing together CBG and WHG information for use by Customer First Centre staff agreed • Review existing information on status of repairs from boxi and identify enhancements • Develop approach to ensuring information is up to date • Put arrangement in place to share with CFC staff	Feb- 22
Info	Automated approach to sharing information in place • Scope proposed solution (e.g. team site/SharePoint) • Agree access arrangement	Feb 22
Info	Specify information requirements needed by CFC to fulfil its required role as part of new repairs model (real time, accurate information on job status)[1B]	Mar 22
Info	Develop a revised repairs performance framework	Mar 22
Info	Develop specification to allow performance benchmarking between CBG and other repairs provider in Wheatley group initially and potentially externally thereafter	Jun 22
Info	Ensure information requirements at dependency 1B are developed as part of Servitor system and process development work	Dec 22

Report

To:	**Wheatley Housing Group Board**
By:	**Steven Henderson, Group Director of Finance**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**Strategic governance review and restructuring update**
Date of Meeting:	**23 February 2022**

1. Purpose

1.1 To provide the Board with an update on progress on the following governance related matters:

- Ongoing restructuring; and
- Strategic governance review

2. Authorising and strategic context

2.1 The Board considered the independent strategic governance review report and agreed our implementation plan at its meeting on 27 October 2021. As part of this the Board agreed that the Group Remuneration, Appointments, Appraisal and Governance ("RAAG") Committee should oversee its implementation, with matters referred for the Board's approval where appropriate.

2.2 Changes to the group structure, including the creation and dissolution of any subsidiaries, is reserved to the Group Board. The Board agreed to a range of changes to our group structure linked to our new operating model, maximising efficiency and the implementation of the strategic governance review.

2.3 In additional Group Board approvals, a number of the changes required formal agreement by individual Boards on behalf of the individual legal entities such as where they are the asset owners or the legal contracting party.

2.4 The appointment of new Board directors is reserved to the Group Board under the Group Standing Orders. The Board agreed at the last meeting that we initiate the recruitment of a new Board director.

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 a key organisational objective and a priority for tight management controls and oversight.

3.2 Our strategic risk register contains the risk that, "*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*."

3.3 To mitigate this we engage independent external advice, as we did with the strategic governance review and regularly review our Board succession planning arrangements.

3.4 We have agreed a number of steps to consolidate our group structure to reduce the level of complexity. In doing so we have engaged external legal and tax advice throughout the process to ensure that we comply with all relevant laws and regulations.

4. Background

4.1 Over the course of 2021 the Board agreed a number of changes to our Group structure, including:

- The consolidation of DGHP factoring, commercial leasing and letting activity into Lowther Homes and subsequent wind up of the DGHP subsidiary Novantie;
- The creation of a single Glasgow vehicle, Wheatley Homes Glasgow, following the stock transfer from Cube to GHA;
- The creation of a new development vehicle, Wheatley Developments (Scotland), through the repurposing of DGHP3 as a direct subsidiary of Wheatley Housing Group Limited and thereafter the wind up of the Group Development Committee; and
- WLHP stock transferring to DCH to create a single RSL in the East of Scotland.

4.2 Following the Board's agreement to these changes, there are a number of steps we have to take to progress each to implementation. It was agreed at the time of approval the Board would be updated throughout the implementation process.

4.3 The Board agreed that the RAAG Committee should oversee progress with our strategic governance review implementation plan. This is now a standing item at scheduled Committee meetings.

4.4 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.

5. Customer engagement

5.1 A key step in changes that have a direct impact on customers is engaging them on the proposals. In the case of the single Glasgow vehicle we undertook a formal consultation with all tenants on the proposed operating model, engagement approach and Wheatley Homes Glasgow name. Tenants endorsed all three elements of the proposals.

5.2 We will be engaging with Novantie factored homeowners and MMR tenants as part of the change of their factor and landlord and to reassure them that there will be no change to their service levels.

5.3 If we were to agree to progress with the East of Scotland consolidation it would be subject to extensive customer engagement and consultation with WLHP tenants. This would include a combination of intensive local engagement through Housing Officers, local events and a consultation and ballot process with all tenants.

5.4 The approach to customer engagement and associated communication plan would, in due course, be considered in further detail by the WLHP Board. Any ballot process would also involve engaging TPAS Scotland as independent tenant advisors.

6. Discussion

6.1. We are continuing to progress with the implementation of the strategic governance review. A particular stream of implementation related to the consolidation of our group structure. This stream is progressing in parallel with wider restructuring activity which was already underway prior to the strategic governance review.

6.2. An update on progress with all restructuring activity and the wider strategic governance review are set out below:

<u>Group restructuring activity</u>

East of Scotland partnership

6.3. Following this Board agreement in December, the WLHP Board considered the potential benefits of combining with Dunedin Canmore Housing to create a single vehicle in the East of Scotland in detail at a workshop on 28 January.

6.4. The WLHP Board considered the proposals within the context that they must deliver **tangible, quantifiable benefits for tenants**. The WLHP Board agreed that joining Dunedin Canmore Housing could deliver the following priorities and benefits for tenants:

- Affordability - keeping rent increases to a minimum
- Investment - accelerating/increasing investment in their homes
- New supply - increasing the number of homes available for tenants

6.5. The WLHP Board also considered the proposals within the wider strategic context of how services are delivered to tenants in West Lothian through to different Group members. The WLHP Board recognised that as WLHP already shares services with Dunedin Canmore there would not be any adverse impact for tenants through combining with Dunedin Canmore.

6.6. Following the workshop, formal proposals were developed for consideration by the WLHP and Dunedin Canmore Boards. Both Boards agreed to formally recommend we progress with consulting tenants, with a view to a tenant ballot thereafter.

6.7. As part of their discussions, both Boards considered future branding and whether this should be formally incorporated as part of the consultation with tenants. WLHP Board members indicated support for the *Wheatley Homes* brand for the combined Dunedin Canmore/WLHP. Further discussion would be required with Board of Dunedin Canmore, as well as wider input from tenants, prior to any decision on this being taken forward.

6.8. The timetable remains as set out at the last meeting and recapped below, with the additional step of DCH tenant consultation added:

Key steps	Timescale
Group Board agree to proceed to consulting tenants	This meeting
Stakeholder engagement	Late Feb
WLHP Board agree consultation material	30 March 2022
DCH Board agree consultation material	24 March 2022
WLHP Stage 1 consultation	18 April- 18 May 2022
WLHP Board updated on consultation results and agree whether to proceed to formal ballot	25 May 2022
DCH Board updated on WLHP tenant consultation results and WLHP Board decision on proceeding to ballot	26 May 2022
Tenant ballot	30 May-27 June
Group Board consider ballot result	29 June 2022
Consents received and stock transferred to DCH	18 July 2022

6.9. As set out in the timetable, the WLHP and DCH Boards will be extensively engaged throughout the process and have considered the detailed timetable which underpins the key steps.

6.10. [redacted]

Wheatley Homes Glasgow

6.16. The GHA Board is scheduled to hold a Board workshop on 15 March (rescheduled from January) to consider a range of areas for the Wheatley Homes Glasgow as it prepares to launch as our single vehicle for Glasgow on 1 April.

6.17. The workshop will cover:

- **Vision and values** of Wheatley Homes Glasgow;
- **Branding** – Wheatley Homes Glasgow logo;
- **Governance**- Wheatley Homes Glasgow Board composition;
- **Repairs** – service and customer choice and flexibility enhancements, role of Customer First Centre and communications strategy;
- **Remodelled investment offer** – Customer voice priorities, Think yes capital budgets and sustainability;

- **New build and regeneration** – future of MSF portfolio, High Rise Living update, strategic stock appraisal and future development;
- **Neighbourhood Environmental Teams –** service delivery update and garden maintenance options;
- **Engagement** – Glasgow 1000 progress update, next steps and timescales; and
- **Communication** – how Wheatley Homes Glasgow will communicate and engage with tenants on an ongoing basis.

6.18. In advance of this, we are in the process of undertaking the necessary practical steps to effect the change. This has included engaging legal advice to ensure that we notify all relevant parties, seek any necessary consents and mitigate the risk that any omission to do so is in breach of any legal or contractual requirement.

6.19. The GHA Board considered this legal advice at its meeting on 11 February. The legal advice confirms that GHA's Rules and OSCR require a specific approval. Under GHA's Rules a Special General Meeting ("SGM") is required to agree a change to them. Additionally, a name change is one of the areas where specific Parent approval is required to pass the resolution.

6.20. It is intended that GHA shall call a SGM to effect the name change and it is proposed that the Group Chair is granted authority to attend on behalf of Wheatley Housing Group Limited on the instruction to vote in favour of the resolution to adopt the name Wheatley Homes Glasgow.

6.21. The intention is to change all tenant facing communications, such as the website, to Wheatley Homes Glasgow from 1 April. In order to ensure that we have undertaken and sequenced each notification properly, there may be a period after April 1 under which we continue to be legally named The Glasgow Housing Association Limited and trade as Wheatley Homes Glasgow.

6.22. The SGM to formally change the name will therefore be called when every such notification is complete. We have already submitted an application to OSCR to change the name, however this consent is not binding i.e. does not need to be effected as soon as we receive consent. This approach is similar to the one we adopted in both Wheatley Care.

6.23. [redacted]

6.24. [redacted]

Strathclyde Camphill

6.25. Both this Board and the GHA Board previously agreed in 2019 that GHA receive a Transfer of Engagement from Strathclyde Camphill Housing Society ("SCHS"). It is a small landlord in the Shawlands area of Glasgow with an unconventional business model. Its focus since registration in 1980 has been on promoting ownership of its stock through sales to tenants. [redacted]

6.26. At the time of the approach, SCHS owned 33 properties. Being a housing co-operative, SCHS was not subject to RTB legislation however its tenants had a contractual right to purchase their homes under a SCHS sales policy. Prior to any ToE, SCHS agreed that all remaining tenants be offered the opportunity to purchase their homes. Thereafter, it was agreed SCHS would pursue the ToE through which any remaining tenants would be given the right to participate in a ballot and become our tenants. The right to purchase would cease upon the ToE.

6.27. Following SCHS' approach to its tenants, a further 18 have now completed the purchase of their homes leaving a balance of 15. SCHS is now in a position to take steps towards progressing the ToE, through which GHA will be asked to take on the remaining homes. This is now progressing through the GHA Board with a view to concluding in September 2022.

<u>Strategic Governance Review</u>

6.28. The RAAG Committee are continuing to oversee progress with the implementation plan. A number are subject to separate agenda items, including the East of Scotland, new group development vehicle and risk management. Additional areas of progress since the last meeting include:

Committee Chair updates

6.29. The RAAG Committee agreed that Committee Chair updates should be provided under a consistent template and along with the papers to maximise efficiency. The proposed template for the updates has been included as part of this meeting pack and Board feedback is sought on the approach.

Terms of Reference

6.30. The RAAG Committee agreed draft Terms of Reference for Lowther Homes, Wheatley Solutions, Wheatley Foundation, Wheatley Developments (Scotland) and the Group Audit Committee. The drafts have now been reviewed by each. The remaining Terms of Reference will be finalised over March/April and brought back to the Board as part of the revised Group Standing Orders at its next meeting for formal approval.

Board and Committee skills mapping

6.31. The RAAG Committee agreed a draft Board skills matrix, which was circulated to Board members. We have now undertaken a skills mapping exercise based on Board members self-assessments which will inform the revised 3-year Board succession plan due to be considered at the workshop in March.

6.32. At the last meeting the Board received feedback from the Group Remuneration, Appointments, Appraisal and Governance Committee's discussion regarding Board succession planning across the Group relative to Board skills mapping.

6.33. The Board agreed that we recruit an additional Board director to respond to these succession planning issues.

6.34. The panel, comprising the Chair, Vice-Chair and Chair of GHA subsequently interviewed a prospective candidate, Manish Joshi. Based on the interview the panel were of the view that the candidate had a range of skills and experience. A copy of his CV is attached at Appendix 1.

6.35. The panel agreed to recommend that Manish be appointed as a co-optee of this Board, becoming a Non-Executive from the 2022 AGM, and a Non-Executive Director of Wheatley Solutions. The panel also agreed that given its scale and the ongoing transition to Wheatley Homes Glasgow that Martin Kelso should be appointed to the GHA Board until the 2022 AGM to provide additional finance skills and existing knowledge of GHA and the wider Group during its transition.

6.36. The proposals would address all the succession planning issues identified by the Group RAAG Committee and ensure each Board has the appropriate skills and experience.

Board reporting template

6.37. The RAAG Committee reviewed the Board reporting template and agreed a revised structure. The revised template has mainly changed the ordering of the sections in the report. The risk assessment and customer engagement sections are currently at the beginning of the report, however they are read without the report having yet set out the proposals or activities to which they relate. They have therefore been relocated to after the main discussion section to allow them to be read within the context of being clear what they relate to.

6.38. Taking into account partner Board feedback we have also reintroduced the 'key issues and conclusions' section into the template. The revised template is attached at Appendix 2 for feedback and approval.

Board practice

6.39. It was recommended that we establish new arrangements for holding Board and Committee meetings virtually and that a hybrid model be considered for meetings in future.

6.40. We have now undertaken testing of 'mixed' meetings where attendees are both in-person and by video conference at Committee and Board meetings.

6.41. The committee agreed to recommend that our approach in future should be as following:

- For attendance at scheduled meetings, the default should be attendance in person;
- Virtual attendance at scheduled meetings should be with the prior agreement of the Chair;
- For additional meetings outwith the normal schedule or rescheduled meetings attendance would preferably be in person, but virtual would be an option without any need for prior agreement with the Chair;
- Additional meetings will offer the option to attend virtually by default and where there is a limited agenda or purely transactional business be held virtually; and
- Board workshops may only be attended in person.

6.42. In addition to the above, it is intended that we make greater use of virtual attendance for staff members at Board and Committee meetings. For example, where a staff member is attending a meeting to cover a single item, which is relatively routine in nature they may attend virtually with prior agreement of the Chair.

6.43. For example, where we have central belt based staff attending DGHP Board meetings it may be more efficient for attendance to be virtual. This also fits with our sustainability approach of reducing our carbon footprint.

6.44. The proposed approach of mixed attendance will initially be extended to Board and Committees which meet in Wheatley House. As our new hubs in Edinburgh and Dumfries are complete that facility will become available to Boards meeting in those locations.

7. Digital transformation alignment

7.1 As part of the GHA change to Wheatley Homes Glasgow and Novantie's transition to Lowther Homes there are a number of technical steps we will require to take. These are relatively straightforward steps for which we have an established approach based on previous restructuring.

8. Financial and value for money implications

8.1 There are no direct financial or value for money implications associated with this report. All such implications were considered at the original point of Board approval and there have been no changes since then.

9. Legal, regulatory and charitable implications

9.1 We have and will continue to engage our external legal advisors throughout the process and report advice to Boards as appropriate.

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

10. Equalities implications

10.1 There are no equalities implications associated with this report.

11. Environmental and sustainability implications

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

12. Recommendations

12.1 The Board is asked to:

1) Approve WLHP proceeding to tenant consultation on a stock transfer to Dunedin Canmore;

2) Delegate authority to the Chair to attend a GHA Special General Meeting on behalf of the company and instruct her to vote in favour of any resolution proposing a name change to Wheatley Homes Glasgow;
3) Note progress with the launch of Wheatley Homes Glasgow;
4) Note progress with the restructuring of Novantie’s factoring, commercial property, and mid market and private rental stock activities to management by Lowther Homes;
5) Note the progress with the Transfer of Engagements from Strathclyde Camphill Housing Society;
6) Approve the appointment of Manish Joshi as a co-opted director of Wheatley Housing Group Limited and a Non-Executive Director of Wheatley Solutions Limited at the standard remuneration rate of £12,408;
7) Provide feedback on and approve the Committee Chair reporting format;
8) Provide feedback on and approve the revised Board template, to be used by all Boards and Committees across the Group; and
9) Approve the approach to hybrid meetings set out in 6.41.

List of Appendices

Appendix 1 – [redacted]
Appendix 2 – Board reporting template

Report

To:

By:

Approved by:

Subject:

Date of Meeting:

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1. Purpose

1.1 This should very clearly set out what is being asked of the Board such as:

- Seek approval of [xxxx];
- Provide the Board with an update on [xxxxx].

This section **should not** stray into the content of the report and should mirror the recommendations. This should be a **maximum** of 1-2 paragraphs.

2. Authorising and strategic context

2.1 This section should specifically set out in what authorising context the Board/Committee is being asked to act. This must include a direct reference to at least one of the following:

- Intra-Group Agreement (IGA);
- Group Standing Orders (GSOs);
- Group Authorising Framework (GAF);
- Authorise/Monitor/Manage Matrix (AAMM);
- Scheme of Financial Delegation.

2.2 This section should also clearly identify the links to the Group/Partner strategy, setting out:

- Which strategic theme(s) the report relates to
- What strategic outcome(s) the report contributes to achieving
- Any associated strategic results
- Any specific strategy commitment the report relates to and/or will be met

It should also set out any other relevant strategic context, for example links to strategic objectives of partners or key stakeholders.

3. Background

3.1 Any **pertinent** issues which provide the context for the report e.g.:

- Previously agreed decisions, actions or Board discussions;
- Recap of pertinent information previously communicated;
- Any other relevant background information.

4. Discussion

4.1 This is the main body of the report and should set out clearly and fully cover what is set out in the purpose of the report and further detail the influence of the customer engagement.. For reports to partner Boards this should have a **clear focus** on what is relevant and applicable to the particular partner. For example where the report relates to a Group Policy or similar, it should not be a boiler plate replica of the Group Board report.

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. This section should include details of:

- How we have engaged customers on development of any proposals in the report; and/or
- how we plan to engage customers on the proposals in the report

6. Environmental and sustainability implications

6.1 This section should clearly set out links to our supporting the delivery of our approach/objectives in relation to environmental and sustainability issues, including:

- Link to Green Investment activity;
- Reducing our carbon footprint;
- Renewable energy;
- Climate change.

7. Digital transformation alignment

7.1 Our Group Strategy sets a clear direction and is underpinned by digital transformation. This section should set out which digital transformation theme the proposals are contained within and/or will be contributing to delivering. It should also confirm whether the proposals are contained within the Digital Transformation Programme.

7.2 Where the proposals are not already included within the Digital Transformation Programme this section must:
- detail why they are not in the existing plan
- detail how they will be resourced within the proposed timescale

8. Financial and value for money implications

8.1 The financial implications or analysis associated with the report should be clearly identified and where possible quantified. This should be linked to how any proposals or courses of actions will be funded and will, as appropriate, cover areas such as:

- Source of funding (including relevant group entity, partnership or other available funding e.g. Government / Local Authority pots and funds);
- Impact on budget;
- Business plan implications, including impact on surplus;
- Key milestones;

8.2 This section should also confirm how the proposal provides value for money, for the business and for tenants/customers/people we work for.

8.3 Where there are no implications, such as scrutiny / update reports (e.g. Finance report or performance report) the section should expressly state that this is the case.

9. Legal, regulatory and charitable implications

9.1 This section should clearly outline the relevant legislation and regulation which applies to the subject matter. It should set out the implications of the legislation, including how these have been incorporated in any proposals or reference where such information is already contained within the body of the report.

9.2 It should include:-

- an assurance that the necessary checks have taken place to ensure that there is no risk to legal compliance and provide details of any legal advice received;
- details of any consents required with the proposals e.g. SHR or funder; details of any legal or regulatory consultation requirements with tenants or people we work for.

[GUIDANCE / INPUT SHOULD BE SOUGHT FROM LEGAL / GOVERNANCE AND FINANCE]

10. Risk Appetite and assessment

10.1 The report should make a **specific reference** to the Board's approved risk appetite level in relation to the subject matter e.g.:-

Our agreed risk appetite in [insert risk area] is [insert tolerance level]. This level of risk tolerance is defined as "[insert the definition for risk rating]".

Where there is no defined existing or linked risk appetite level, consider proposing a new risk appetite for approval.

10.2 It should then go on to identify the key risks / overall level of risk associated with the proposals, taking into account all of the commentary in sections 4-9.

11. Equalities implications

11.1 This section should set out how any proposals made ensure we continue to comply with equalities legislation, where applicable.

12. Key issues and conclusions

12.1 This section should act as a summary recap of the key issues and conclusions drawn from the preceding sections. This should be in an executive summary style as an aide memoir to the Board/Committee before they consider the recommendations.

13. Recommendations

13.1 This section should clearly set out what the governing body is being asked to do, eg specific approvals and decisions that are being sought. This should reflect the purpose section.

WHERE THERE IS A CONSENT REQUIREMENT, THE RECOMENDATIONS SHOULD CLEARLY STATE THE RECOMMENDATION IS SUBJECT TO RECEIVING SUCH CONSENT

LIST OF APPENDICES:-

All appendices within the document should be identified. All attached documents outwith the report should be identified as an Appendix and appropriately numbered, not referred to as ‘attached’ or ‘enclosed’ etc.

Report

To: Wheatley Housing Group Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Rent and other charges 2022/23

Date of Meeting: 23 February 2022

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1. Purpose

1.1 This report:

- Provides feedback from our consultation on the 2022/23 RSL rent and service charge increase; and
- Seeks Board approval for the 2022/23 rent and service charge increases.

2. Authorising and strategic context

2.1 Under the Group Authorising Framework, the Group Board is responsible for the Group rent setting framework. As part of this, the Group Board is responsible for agreeing rent increase parameters that each Registered Social Landlord ("RSL") Board has the authority to agree an increase within.

3. Risk appetite and assessment

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

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

3.3 The decision on rent increases involves striking a balance between the need to continue our path out of underlying deficit into surplus (as set out in our business plan), continuing to deliver services our customers tell us they want, and keeping rents affordable. Setting rents lower than the assumption in the business plan could – in the absence of mitigating cost savings – risk the financial viability of the Group. However, we are also required under statute to take into account the views of customers before making final decisions on rent levels.

4. Background

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

1) Financial viability;
2) Affordability;
3) Comparability; and
4) Consultation with tenants and service users.

4.2 The Group Board considered the first three principles as part of agreeing the baseline consultation levels during discussions at the September 2021 meeting, which were thereafter considered by each RSL Board. A series of focus groups were held during November and December to gather customer feedback on the rent setting proposals. This feedback was taken into account in the formal rent consultation process with tenants, which is the final element of our rent setting process prior to formally agreeing rent levels.

4.3 Following the focus groups, we consulted on the following rent increase levels, with the exception of the 4 MSFs at the Wyndford which will not have an increase as part of the recent consultation on regeneration of the area.

RSL	Proposed increase
Ex- Cube stock (GHA and Loretto)	1% (ballot commitment)
Dunedin Canmore	1.9%, 2.4% and 2.9%
DGHP	2% (ballot commitment)
GHA	1.9%, 2.4% and 2.9%
LHA	1.9%, 2.4% and 2.9%
Ex-Barony stock (DCH and WLHP)	2% (ballot commitment)
WLHP	1.9%, 2.4% and 2.9%

4.4 The formal consultation process for these RSLs closed on 28 January 2022.

4.5 Ex Cube tenants were consulted on the 1% increase as agreed as part of the ballot to join GHA and Loretto. The 1% rent guarantee for three years was a key element of last year's ballot proposals, in which 85.8% voted in favour of the GHA transfer and 92.6% voted in favour of joining Loretto.

4.6 For DGHP, one of the partnership promises was a 3-year rent increase of 2% per annum. The ballot recorded a 95.5% vote in favour of the partnership, with an exceptionally high turnout of 75.3%. We know from engagement with DGHP tenants during the partnership proposals that the rent levels were a material factor in their decision making.

4.7 For former Barony tenants, this is the third year of the partnership arrangements that formed part of the ballot proposals to join DC and WLHP. For the WLHP transfer, 87% of tenants voted in favour and for the DCH, 69.4% voted in favour of transfer.

4.8 We consider this year’s rent increase therefore within the context that former Barony, Cube and current DGHP tenants have previously given feedback on the future rent assumptions in high numbers.

4.9 Each individual RSL Board formally considered their own results in detail at their February meetings and agreed to recommend them to the Group Board for approval.

5. Customer engagement

5.1 As a consultation process, the report sets out the responses to our customer engagement on the rent setting proposals.

6. Discussion

6.1 This year we reintroduced the approach of extensive focus groups with tenants from across the Group, which informed our formal consultation. The feedback from each part is set out in further detail below:

Focus Groups

6.2 This year, we further refined our approach to the focus groups, introducing an online option for tenants, which proved to be popular with tenants reflecting on the increased convenience to them in not having to travel. The option was not for everyone though, and we also ran face-to-face focus groups – both in our offices and also in community facilities. Across Group over 30% of participants took part online. Our independent advisors BMG facilitated the focus groups and supported tenants to access the online groups.

6.3 In both types of focus group, the Managing Director, a Locality Director or Head of Housing delivered a presentation to tenants giving more context to the proposals. In order to maintain the independence of the focus groups, staff did not participate in the subsequent focus group discussions.

6.4 The presentation set out the key elements contained within the proposed consultation brochure to be sent to all tenants, specifically:

- How we spent tenants’ money in the previous year i.e., what rent pays for;
- Key challenges for the year ahead; and
- The rent options.

6.5 In total across Group we undertook 43 focus groups, of which:

- 21 were for GHA, with a total of 81 tenants participating - 63 in person and 18 online;
- 10 were for DGHP, with a total of 29 tenants participating – 18 in person and 11 online;
- 6 were for Dunedin Canmore, with a total of 27 tenants participating – 15 in person and 12 online;
- 4 were for Loretto, with a total of 17 tenants participating – 4 in person and 13 online; and
- 2 were for WLHP, with a total of 5 tenants participating – all online.

6.6 The total participation level across Group was 159 tenants. The focus groups allowed us to engage with tenants across Group in more depth on our rent setting proposals, in particular:

- Tenants' perception of what their rent pays for vs what it actually pays for;
- Tenants' understanding of the drivers of rent increases;
- Value drivers for tenants in terms of rent levels; and
- General feedback on tenants' views of our services in the context of rent.

6.7 In exploring these issues with tenants, as opposed to asking a binary 'yes or no' question on rent proposals, we were able to gather a) quantitative feedback by testing if the group discussion and increased knowledge of how rents are set impacts tenants' views of rent, and b) qualitative feedback we can use to understand what drives and impacts tenants' views on rent setting, potentially informing our service delivery and future strategic thinking.

6.8 Focus group participants (excluding those where there is an existing ballot promise) were asked whether they supported a rent increase, and if so which of the options they preferred. They were asked this both before and after the discussion. Across the focus groups, support for the options 1-3 was 72%, which rose from 59% following the discussions and supporting information on the reasons for the increase. The breakdown by option is shown below.

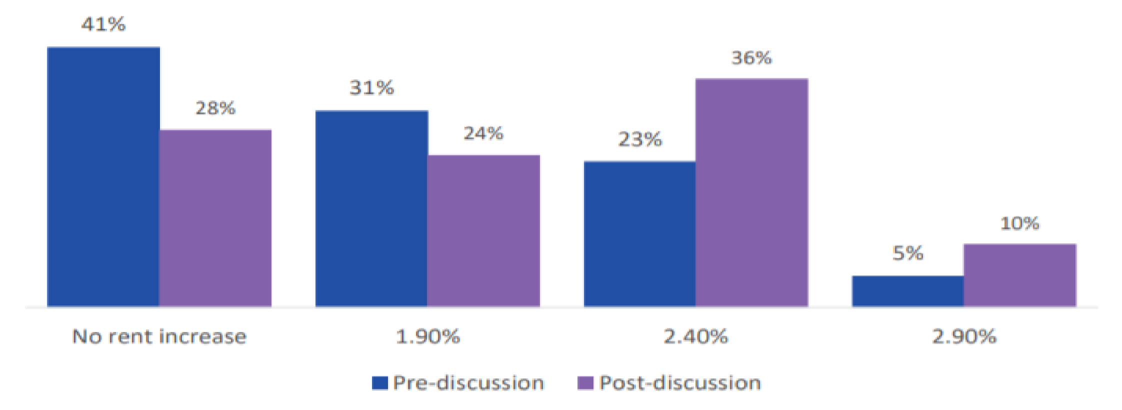


Figure 1: Views on the rent increase options – Group wide

6.9 The report provided detail of key drivers of tenant satisfaction. The following were identified by BMG as key satisfaction drivers:

- Strong feeling of community that arises from having a good relationship with their neighbours. This is enhanced by the quality and feel of their communal areas, where neighbours contribute to looking after the area, and also leads to a higher perception of value for money;
- Good experience of repairs service, with those in newer properties or with recent capital investment more likely to be satisfied with the maintenance of their home, and therefore with their landlord;
- 24/7 offering from the Customer First Centre, especially in relation to the repairs service;
- tenants (across all RSLs) who have experienced a range of wraparound services are noticeably more satisfied with and appreciative of their RSL, and are keen to impress on other tenants the value of this assistance. Other tenants responded positively to hearing that these services are provided if they were not already aware; and
- a proactive housing officer who is effective in supporting and signposting tenants such as help to access benefits which tenants weren't aware of e.g. pension credits.

6.10 In terms of main drivers of dissatisfaction, poor experience with repairs and maintenance, or experience of anti-social behaviour from neighbours were the most common themes.

6.11 A key overall driver was where a tenant considers an issue is not being addressed appropriately or as quickly as they would like. The associated communication in resolving such issues can further exacerbate such issues. We anticipate that the introduction of the new Customer First Centre, focused on first point of contact resolution, should improve this experience for our customers.

Formal all-tenant consultation

6.12 Following the focus groups, we formally consulted all our tenants on our rent setting proposals, with the exception of GHA tenants in the Wynford. As per the Wyndford consultation, the tenants in the 4 MSFs at the Wyndford were not part of the separate rent consultation exercise as they were given a commitment that their rent would be frozen for this year.

6.13 The consultation commenced on 13 December and closed on Friday 28 January. The process was **managed independently** by Civica, and encompassed two main elements:

- Consultation with ex-Cube, ex-Barony and current DGHP tenants on the rent proposals as part of their ballot commitments; and
- All remaining tenants consulted on the three options through a consultation brochure.

6.14 As part of the process, tenants had the option to return a hard copy form or respond to the consultation online. In total 14.2% of respondents utilised the option to provide their feedback online.

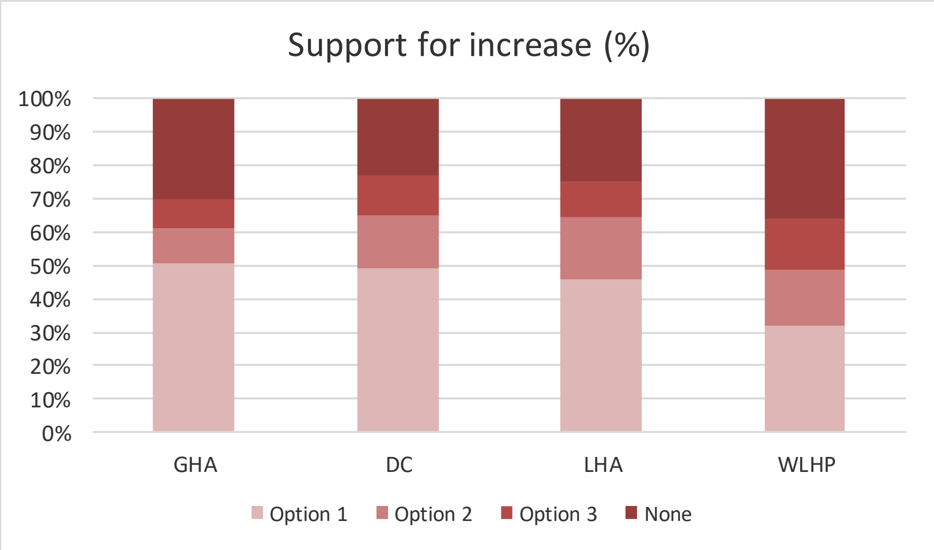
6.15 Where three options were offered, we received a total of 3272 responses. We also received 1134 responses from our ex-Cube, ex-Barony and current DGHP tenants. This represents a combined total of over 4400 responses. This represented a significant increase on responses in recent years, including pre pandemic.

RSLs – three options

6.16 For all 4 RSLs who consulted on the three options, Civica independently certified the results and confirmed **a clear majority** of tenants indicated support for one of the increase options:

RSL	% of tenants in favour of one of the increase options
GHA	69.8%
Dunedin Canmore	76.7%
Loretto Housing	75%
WLHP	63.8%

6.17 A breakdown of the responses by RSL, by option is set out below:



6.18 Comments from tenants were invited as part of their response. The feedback was broadly consistent across the RSLs. For those who supported one of the options, the feedback indicated that they selected this because they wanted the lowest available increase whilst maintaining their current service level (as they were happy with the services they receive). Common themes were that the proposals were 'fair' and 'reasonable'.

6.19 Those who selected the higher option showed a strong preference for additional investment being focussed on energy efficiency and insulation upgrades, including new doors and windows.

6.20 Those who did not support either option primarily indicated that affordability was a key consideration, particularly within the context of the pandemic, inflation increases in general and the energy price hike.

6.21 The data identifies that return and support levels, as with the previous years, are generally correlated to age, with the level of returns and support ascending with the age groups.

<u>RSLs – ballot commitments</u>

Ex-Cube

6.22 The 3-year, 1% annual rent increase cap was a strong consideration for former Cube tenants as over 1500 voted to join GHA and Loretto. This is the second year of this promise and former Cube tenants were given the opportunity to provide feedback during the consultation. As this was agreed by tenants as part of the ballot, this part of the consultation sought primarily quantitative feedback as there were no options.

6.23 We received 180 responses from ex-Cube tenants in GHA. Of those who offered an explicit view in support or not of the proposals, 52 indicated their support, with 20 indicating they did not support the proposals. The equates to 72% in favour of the proposal.

6.24 We also received 67 responses from former Cube tenants in Loretto Housing. Of those who offered an explicit view in support or not of the proposals, the majority of 24 were in favour of the 1% proposal, whilst only 5 indicated they did not support the proposal.

DGHP

6.25 In DGHP, as indicated, over 7,000 tenants already expressed their support for DGHP's future rent strategy. The ballot represented an agreement between DGHP and its tenants for rent increases over 3 years as an integral part of a wider set of partnership proposals. This commitment has benefitted DGHP tenants in previous years, for example where the group wide increase was at 3.4%

6.26 We are still required by statute to consult separately on each year's increase and therefore consulted on the basis of implementing the third year of the three-year plan at 2%.

6.27 We received a total of 863 responses for DGHP, of which 289 provided direct feedback on the rent proposals.

6.28 A total of 198 of the respondents indicated their support for the proposals and that they were happy on the basis it funded maintaining the current service levels. A total of 91 expressed an explicit view which did not support the proposal. This equates to 69% of those who expressed a view doing so in favour of the proposal.

Ex-Barony

6.29 Similarly to DGHP, the ex-Barony stock consultation was based on the agreed commitment of 2% and tenants have benefitted in previous years, for example where the group wide increase was at 3.4%. In DCH we received 10 responses. Of those who offered an explicit view in support or not of the proposals, only 3 respondents indicated they did not support the proposal.

6.30 In WLHP we received 14 responses form ex Barony tenants. Of those who offered an explicit view in support or not of the proposals, the majority of were in favour of the 2% proposal, with only 1 respondent indicated they did not support the proposal.

Board recommendations

6.31 Based on tenant feedback each RSL Board agreed to recommend the following:

RSL	Proposed increase
Ex- Cube stock (GHA and Loretto)	1%
Dunedin Canmore	1.9%
DGHP	2%
GHA	1.9%
LHA	1.9%
Ex-Barony stock (DCH and WLHP)	2%
WLHP	1.9%

Affordability and Comparability

6.32 Our rent proposals are significantly below the current rate of inflation, which is 5.5%. This will support our overarching strategic priority of keeping rents affordable for our tenants.

6.33 We have undertaken benchmarking of rent increases of other RSLs in the areas where we have stock. The benchmarking, set out in Appendix 1, shows that our proposals are the lowest in the sector. This will enhance the comparability of our rents.

Summary

6.34 Overall this year, we have seen an increase in both the response rate and the proportion of respondents who supported one of the three options. We will endeavour to build on the higher levels of engagement, including through continued use of independent advisors such as Civica.

7. Digital transformation alignment

7.1 Tenants were able to participate in the consultation through a wider range of digital means than ever before. For the first time, we ran online focus groups. Responses were also able to be emailed to the independent provider Civica. We also used a wide variety of digital and social media approaches to publicise the consultation.

8. Financial and value for money implications

8.1 The level of rent increase proposed during the consolation included detailed analysis in areas such as affordability and comparability. We know that overall rent levels are an element of how tenants perceive value for money. This is however set within the context of the services we provide, particularly repairs, through the rental income.

8.2 The financial implications of our rent uplift are set out in each individual and the Group business plans.

9. Legal, regulatory and charitable implications

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

9.2 The 2016 Scottish Housing Regulator Thematic Review of Rent Setting detailed a number of recommendations, including provision of options to tenants during rent setting consultations. The approach taken this year continues to respond to these recommendations.

10. Equalities implications

10.1 We provided tenants with the opportunity to include protected characteristics data as part of the returns. Neither Civica nor the data we analysed identified any particular group as having a materially different view from the overall results.

10.2 Having both in-person and online focus groups, as well as the option to return the consultation feedback by post or online encouraged a diversity of responses and allowed for higher levels of participation.

11. Environmental and sustainability implications

11.1 No implications noted

12. Recommendations

12.1 The Board is asked to:

1) Consider the feedback received through the consultation process with tenants on our 2022/23 RSL rent and service charge increase;
2) Approve the 1.9% rent and service charge increase for 2022/23 for Dunedin Canmore Housing, GHA, Loretto Housing and West Lothian Housing Partnership;
3) Approve the application of a 1% rent and service charge increase to all ex-Cube tenants with the exception of the 4 multi-storey blocks at the Wyndford who will have a rent freeze; and
4) Approve the application of a rent and service charge increase of 2% for 2022/23 for all ex-Barony tenants and DGHP tenants.

List of Appendices

Appendix 1 - Rent increases [redacted]

Report

To: **Wheatley Housing Group Board**

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

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

Subject: **Business Plan Financial Projections**

Date of Meeting: **23 February 2022**

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1. Purpose

1.1 This report seeks approval of the Wheatley Housing Group ("WHG" or the "Group") and subsidiary financial projections and related key financial ratios.

2. Authorising and strategic context

2.1 Approval of the Group strategy and financial projections as well as each subsidiary's projections (including any borrowings) is one of the matters reserved to the Group Board in the Group Standing Orders.

2.2 The key themes and aims of the 2021-26 strategy *Your Home, Your Community, Your Future* set the context for the preparation of the financial projections.

3. Risk appetite and assessment

3.1 The Group risk appetite for business planning is 'open'. This is defined as being prepared to adopt the approach that is most likely to result in successful delivery while also providing an acceptable level of reward (i.e. value for money).

3.2 Sensitivity analysis and stress testing of our financial projections is addressed in section 6 of this report.

4. Customer engagement

4.1 The commitments funded in the business plan reflect the positive support we received from tenants following our consultation across all Group RSLs in September 2021 on engagement and our new ways of working. These commitments include the resources necessary to support our new Customer First Centre, as well as Customer Voices funds for each RSL.

5. Background

5.1 During 2021/22, the first year of our new strategy *Your Home, Your Community, Your Future,* we successfully implemented our new operating model with the introduction of flexible, agile based working, which supported by our investment in technology, enables staff to work from any location and respond more quickly to changing customer demands. We also introduced our new Customer First Centre, which will resolve the vast majority of customer enquiries at the point of first contact.

5.2 The first of our new office hubs for staff at Wheatley House was also opened during 2021/22 and we have provision in our financial projections to progress our plans to create community-based centres of excellence where our customers and staff can meet to work, share their learning and engage effectively together. Following the successful transfer of Cube's Glasgow properties to GHA, we haves since consulted with customers who supported a proposal to rename GHA as Wheatley Homes Glasgow. These changes will enable us to deliver more for Glasgow tenants with a minimum of an additional 600 new homes on top of the 1,500 already promised, underpinned by our commitment to invest £250m in tenants' homes over the first five years following the merger.

5.3 Throughout 2021/22 our service model remained agile and we adapted effectively during the re-introduction of Covid restrictions at various points maintaining all services to our customers throughout. High levels of demand were experienced for our responsive repair services and we have been able to absorbed additional reactive repairs costs within our existing financial budgets.

5.4 We are entering a challenging economic period of higher inflation which places pressure on our operational costs and capital investment spend. Inflation has already risen during the second half of 2021/22 and CPI is at 5.5% at the time of writing, the highest level since the early 1990s. Utility costs in particular, which make up a large proportion of our running costs, have contributed to the current rate rises and are forecast to rise by around another 60% next year. As shown in Figure 1 below, the Bank of England are projecting further increases over the next few months with a peak of 7.25% expected to be reached in April 2022

Figure 1: Inflation Forecast (Bank of England Monetary Policy Report – Feb 2022)

5.5 In recognition of the impact of rising inflation, we have increased the cost inflation assumptions within our financial projections in the coming years and, over the longer term, we hold a prudent cost inflation assumption of 2.5% which is above the Bank of England target rate of 2%. Efficiencies that we have realised to date are valuable and a focus on value for money remains important particularly in times of cost pressures. We recognise these economic factors will also put pressure on our tenants, with rising inflation and an expected tightening of the job market impacting customers' ability to keep their rent accounts up to date.

5.6 Keeping rents affordable while managing the impact of inflation on our cost base will therefore be a key priority over the coming year and further operating cost efficiencies linked to improved working practices, asset growth and collaboration with service providers will be necessary to deliver additional value for money savings. In recognition of the impact on households we have retained our provision for a higher number of tenants moving onto Universal Credit and a resulting increase in rent arrears balances.

5.7 The Group has five distinct parts from a financial point of view:

(i) *the RSL Borrowing Group* – the aggregated financial position of GHA, Dunedin Canmore, Loretto Housing, West Lothian Housing Partnership and the entity that raises borrowing and lends to them, Wheatley Funding No.1 Ltd; this is by far the largest part of our group, with turnover of over £300m comprising around 75% of Group income;

(ii) *DGHP* – has 10,300 homes and turnover of £52m; at the moment it has its own loan facilities and covenants which are separate from those of the RSL Borrowing Group, although it is due to join this from April;

(iii) *Lowther Homes* – [redacted]

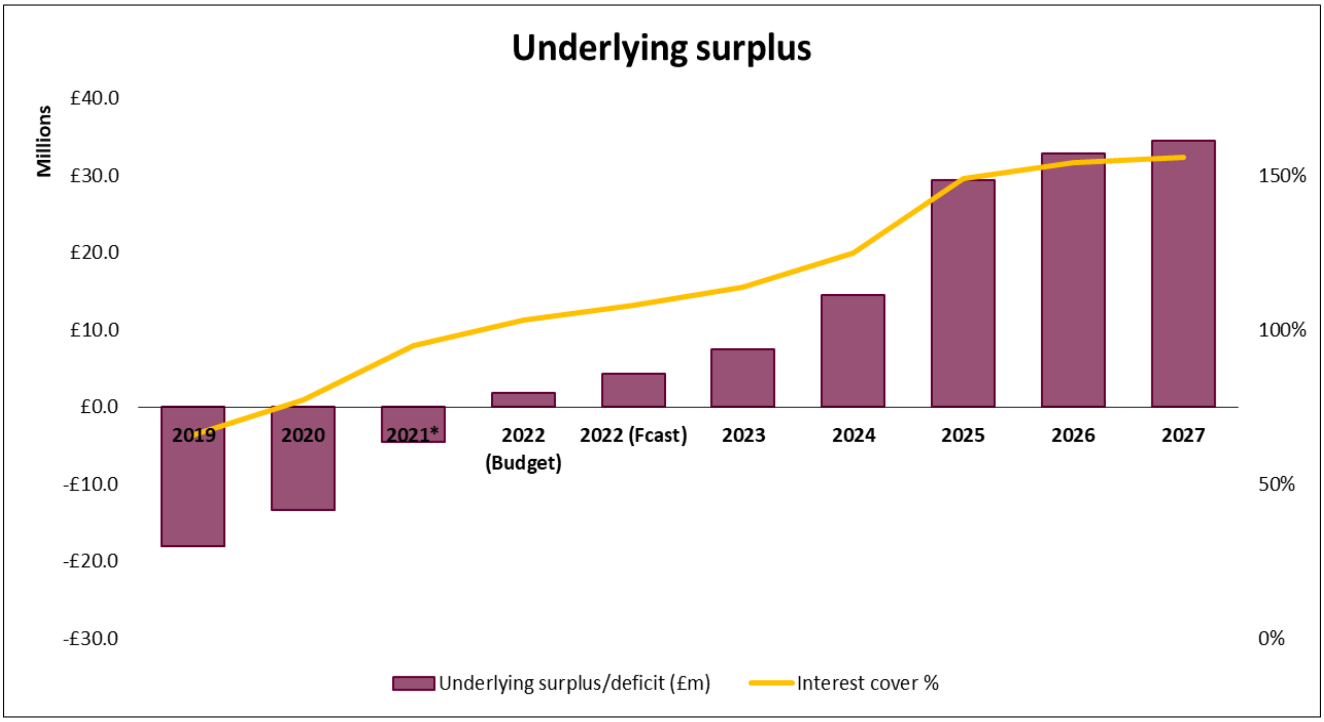
(iv) *Wheatley Care* – our Group care company; having officially changed its name in October 2021; with income of c£23m and no external debt; and

(v) *Wheatley Foundation* – receiving gift aid from Lowther Homes and raising external grant income. The Foundation delivers our community programmes such as employability, education and training and manages investment of over £5m a year.

5.8 These parts of the Group are supported by Wheatley Solutions, that provides corporate support services to each, as well as City Building (Glasgow), our 50% owned joint venture with Glasgow City Council that provides property repairs and improvement services, particularly to our west of Scotland RSLs.

5.9 The forecast for 2021/22 shows the RSL Borrower Group moving out of deficit into an underlying surplus position of £4m for the first time under normal trading conditions and from an underlying deficit position of £42m in 2016/17. Underlying surplus is defined as being able to pay for the management and maintenance costs of our properties, as well as our loan interest, from our rental and other income. This represents a major milestone for us and the projections show underlying surplus growing to £34m by year 5.

Figure 1: RSL Borrowing Group - underlying surplus



5.10 Our own "Financial Golden Rules" set out the parameters which we deem prudent in relation to minimum headroom over and above loan covenant levels. Several years ago, our lenders agreed a profile for the interest cover covenant that included a phased transition to underlying surplus and we will achieve that this year (2021/22). One of our Golden Rules is to maintain at least 25% (c£15m) of headroom over the interest cover covenant. Our approach will continue to balance affordable rent increases, a strong focus on ensuring cost efficiency, and resourcing our strategic ambitions and service model. Our assumed costs (other than the specific exceptions below for new build) reflect the provisions necessary to deliver this strategy.

5.11 Discussions with funders on admission of DGHP into the RSL borrower group and separately to increase our overall borrowing capacity are nearing completion. This additional capacity will allow our RSLs to develop up to 12,500 new homes over a ten year period and provide scope to demolish up to 2,000 unviable properties subject to further options appraisal. The detailed financial projections have been prepared based on the existing borrower group arrangements, with key financials presented for this growth plan separately in Appendix 1.

5.12 Partnership proposals to combine our East of Scotland RSLs have been agreed in principle and are likely to progress during 2022/23. This would see West Lothian Housing Partnership join Dunedin Canmore to form a single East of Scotland RSL within Wheatley, subject to a favourable ballot from West Lothian Housing Partnership tenants.

6. Discussion

6.1 Our strategy for 2021-2026, *Your Home, Your, Community, Your Future*, forms the basis of these financial projections. The detailed 2022/23 financial projections for the Group are provided in Appendix 2 of this report. The key elements under each theme of our strategy are set out below.

Delivering Exceptional Customer Experience

6.2 Our strategy seeks to deliver exceptional customer experience while maintaining affordable rent levels for our tenants. Our services will be delivered using a blended approach of face to face and digital, will be easy to access and feel seamless to customers. Our financial projections include funding to support:

- our new operating model which was launched in 2021/22 with the creation of our new 24/7 Customer First Centre. An additional £4.8m of funding has been set aside for an extra 110 staff FTEs, effectively doubling the customer service staff headcount compared to our previous Customer Service Centre model. These changes will allow us to support our customers in new ways and help resolve customer issues quickly and effectively and with the benefit of coordinating many of our larger scale electronic communications through text and secure messaging.

- ongoing funding of £4.0m per annum for the Wheatley 360 wraparound services which we introduced in 2018/19. Wheatley 360 provides additional support and services to our tenants such as housing and money advice, homelessness and customer support.

- continuing our commitment to the Community Improvement Partnership ("CIP") with the police and fire services with a provision of £2.1m per annum. These partnerships support communities across a number of areas, such as fire prevention, and dealing with anti-social behaviour and crime.

6.3 The key role that technology has in supporting our staff in delivering services has been recognised within our financial projections and in total, across the Group, provision has been made for investment in technology of £40.2m over five years. This contribution towards our digital transformation strategy will deliver:

- improved customer applications and services across mobile devices and websites (such as Home Comforts, Universal Credit and money advice, tenancy support services and digital access to housing staff for information and advice);

- improved digital and online repairs services with automated communications and improved access to services, trades and real time feedback channels; and

- housing service improvements such as the new environmental app, presented to the Board last year.

6.4 Subject to Board approval, an increase in social rents in April 2022 of 1.90% will be applied by our RSLs, with the exceptions of DGHP and former Barony tenants whose rents will increase by 2% in line with tenant ballot agreements, and all former Cube tenants whose rents will increase by 1%. This is in line with the consultations carried out with tenants, linked to partnership promises and as approved by all individual RSL Boards.

6.5 Ensuring rents represent value for money for our customers is a key strategic aim. Efficiency savings of £9.3m (excluding inflation) have been assumed to be achieved in management costs over the next five years as we continue to utilise our investment in technology and our new ways of working to deliver improvements to our customer experience.

Making the Most of our Homes and Assets

6.6 In 2022/23, we plan to invest around £75m in our existing properties, this is equivalent to £1,170 per property. City Building (Glasgow) will continue to play a key part in improving the quality of our customers' homes through its role as our delivery arm for repairs and investment work in the west and will have a key role in the delivery of DGHP's investment programme going forward. Pending finalisation of the City Building business plan, we have assumed the trade discount arrangement will be in line with the 2020/21 plan and will see at least £3.9m returned to the Group in 2022/23. In total, we plan to invest approximately £390m in improvements to our customers' homes in the first five years of the plan. Longer term investment provision includes funding work which will go towards meeting the Energy Efficiency Standard for Social Housing ("EESSH") mark 2 which requires, where practically possible, all properties to be bought up to EPC band B by 2032 in line with guidance published last year by the Scottish Government and the Scottish Housing Regulator. Over a ten year period the plan includes £100m for works to improve the energy efficiency of our properties and we will look to maximise the use of Scottish Government funding such as their £200m net zero heat fund to help support the delivery of our programme.

6.7 A key part of our strategy is to continue to develop quality affordable homes for people in the areas in which we operate and to regenerate communities. Within our 2021-26 strategy we originally set an aim of delivering 5,500 new homes by 2026. While this target will be revised down to 4,000 due to Covid and supply chain impacts, we still anticipate 618 new homes will be completed in 2021/22 with a further 490 in 2022/23. Over the next five year period from 2022 to 2027 our base case financial plan, which includes current funding arrangements, reflects the completion of 3,366 additional new build properties including 965 to be delivered by DGHP and 300 by Lowther Homes. Further details of the Group five year development programme are included separately on the Board meeting agenda.

6.8 Under the existing funding arrangements, the overall level of development has been limited by the RSL Borrower Group's "debt per unit" loan covenant. The changes to our RSL Borrower Group loan agreements include an increase in this covenant which will enable us in turn to increase our development programme. Our "growth" financial projections include provision for the delivery of up to 12,500 new homes over the ten year period to 2032, with 5,015 units assumed to complete over the first five years including 300 new Lowther homes.

6.9 Our base case development plans for 3,366 properties is assumed to be supported by £255m of grant income. Following the Scottish Government's commitment to increase funding for new housing to £3.3bn over this parliamentary term, the benchmark grant levels have been increased and provide a mechanism for additional funding for low carbon elements. Grant levels are to be reviewed annually as costs of incorporating low carbon systems in new homes become more widely available.

Changing Lives and Communities

6.10 Wheatley Care has been providing the Group's care service for almost two years since the merger of care activities of Loretto Care and Barony Housing Association in 2020.

6.11 The Care sector continues to be challenging and through 2021/22 has dealt with the continuation of COVID-19, budgetary pressures across Health and Social Care Partnerships ("H&SCP"), as well as an unbudgeted 5.47% increase to the hourly rate for social care staff announced in December 2021 to £10.02 following the Scottish Government's winter preparedness payment. This was the first time a mid-year increase had been announced.

6.12 The Board agreed to a strategic review of care activity in December and this will be reported back to the April meeting. The financial projections for Wheatley Care may therefore be subject to change in light of the outcome of this review. However, in the interim, the projections assume that Wheatley Care will continue to generate surpluses over the five year period as shown in Table 1 below.

Table 1 – Wheatley Care Income Statement

	2022-23 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s	2026-27 £000s
Income	**22,837**	**23,243**	**23,737**	**24,254**	**24,754**
Expenditure					
Staff	(17,864)	(18,235)	(18,586)	(18,980)	(19,372)
Overheads	(3,402)	(3,461)	(3,570)	(3,666)	(3,759)
Group recharge	(1,440)	(1,462)	(1,491)	(1,522)	(1,549)
Total Expenditure	**(22,705)**	**(23,158)**	**(23,647)**	**(24,167)**	**(24,681)**
Surplus	**131**	**84**	**90**	**87**	**73**

6.13 In addition to Care services, the financial projections demonstrate our commitment to changing the lives of our tenants and the wider communities in which we operate. The projects include assumptions on:

- Maintenance of the Wheatley Care Tenancy Support Service with a contribution of over £1.6m per annum from the RSLs.

- The continued delivery of wide ranging support by the Wheatley Foundation to customers across the group including in the key areas of poverty and inclusion, and employability. This is enabled by £1.9m of annual gift aid from Lowther Homes and contributions of £3.3m from the Group RSLs and external fund raising. Overall funding available to deliver support is projected to be £5.1m in 2022/23.

- Extending the commitment for the Helping Hand Fund of £0.6m per annum for three years until 2023/24. This fund provides assistance to our tenants experiencing financial difficulty and can support with help towards utility bills, the purchase of food or can help tenants struggling with rent arrears, particularly relevant in relation to the wider roll out of Universal Credit. From 2022/23 the Helping Hand Fund will be delivered by the Wheatley Foundation with staff able to access it on behalf of customers in the same way.

Developing our Shared Capability

6.14 Our new Customer First Centre will build on the changes we put in place to deliver services using a blended approach of face to face and virtual engagement with our customers. Over the next five years, we will continue to invest in our staff to ensure they have the exceptional skills, attitude, engagement and influence to excel in this new hybrid working environment. Our financial plan helps fund a continued focus on staff development in a technology enabled workplace and in our leadership and graduate programmes.

6.15 Our financial projections include a provision of £40.2m for investment in IT to deliver our digital transformation programme over the period of the strategy. In addition to delivering improvements in services for customers this investment, combined with planned investment in premises and service facilities (such as repairs/environmental services depots, local staff/community hubs, concierge stations and touchdown points), will be key to our new operating model.

6.16 Following the completion of our first new hub at Wheatley House, we have included £10.5m in our projections for the completion of our new corporate hub strategy across the rest of the Group. As well as investment in our new hubs, the plan includes a separate amount of £2.5m for the upgrading of operational services points and depots.

6.17 The office accommodation strategy was approved in October 2020 and the overall project provided a 30 year IRR of [redacted]% which compared favourably with our target [redacted]% IRR on new build projects. To date we remain within the approved spend levels, however the scope of works has been updated as plans for specific locations have been developed in more detail and includes the retention and refurbishment of Lipton House as a hub for the Customer First Centre; a change from our initial plan to dispose of the building; and also inflationary increases in the price of materials. The IRR on the updated programme is [redacted]% remaining above our new build target of [redacted]% and approval for the revised office accommodation programme is sought as part of the approval of these financial projections.

Enabling our Ambitions

6.18 To achieve our strategic ambitions, we need to ensure the Group has sufficient funding arrangements in place to support our objectives and we remain compliant with our loan covenants. In June 2021, the RSL Borrowing Group drew the remaining £28m from the £185m long term EIB arrangement put in place in 2018/19, which gave the RSLs access to sufficient cash balances to fund our development activities over 2021/22 without the need to draw down any additional external funding.

6.19 DGHP currently has separate funding arrangements with facilities from [redacted] totalling £224m. The projections presented in Appendix 2 have been prepared on this existing basis. We are optimistic of formally concluding new arrangements which would allow DGHP to join the RSL Borrower Group from 1 April 2022 along with an increase in our debt per unit covenant. The additional financial capacity this brings to the RSL borrower group would allow us to increase the number of new build properties developed up to 12,500 over the next ten years and also provide scope for demolition of up to 2,000 financially unviable properties in Glasgow and Dumfries and Galloway. The base case projections have been prepared under the existing borrower group structure, however we have also provided more details of our "growth" plan within Appendix 2 illustrating the effect of the new arrangements with the associated "growth" plan covenant and golden rules measures set out in Appendix 1.

6.20 We set and annually review, Financial Golden Rules, which set parameters for the financial position of our RSL Borrower Group (and which would apply to DGHP too). These Golden rules ensure we maintain sufficient liquidity and headroom within our cash and covenant positions.

6.21 In recognition of the growth in new build and borrowing as a result of the funding changes we are proposing an amendment to the debt level policy. Our current golden rule of a minimum £50m headroom on the debt per unit covenant does not take into consideration the increase in the size of the borrower group and debt levels with the addition of DGHP and increased development programme. We are therefore proposing to link the golden rule to the size of the borrower group by setting a maximum debt per unit of £1,000 below the covenant level.

6.22 The Golden Rules including the proposed amendment are as follows:

RSL Borrower Group Golden Rules	
Liquidity	• Retain enough immediately available funds (i.e. free cash and secured undrawn debt capacity) to always meet our cash requirements for the next 2 years • Contracted development + 25% to be covered by cash and available facilities (whichever is the higher)
Gearing	• Not to exceed 70% (debt/property asset value on EUV-SH basis) • Minimum of £1,000 headroom to debt per unit covenant (the maximum debt level is determined by whichever is the lower)
Interest cover	• Always minimum 25% cover over the covenant level

6.23 The funding structure has been developed to ensure that sufficient liquidity is maintained to meet our Golden Rules. Our cashflow projections show the RSL borrower group having sufficient cash and available on-demand loan facilities to maintain headroom over and above the projected debt requirements and maintaining the Golden Rule for the next two to three years.

Group Financial Projections

6.24 The Group financial projections are set out in Appendix 2 together with the Group Statement of Comprehensive Income and Group Statement of Financial Position respectively.

RSL Borrower Group (existing)

6.25 The RSL activities within the Group, with the exception of DGHP, are ring fenced from the wider commercial activities and separate consolidated ‘RSL Borrowing Group’ accounts are prepared to support the funding in place. These are also shown in Appendix 2.

6.26 A continued focus within the RSL Borrowing Group remains cash generation capacity and the generation of sufficient operating margin and asset cover to support the level of borrowings. When considering our position, we look to the amount of cash that the business generates from its operations, remove non-cash accounting adjustments such as depreciation and new build grant recognised, and deduct the costs to maintain our properties. This calculation measures earnings after taking account of the investment expenditure needed to maintain the revenue generating assets and is defined as EBITDA-MRI. The measure reports the cash earnings from the business available to pay interest costs. This is now the principal measure used in the UK social housing sector to assess ongoing financial sustainability.

6.27 Table 2 below presents the EBITDA-MRI profile for the RSL Borrowing Group (existing funding) mapped against our interest costs.

Table 2: RSL Group EBITDA-MRI projections [redacted]

6.28 We anticipate breaking-even on an underlying EBITDA MRI measured against interest costs in 2022/23, with cover improving year on year as new build properties generate rental income to pay interest costs on borrowings.

Dumfries and Galloway Housing Partnership

6.29 The existing standalone funding arrangements in place for DGHP were refinanced in 2019 with a combined £224m facility in place with [redacted] Similar to the RSL Borrower Group, the EBITDA – MRI measure is also important for DGHP in understanding the strength of cash generation in the business available to pay interest on loans.

6.30 Table 3 shows the EBITDA-MRI profile for DGHP compared against interest costs on its own funding arrangements:

Table 3: DGHP EBITDA-MRI projections [redacted]

6.31 Due to the high level of investment assumed in existing homes in the first year, EBITDA – MRI is insufficient to cover interest costs. From 2023/24, investment reduces and there is sufficient cash generated to cover both investment in existing stock and funding costs.

<u>Covenants and Golden Rules</u>

6.32 The funding covenants for the RSL Borrowing Group and DGHP are presented in detail within Appendix 1 and all covenants and golden rules are met. This is the case for both the base case with DGHP remaining separate from the rest of the RSLs and for the Growth Plan with DGHP joining the borrower group arrangements and the increase to the new build and demolition programmes.

6.33 We have stress tested covenant and golden rule compliance and these are contained in the detailed sensitivity analysis set out in Appendix 2. This shows that the forecasts are resilient to a wide range of potential scenarios. In line with previous years, we have also included a list of potential mitigating actions in the appendix. These may form part of our response in the event of adverse conditions arising.

<u>Lowther</u>

6.33 [paragraphs 6.33- 6.36 redacted]

7. Digital transformation alignment

7.1 The financial projections include the funding required to support the delivery of our digital strategy.

8. Financial and value for money implications

8.1 The top three priorities in our Group Value for Money Framework are repairs, home improvements and 24-hour customer service (in particular to vulnerable customers). These have been prioritised in our spending plans with investment in our new "Customer First Centre", our new flexible operating model and the planned creation of community-based centres of excellence following on from the opening of the new Wheatley House hub.

8.2 Allocations for repairs and investment continue to be at the core of our financial projections with £100m of funding included to meet EEESH mark 2 standard by 2032. Through our "in house" services in Dunedin Canmore and DGHP and the close working relationship with our City Building joint venture we remain focussed on improvements to the customer journey, utilising technology to align our services and modernise the delivery of the repairs service across the Group.

8.3 Our frontline housing model, NETs team and the Wheatley 360 wraparound service remain key elements of our service provision with tenants now able to access these services group-wide following a successful launch of our in-house NETs service, CIP and Wheatley 360 to Dumfries and Galloway tenants during 2021/22. Support for vulnerable customers is prioritised through our Wheatley Foundation, Tenancy Support Service, and our expanded Livingwell offer for older customers. As more tenants transfer onto Universal Credit in the coming years, we have continued the Helping Hand Fund provision for three further years until 2024/25, the Wheatley Foundation will also continue to provide money and welfare benefits advice to customers affected.

8.4 The updated financial projections, once approved, will set the overall borrowing framework for 2022/23. The figures in the first year of the projections will form the basis of the annual budgets which will be presented to the RSL subsidiary Boards for approval in March. Performance against these budgets will then be monitored through the normal course of Board reporting cycles.

9. Legal, regulatory and charitable implications

9.1 The RSL Borrowing Group Financial Projections will be submitted to WFL1 funders for information only. DGHP's Financial Projections will be submitted to their funders subject to DGHP joining the RSL Borrower Group. WFL2 funders will receive Lowther Homes Financial Projections.

9.2 The Wheatley Group Financial Projections will also be submitted to the credit rating agency (Standard and Poor's) ahead of their annual credit review of the Wheatley Group, expected to take place in April.

10. Equalities implications

10.1 There are no equalities implications arising from 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 requested to:

1) approve the updated projections for investment in assets and services in support of our strategy, *Your Home, Your Community, Your Future*;
2) approve the RSL Borrower Group financial Golden Rules set out at paragraph 6.21 of this report;
3) approve the financial projections for each of the subsidiaries attached;
4) approved the revised office accommodation programme;
5) agree that the projected 2022/23 figures form the basis of next year's annual budgets for each subsidiary and the Group overall.

LIST OF APPENDICES

Appendix 1 - [redacted]
Appendix 2 – WHG 2022/23 Financial Projections
Appendix 3 – GHA 2022/23 Financial Projections
Appendix 4 – WLHP 2022/23 Financial Projections
Appendix 5 – Loretto Housing 2022/23 Financial Projections
Appendix 6 – Dunedin Canmore 2022/23 Financial Projections
Appendix 7 – DGHP 2022/23 Financial Projections
Appendix 8 – Wheatley Care 2022/23 Financial Projections
Appendix 9 – [redated]
Appendix 10 – Wheatley Solutions 2022/23 Financial Projections
Appendix 11 – Wheatley Foundation 2022/23 Financial Projections

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Wheatley Housing Group

2022/23 Financial Projections

Index

1. Strategic context

External environment	Customer priorities
• ***UK economy*** – facing a challenging period of high inflation, with CPI at 5.5% in January 2022 and expected to rise further. Pressure on our cost base and on customer incomes. • ***Welfare reform*** – Implications of the wider roll out of Universal Credit to new claimants. • ***Government support for housing in Scotland*** continues despite pressure on resources. Commitment to £3.3bn of grant funding over current parliamentary term.	• ***Affordable rents*** – rising inflation and an expected tightening of the job market will impact on household incomes and affordability of rents. • ***Safe and well maintained homes and neighbourhoods*** – increasing references to antisocial behaviour in customer feedback highlights need to maintain concierge presence and CIP funding. • ***Quality of services*** – customer feedback sights quality of service as key priority, particularly in relation to the NETS and repairs service. • ***Efficient use of resources*** – getting things right first time seen as key to getting value for money for the rent they are paying.
Financial sustainability	**Key challenges**
• ***Credit rating & funding relationships –*** maintaining our credit rating and credibility with investors will require us to deliver our planned financial results including operational efficiency savings • ***Surplus generation*** – the group needs to deliver planned savings in order to maintain a sustainable level of interest cover headroom. • ***Debt servicing and compliance*** – group funding arrangements allow operational flexibility but set clear financial parameters which need to be met going forward (e.g. financial covenants).	• ***Ongoing investment in services*** – increased use of technology and services designed to meet customer needs. • ***Operational performance*** – continued focus on performance improvement key to financial stability and becoming best in class. • Mitigating the risk of increased rent arrears due to **Universal Credit** and other welfare benefit changes together with real reductions in household incomes • Making resources available for ***additional capital investment, in particular to meet the Energy Efficiency Standard v2 whilst keeping rents affordable***

2. Wheatley Housing Group

The financial projections for the Wheatley Housing Group have been developed based on the detailed projections prepared for each of the subsidiaries within the Group. Assumptions used are therefore specific to each subsidiary with the exception of general economic assumptions such as inflation which are common to all companies.

The following projections are comprised of all companies within the Group and reflect funding arrangements as at February 2022 for the Group RSLs.

Financial Projections – next 5 years

Statement of Comprehensive Income

£000s	2022-23	2023-24	2024-25	2025-26	2026-27
Turnover	**394,316**	**409,303**	**450,554**	**474,972**	**455,908**
Operating Costs	(320,075)	(324,232)	(325,070)	(334,908)	(342,468)
Other Income & Gains	(4,639)	(18,874)	(16,245)	(8,530)	(3,989)
Operating Surplus/(Deficit)	**69,602**	**66,197**	**109,239**	**131,534**	**109,450**
Operating Margin	*18%*	*16%*	*24%*	*28%*	*24%*
Gain on Sale of Fixed Assets	275	8	0	0	0
Net Interest Payable	(66,155)	(67,743)	(71,101)	(74,426)	(77,823)
Surplus/Deficit before Tax	**3,723**	**(1,538)**	**38,138**	**57,108**	**31,627**
Tax	(214)	(377)	(434)	(435)	(558)
Surplus for the Year	**3,508**	**(1,915)**	**37,704**	**56,673**	**31,069**
Movement in Housing Valuations	1,105	60,527	17,808	12,723	55,087
Comprehensive Income	**4,614**	**58,612**	**55,512**	**69,396**	**86,156**

Turnover

As a result of accounting rule changes from April 2015, grant income is recognised as part of turnover in the projected Statement of Comprehensive Income. Under the previous method of preparing accounts, grant income was accounted for in the Balance Sheet within fixed assets. Grant funding is recognised as income upon completion of the properties resulting in a high turnover in years where a higher number of properties are completed.

Underlying turnover, excluding grant income, is forecast to increase by 17% over the period from £355m to £415m primarily as a result of projected growth in stock numbers and rental increases.

Operating Expenditure

Operating costs are projected to reduce in real terms over the next three years as a result of efficiencies in employee and running costs generated from our investment in technology and new ways of working. Costs in the initial years are also higher as a result of short term one off costs such as demolition costs and initiatives. Provisions for the impact of the current high rates of inflation on our cost base, such as a forecast 60% increase in utility costs and an increase in reactive repair costs, are also reflected in the 2022/23 operating costs. From year 3 operating costs remain relatively stable with some small fluctuation due to organisational restructure costs. The movement in operating costs in real terms is demonstrated in the table below.

	2022-23	2023-24	2024-25	2025-26	2026-27
Operating Cost*	£320m	£315m	£306m	£308m	£307m

**Adjusted to exclude inflation*

Other Income and Gains

This includes projected gains on revaluation of investment property. The movements reported primarily reflect forecast movements in the value of the RSL and Lowther owned mid-market rent properties with the variation due to number of properties completing in year and the assumed value versus cost of construction.

Operating Surplus

Due to the inclusion of grant income and valuation adjustments on investment properties, the operating surplus is forecast to fluctuate over the five year period. Excluding the impact of the recognition of new build grant income and valuation movements, the operating surplus is projected to increase from £34.5m in 2022/23 to £72.5m in 2026/27. This is equivalent to an increase in operating margin from 10% to 17% and is driven by increasing rental income and a continued focus on delivering a cost efficient customer offering.

Funding Costs

While the current group funding arrangements and low variable interest rates have reduced the average cost of borrowing across the group, overall funding costs are assumed to increase over the period as a result of the additional borrowing required to fund the planned development programme together with expected increases in the variable rate.

Surplus for the Year

Overall it is expected that the group will generate a surplus before housing valuation movements of £4.6m in 2022/23. This is projected to increase over the five year period to £86.2m due to increases in turnover as a result of increasing property numbers, rent increases and efficiency savings achieved on operating expenditure.

Statement of Financial Position

	2022-23	2023-24	2024-25	2025-26	2026-27
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Housing & Investment Properties	2,829,281	2,975,954	3,093,252	3,168,517	3,261,246
Other Fixed Assets	75,913	79,281	78,323	75,714	74,747
Total Fixed Assets	**2,905,194**	**3,055,235**	**3,171,575**	**3,244,231**	**3,335,993**
Debtors Due < 1 year	45,726	45,339	44,328	44,350	44,182
Cash	58,998	45,922	28,420	27,745	27,421
Creditors Due < 1 year	(168,668)	(181,190)	(180,949)	(138,579)	(126,508)
Net current assets/(liabilities)	**(63,944)**	**(89,928)**	**(108,202)**	**(66,484)**	**(54,905)**
Loans – Bank & Bond	(1,561,761)	(1,625,053)	(1,665,351)	(1,707,962)	(1,722,665)
Loans - SG	(44,744)	(46,911)	(49,184)	(51,566)	(54,064)
Provisions for liabilities & charges	(7,892)	(7,876)	(7,860)	(7,844)	(7,828)
Pension Liability	(5,386)	(5,386)	(5,386)	(5,386)	(5,386)
Long Term Liabilities	**(1,619,783)**	**(1,685,226)**	**(1,727,780)**	**(1,772,759)**	**(1,789,943)**
Net Assets	**1,221,468**	**1,280,080**	**1,335,592**	**1,404,989**	**1,491,144**
Capital & Reserves	**1,221,468**	**1,280,080**	**1,335,592**	**1,404,989**	**1,491,144**

Fixed assets and investment properties

Over the five year period the value of housing and investment properties are forecast to increase by £500m (18%). This is due to the additional 3,366 new units forecast to be completed over the period in addition to the capital investment programme.

Net Current Assets / (Liabilities)

Debtors due within a year are assumed to rise in year 1 due primarily to assumed increases in rent debtors to provide for potential impact of the managed migration of all working age tenants receiving legacy benefits to Universal Credit which has been deferred due to Covid-19. It also provides for the impact of inflation on tenants' incomes and other welfare reforms. In later years a small reduction in rent debtors has been projected as tenants adapt to the new benefit system.

Under the current accounting rules for housing assets, grant received in respect of new build is recognised within the Statement of Financial Position as deferred income and included within short term Creditors while under construction. On completion it is transferred to the Statement of Comprehensive Income. The relatively high level of short-term creditors and fluctuations from year to year are the result of both the scale and completion profile of our development programme.

Long Term Liabilities

Bank and bond funding is expected to increase by £212m over the period as a result of the additional borrowing required to fund the development programme. Loans from SG includes the repayable grant received from the Scottish Government. This is reported at fair value which increases year on year until repayment is due. Other long-term liabilities are assumed to remain relatively constant over the period.

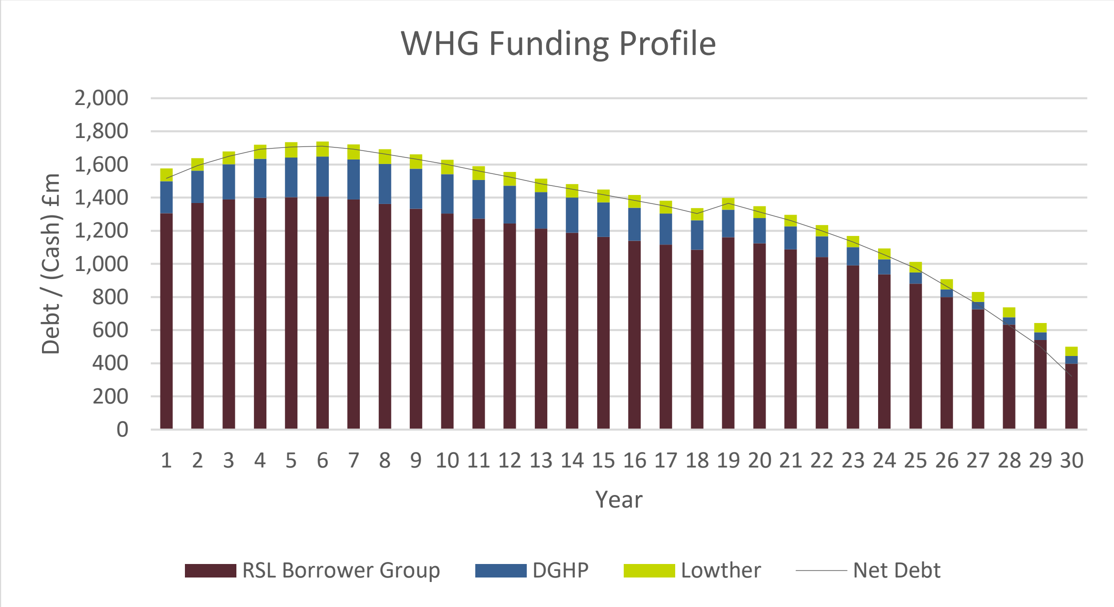
Net Assets

Net Assets are expected to increase over the five year forecast period as a result of growth in housing properties and increasing surpluses from operating activities.

Funding and Key Financial Ratios

The table and graph below shows the key funding indicators for the group as a whole as well as each of the individual borrowers.

	WHG Group		RSL Borrowing Group		DGHP		Lowther Homes	
Gross Peak debt (£/year)	£1,738.5m	6	£1,405.5m	6	£241.5m	6	redacted]	redacted]
Net Peak debt (£/year)	£1,715.3m	6	£1,390.5m	6	£236.5m	6	redacted]	redacted]



This shows that WHG's cash flows can support the projected borrowing requirement, incorporating additional asset growth funded from planned funding.

The following sections give more details of the assumptions for the subsidiaries.

3. RSL Borrowing Group (Current Funding Arrangements)

Background/Assumptions

As at February 2022, the RSL borrowing group includes all of the RSLs within the Group with the exception of Wheatley Housing Group and Dumfries and Galloway Housing Group (DGHP). While DGHP became a member of the Wheatley Group in December 2019, they currently have separate funding arrangements. It is anticipated however that, subject to consents from lenders, DGHP (and DGHP3) will join the borrower group on 1 April 2022. As amended legal agreements are still to be finalised, the financial projections for both the RSL Borrower Group and DGHP have been prepared on the basis of existing arrangements. The following assumptions therefore relate to the existing borrower group only, with DGHP's assumptions and financial projections set out in Section 4. Financial projections for the RSL Borrower Group including DGHP – our growth plan – are reported in Section 5.

<u>Stock numbers</u>
Between them GHA, WLHP, Loretto Housing and Dunedin Canmore Housing (DCH) currently own or manage approximately 51,540 properties for social rent, 1,140 mid market rent houses, which are leased to Lowther Homes, and 370 shared ownership or shared equity properties. In early 2021, tenants of Cube Housing Association were consulted on a proposed transfer of their tenancies to GHA and Loretto and, following a successful ballot, 2,700 properties transferred to GHA in April 2021 with the remaining 1,000 homes transferred to Loretto in June of that year.

Of the 51,540 social housing units there are 600 properties which are assumed for demolition. These relate to four 26 storey blocks in the Wyndford estate, which transferred to GHA from Cube in April 2021, and are linked to the proposed wider regeneration of the area. There are a further 128 properties which were owned by GHA, primarily at Gallowgate, where demolition is currently in progress. These were handed over to the contractor in 2021/22 and are therefore excluded from the opening stock

The projections do not assume any significant disposal of housing properties with the exception of a small number of supported accommodation properties previously owned by Barony. The projections assume that 28 properties which are now owned by Dunedin Canmore following the transfer from Barony will be sold over the first two years. These properties do not allow for tenants residing in the accommodation to live independently and a disposal and re-provisioning strategy was approved previously by the Barony Board.

While properties will be lost in the next three years as a result of demolition and disposals, the plan projects an overall increase in social housing units as a result of our development and acquisition programme. Site closures and changes in working practices resulting from the Covid-19 pandemic delayed delivery of our programme in 2020/21 however the programme is now progressing well and it is anticipated that 387 new homes for social rent will have been delivered in the year to March 2022. Over the first five years, an additional 1,394 new properties for social rent will be completed as part of this programme with a further 455 in the period to 2028/29. This will be funded from available cash, use of our committed RCFs and will be supported by Scottish Government grant funding. Combined with individual acquisitions, the overall development programme is expected to deliver 1,402 additional social housing properties over the next five years (including 8 acquisitions).

The 1,142 mid-market rent properties forecast to be owned by the RSLs in April 2022 reflect the completion of 194 new units during 2021/22. Over the next five years it is projected that a further 707 properties will be completed, funded from existing loan facilities and supported by Scottish Government grant funding. No additional sales have been built into the projections so by the end of 2026/27 it is forecast that 1,849 mid-market rent properties will be owned by the RSLs. In line with existing arrangements, these will be leased to and managed by Lowther Homes. The table below shows the forecast movement in housing stock by tenure over the first five years:-

	Year 1 2022-23	Year 2 2023-24	Year 3 2024-25	Year 4 2025-26	Year 5 2026-27	Total Years 1-5
Social Housing						
Opening Stock	**51,544**	**51,694**	**51,491**	**51,712**	**52,064**	**51,544**
New Build / Acquisitions	313	262	221	352	254	**1,402**
Demolition / Disposal	(163)	(465)	0	0	0	**(628)**
Closing Social Housing Stock	**51,694**	**51,491**	**51,712**	**52,064**	**52,318**	**52,318**
Mid Market Rent						
Opening Stock	1,142	1,288	1,474	1,660	1,824	**1,142**
New Build	146	186	186	164	25	**707**
Closing MMR Stock	**1,288**	**1,474**	**1,660**	**1,824**	**1,849**	**2,400**
Shared Ownership						
Closing SO/SE Stock	**370**	**370**	**370**	**370**	**370**	**370**

Income

Rental income represents on average 94% of the RSL borrowing group's turnover (excl. development grants). Rental income has been estimated based on current average weekly rents adjusted for agreed rent increases to be applied in April 2022. The April 2022 general increase approved by all subsidiary boards was 1.9%. In line with ballot commitments to tenants, the rent increase for ex Cube tenants in April 22 will be 1%, and ex Barony tenants will be 2%. April 2022 marks the final year of our rent cap for ex Barony tenants, rent increases will remain capped at 1% for ex Cube tenants until April 2024.

In the following two years, increases have been assumed at 3.7% each year with this reducing to 3.5% in April 2025 and 2.9% per annum thereafter. These increases are higher than in last year's projections to mitigate against the impact of the current high levels of inflation. Due to concerns around comparability of rents in the east to other local providers our projections reflect a lower increase of 2.5% for the next two years in Dunedin Canmore and West Lothian Housing Partnership. Future rent increases will be reviewed at the time and may be reduced, in particular in the event that inflation is lower or additional efficiency savings can be found. Rent increases will always be subject to consultation with tenants each year. The rent growth assumptions are shown in the table below:

Rent Increase	2022-23	2023-24	2024-25	2025-26	2026-27	2027 on
General	1.9%	3.7%	3.7%	3.5%	2.9%	2.9%
Ex Cube	1.0%	1.0%	3.7%	3.5%	2.9%	2.9%
DC/WLHP	1.9%	2.5%	2.5%	3.5%	2.9%	2.9%

Gross rental income will be reduced by voids, bad debts and arrears. Void loss during 2020/21 of 1.3% was higher than in previous years, primarily due to backlog voids which built up during the spring 2020 lockdown restrictions and the impact of social distancing requirements on letting activity later in the year. As restrictions have eased and backlog voids have cleared there has been an improvement in performance and in the year to December 2021 voids are 1.0%. While performance is improving, the assumptions in the financial projections reflect an increase compared to historical performance to provide for the impact of further restrictions combined with the potential impact of welfare reforms. Similar provisions have been made in both the rent arrears and bad debt assumptions. The table below shows the assumed average percentage of rent lost across the group's lettable stock.

Performance	2022-23	2023-24	2024-25	2025-26	2026-27
Voids	1.6%	1.6%	1.6%	1.2%	1.2%
Bad Debts	1.9%	1.9%	1.9%	1.9%	1.9%

Where properties have been assumed for demolition, rent loss from voids has been estimated based on anticipated clearance times.

A provision has also been made for an increase in arrears of £2m over the first two years of the projections to allow for the potential impact of Universal Credit and other benefit changes. This is equivalent to an increase in arrears as a percentage of rental income assumed from 4.46% in 2021/22 to 5.10% in 2022/23 and reflects our experience of tenants who have already moved onto Universal Credit and expectations going forward.

In addition to rental income from social housing, the RSL group receive income from a number of other sources including lease income from mid-market rent properties managed by Lowther Homes, commercial properties and office rents as well as the provision of additional services such as heating and furnished lets.

<u>Operating Expenditure</u>

Management costs
During 2021/22, we implemented our new operating model with the introduction of flexible, agile based working, using technology to enable staff to work from any location and respond to changing customer demands. Employee costs for 2022/23 reflect the current staffing structure including maintaining small housing officer patch sizes and our Wheatley 360 model which co-ordinates a number of teams including our housing advice and furnished lets teams and community improvement partnership through a single Group wide structure. The 1.25% increase in the National Insurance rate from April 2022 has been included within salary costs, together with allowances made to agile home-based workers. Taking into consideration the current high inflation rates, pay increases of 3.5% have been assumed in 2022/23 with this reducing to 2.5% in 2023/24 and 2% each year thereafter.

As part of the move to the new operating model, the first of our new office hubs for staff at Wheatley House was opened during 2021/22 and plans are progressing to create further community-based centres of excellence where our customers and staff can meet to work, share their learning and engage effectively together. Substantial savings have already been generated over the last two years from the new operating model, including rationalisation of our office accommodation, and further savings are expected to be realised over the next five years. These savings will go some way to offsetting the impact of the current high inflation on our cost base while allowing the Group to keep rents affordable for tenants.

During 2021/22, we also launched our new 24/7 “Customer First Centre” with additional investment of £4.8m per annum to fund 110 extra staff FTEs, doubling the headcount compared to the previous CSC. This new approach will support our customers in different ways, providing proactive support to help resolve customer issues at first point of contact. The additional resources within the Customer First Centre are reflected in an increased recharge to the RSLs from Wheatley Solutions. Efficiency savings of £6.7m have been assumed in employee costs over the five year period across both the RSLs and Solutions. These will be realised through the utilisation of our investment in technology and new ways of working.

The table below shows the profile of employee costs, running costs and group recharges over the first five years including assumed inflation and pay uplifts.

£000s	2022-23	2023-24	2024-25	2025-26	2026-27
Employee Costs					
– Direct RSL	42,589	41,351	39,830	40,627	40,684
– Solutions Recharge	18,144	18,598	18,970	19,349	19,158
Total	**60,733**	**59,949**	**58,799**	**59,975**	**59,842**
Running Costs					
– Direct RSL	12,441	12,777	12,398	12,265	12,694
– Solutions Recharge	11,719	11,858	11,814	12,098	12,401
Total	**24,160**	**24,635**	**24,212**	**24,363**	**25,095**

In order to deliver the planned savings a provision of over £14m has been included over the five year period for organisational restructure costs including early retirement and voluntary redundancy (ER/VR) payments. This will include payments in respect of ER/VR for Wheatley Solutions staff who, while seconded to Solutions, are employed by the RSLs within the Group. As employer the relevant RSL will be responsible for any costs associated with ER/VR.

Repairs and Maintenance

The repairs service has been identified as one of our top drivers of value for money perceptions among customers. One of our key strategic priorities is therefore to continue to provide an excellent repairs service which meets customer expectations, protects our assets and fully complies with all current and future safety standards and regulatory requirements.

In recognition of the higher volume of repairs we have experienced since Covid restrictions were removed, as well as to cover the risks associated with the current cost of materials, we have increased the provision for repairs in 2022/23.

The table below shows the average cost per unit (£) assumed for repairs and maintenance including inflation.

Repair cost per unit	2022-23	2023-24	2024-25	2025-26	2026-27
Reactive	470	474	486	495	507
Cyclical	421	412	408	420	475

The average cost per unit for reactive repairs of £470 in 2022/23 reflects an increase of £27 per unit (over 6%) compared with the provision in the 2021/22 Financial Projections for the same year. This is assumed to increase year on year as inflationary increases offset assumed efficiency savings from increased new build and demolition. To mitigate against the impact of inflationary increases across the business we have rephased non-essential cyclical repairs resulting in a reduction in the cost per unit in Years 2 and 3.

Operational efficiencies continue to be assumed in the west of Scotland through closer collaboration with our joint venture entity City Building (Glasgow) LLP however these efficiencies will enable us to continue making improvements to the service, delivering more for our customers. Pending finalisation of City Building Glasgow’s Business Plan a discount of £3.9m for 2022/23 has been assumed in line with the 2020/21 business plan. City Building’s plan projected an increase in the discount on repair costs achieved compared to the targets agreed when the joint venture was established as a result of efficiency savings achieved over the last two years and increased work from DGHP.

Demolition Costs

Over the first three years our financial projections include a provision of £9.2m for the costs associated with demolition. This includes the physical demolition cost, site security and home loss and disturbance payments made to tenants. These costs relate primarily to the 600 properties to be demolished within the Wyndford estate as part of the wider regeneration of the area. As this site will be redeveloped we have assumed that £7.7m can be capitalised as part of the site preparation costs for the planned new homes.

Other Provisions

The financial projections include a commitment to invest in the communities in which our tenants live and funding to help tenants who are struggling in the current economic climate. Over the next five years the RSL Borrowing Group financial projections include provisions for the following:

- The interest due to GHA on its £30m convertible loan will be paid directly to the Foundation as GHA's contribution towards its activities. Combined with direct donations to the Foundation of around £800k per annum, this will support projects and initiatives including educational attainment, tackling poverty, social inclusion, employability, sports and arts which will benefit tenants across the Group. From 2022/23, the Helping Hand Fund which was put in place to assist those in financial difficulty, particularly those moving in and out of employment or whose benefits are affected by the introduction of Universal credit will also be delivered through and funded by the Wheatley Foundation. The additional interest assumed to be received in relation to a £15m increase in GHA's loan to Lowther will also be redirected to the Foundation and will replace direct donations by the RSLs.
- £1.6m per annum for tenancy support services provided by Group subsidiary Wheatley Care
- £2.1m each year to fund our community improvement partnership with the police and fire service as well as the wider cost of the service

Operating Cost per Unit

The table below shows operating expenditure excluding inflation and depreciation and average stock

	2022-23	2023-24	2024-25	2025-26	2026-27
Operating Expenditure	**147,789**	**141,928**	**131,421**	**133,109**	**132,601**
Average Stock (Social)	51,619	51,593	51,602	51,888	52,191
Operating Cost per Unit	**2,863**	**2,751**	**2,547**	**2,565**	**2,541**

This shows that over the five year period operating cost per unit reduces by 11.3% in real terms. This is due to the significant efficiency savings assumed in management costs coupled with the growing stock base through our new build programme.

Investment & Growth

Capital investment programme

Significant investment in our housing properties has been completed over the past few years with all of our stock meeting or exceeding current housing quality and energy efficiency standards. In 2020, the Scottish Government and the Scottish Housing Regulator published guidance on the achievement of the Energy Efficiency Standard for Social Housing (“EESSH”) mark 2 which requires, where practically possible, all properties to be brought up to EPC band B by 2032. Our priority going forward is therefore to ensure that we deliver the investment required to meet this standard whilst also ensuring that we continue to deliver our customers priorities in terms of further improvements to their homes.

The planned programme of investment within the projections has been informed by our detailed knowledge of the stock, investment priorities identified by our customers, and the latest stock condition surveys. Since March 2020 delivery of our planned investment programme has been impacted by varying levels of Covid 19 restrictions. Our five year investment programme has therefore been developed in collaboration with City Building (Glasgow) LLP, our joint venture vehicle who will deliver the majority of works in the west of Scotland, and Dunedin Canmore’s investment team operating in the east to ensure works delayed due to covid restrictions and commitments made to tenants are delivered as soon as possible. The revised programme includes a provision for work towards meeting the EESSH2 standard in addition to ensuring on going lifecycle component replacements and compliance works are carried out. Funding has also been separately identified for the delivery of customer investment priorities.

The table below shows the investment assumed by each of the subsidiaries over the five year period, including VAT, fees and inflation.

Stock Improvement programme £000s	Year 1 2022-23	Year 2 2023-24	Year 3 2024-25	Year 4 2025-26	Year 5 2026-27	Total Years 1-5
Component Replacement	12,186	14,457	12,907	12,566	14,357	66,473
Strategic Projects	15,401	13,574	13,847	16,530	19,249	78,601
New Legislative Requirements	6,059	5,965	8,539	8,134	8,576	37,274
Total Stock Improvement Programme	**33,646**	**33,996**	**35,293**	**37,231**	**42,182**	**182,348**
Capitalised Repairs	13,408	13,659	14,080	14,433	14,794	70,374
Medical Adaptations & Other Costs	7,470	7,503	7,554	7,713	7,838	38,077
Total Capital Investment	**54,524**	**55,158**	**56,927**	**59,377**	**64,813**	**290,798**

New Build

The table below shows the projected costs and grant income, including inflation, to deliver the growth assumed within the plan

	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Units Completed						
- Social	307	260	221	352	254	**1,394**
- MMR	146	186	186	164	25	**707**
Total	**453**	**446**	**407**	**516**	**279**	**2,101**
Development Costs* £000s						
- Social	42,399	40,060	41,871	40,541	44,153	**209,024**
- MMR	31,854	26,356	17,068	8,695	10,712	**94,686**
Total	**74,253**	**66,416**	**58,939**	**49,236**	**54,866**	**303,710**
Grant Income £000s						
- Social	27,236	15,417	25,866	17,761	25,317	**111,596**
- MMR	16,850	4,469	5,487	2,744	3,375	**32,925**
Total	**44,086**	**19,886**	**31,353**	**20,505**	**28,692**	**144,521**

**excludes staffing, development fund and individual acquisitions*

A development fund provision of £550k has been assumed in 2022/23 to support our new build programme. An allowance of £0.3m for the acquisition of individual properties has also been included.

In addition to the 2,101 properties assumed to be directly delivered over the five year period, the financial projections reflect an increase in GHA's loan to Lowther Homes of £15m. This additional funding will enable Lowther to fund the development of 300 properties for mid market rent in Glasgow over the five year period. 150 of these units are assumed to be directly funded using the additional on lend with the remaining properties funded through additional private finance

The table above highlights that between 2022-23 and 2026-27, we assume £144.5m of grant income to support these 2,101 homes. Following the Scottish Government's commitment to increase funding for new housing to £3.3bn over this parliamentary term, the benchmark grant levels have been increased and provide a mechanism for additional funding for low carbon elements. Grant levels are to be reviewed annually as costs of incorporating low carbon systems in new homes become more widely available.

Our new Group Strategy, *Your Home, Your Community, Your Future*, includes an aim to deliver 5,500 new homes over the five year period to 2026 but we have ambitions to increase this further. Under the existing funding arrangements our capacity is limited by the "debt per unit" covenant. We expect to conclude discussions with our lenders for an increase in the debt per unit covenant from £27,000 to £35,000 which would allow our RSL development programme to grow to up to 12,500 new homes over the next decade. This is set out in more detail in Section 5.

<u>Cost inflation</u>

Prices had been expected to rise on the resumption of more normal trading conditions as the restrictions put in place during the Covid pandemic were removed and provision for moderate price rises had been built into our prior year projections. Inflation in the UK has climbed sharply from 0.7% in March 2021 to 5.5% by January 2022, the highest rate since the early 1990s and well above the Bank of England target rate of 2%.

With further significant energy price increases expected over the coming year and with continuing supply issues and staffing shortages, inflation is expected to remain high for up to two years before moving back to lower levels as the market stabilises. We have updated the cost assumptions to reflect the current high rate of inflation within our 2022/23 financial projections. This includes an increase of

60% in utility costs and a 10% rise in insurance premiums. In years 2 and 3 our forecasts reflect an assumed general cost inflation of 3.0%, with a long term outlook of 2.5% from year 4 onwards, retaining an element of prudence in our forecasts.

The general cost inflation rate assumed within the financial projections together with recent forecast updates from our financial risk advisors, Chatham Financial and from the Bank of England (BOE) are shown in the table below.

Inflation Assumptions	2022-23	2023-24	2024-25	2025-26	2026-27
Cost Inflation (Revenue)*	7.5%	3.0%	2.3%	2.2%	2.5%
Cost Inflation (Capital)	3.0%	3.0%	3.0%	2.5%	2.5%
Pay Inflation	3.5%	2.5%	2.0%	2.0%	2.0%
Market Forecast (CPI)					
Chatham Financial (Feb 22 Update)	*6.25%*	*4.25%*	*2.38%*	*2.00%*	*2.00%*
BOE (Feb 22 Monetary Policy Report)	*6.20%*	*2.80%*	*1.80%*	*2.00%*	*2.00%*

**weighted average including specific additional provisions made in 2022/23 for utilities (60%), insurance (10%) and repairs*

RSL Borrowing Group Financial Projections – next 5 years

The projected Statement of Comprehensive Income and Statement of Financial Position for the RSL borrowing group are shown below.

Statement of Comprehensive Income

	2022-23	2023-24	2024-25	2025-26	2026-27
Turnover	**300,674**	**309,056**	**319,811**	**334,706**	**332,619**
Operating Expenditure	(243,603)	(245,790)	(242,661)	(250,301)	(255,426)
Other Income & Gains	(4,750)	(15,241)	(13,704)	(5,495)	(164)
Operating Surplus	**52,321**	**48,025**	**63,446**	**78,909**	**77,029**
Operating Margin	17%	16%	20%	24%	23%
Gain/Loss on disposal of fixed assets	275	8	0	0	0
Finance Charges	(57,074)	(58,805)	(62,113)	(63,384)	(64,891)
Movement in valuation of social housing properties	25,393	59,917	56,357	55,581	63,563
Total Comprehensive Income	**20,915**	**49,145**	**57,690**	**71,106**	**75,701**

Turnover

Turnover is forecast to increase over the first four years as a result of assumed rent increases and income received from the additional properties completed. The reduction between years 4 and 5 is due to a reduction in grant income recognised in respect of our new build programme. Underlying turnover, excluding grant income, is forecast to increase by 16.9% over the period from £265m to £309m.

Operating Expenditure

Operating expenditure is projected to increase over the period as inflationary increases and provisions for new units delivered through the development programme offset the management cost savings assumed. There is some fluctuation over the first three years as a result of demolition and organisational restructuring costs. In real terms i.e. excluding inflation and depreciation operating cost per unit will decrease by 11.3% over the five years.

Operating Surplus (Margin)
It is projected that the RSL Borrower Group will make an operating surplus in all years with this fluctuating over the period due to movements in new build grant recognised and assumed valuation adjustments in investment properties. These movements result in the margin fluctuating between 16% and 24% over the five year period. Excluding the impact of grant income and valuation adjustments, the underlying operating margin increases from 8% in 2022/23 to 17% by 2026/27. This is due to increased turnover from new units and rent increases, and operating expenditure savings.

Funding Costs
Interest paid increases over the period as loans are drawn to fund the development programme and interest rates on variable rate funding are assumed to increase.

Total Comprehensive Income
It is projected that the RSL Borrower Group will make a surplus of £20.9m in 2022/23 with this increasing to £75.7m by year 5 as a result of additional income generated from new units, operating cost efficiencies and assumed increases in the value of properties following investment works.

Statement of Financial Position

	2022-23	2023-24	2024-25	2025-26	2026-27
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Housing Properties	2,147,807	2,214,703	2,269,528	2,320,067	2,405,307
Investment Properties	116,720	136,736	157,142	175,655	179,915
Other Fixed Assets & Investments	106,799	117,864	122,091	120,030	119,032
Total Fixed Assets	**2,371,326**	**2,469,303**	**2,548,761**	**2,615,753**	**2,704,254**
Debtors Due < 1 year	39,307	38,945	37,994	38,059	37,940
Cash	15,000	15,000	15,000	15,000	15,000
Creditors Due < 1 year	(139,191)	(123,329)	(120,263)	(103,986)	(109,269)
Net current assets/(liabilities)	**(84,883)**	**(69,383)**	**(67,268)**	**(50,927)**	**(56,330)**
Loans	(1,337,755)	(1,402,087)	(1,425,970)	(1,438,197)	(1,445,595)
Pension Liability	(1,477)	(1,477)	(1,477)	(1,477)	(1,477)
Other Creditors & Provisions	(2,814)	(2,814)	(2,814)	(2,814)	(2,814)
Long Term Liabilities	**(1,342,046)**	**(1,406,378)**	**(1,430,261)**	**(1,442,488)**	**(1,449,886)**
Net Assets	**944,396**	**993,541**	**1,051,231**	**1,122,338**	**1,198,038**
Capital & Reserves	**944,396**	**993,541**	**1,051,231**	**1,122,338**	**1,198,038**

<u>Housing and Investment Properties</u>

Housing and investment properties are projected to increase in value by 17.8% to just under £2.6bn over the five year period as a result of value added through investment in existing stock and additional units developed.

Other Fixed Assets and Investments

Other fixed assets relate to offices, community infrastructure, IT equipment, motor vehicles and fixtures and fittings. These remain relatively steady over the period as additional investment is offset by depreciation.

Other investments relate primarily to the £30m unsecured convertible (to ordinary shares) loan from GHA to Lowther Homes. As approved by the Board, this loan increases by £15m over the five years to £45m.

Current Assets/Liabilities

Short term debtors are forecast to increase in the first year of the projections primarily as a result of assumed increases in rent arrears of £2m. This increase is intended to provide for the potential impact of welfare benefit reforms and in particular the full roll out of Universal Credit. In later years a gradual reduction in arrears has been assumed resulting in a decrease in debtors.

Movements in short term creditors relate predominantly to grant received in respect of housing under construction. This is recognised as deferred income until the units are completed at which point it is transferred to the Statement of Comprehensive Income as part of Turnover.

Cash is assumed to be subject to a minimum balance of £15m.

Long Term Liabilities

The loan figure shown above includes private funding provided by WFL1 net of loan fees in addition to a repayable £100m Scottish Government Grant. This figure increases over the period as additional borrowing is required to fund the development programme. The Scottish Government Grant is reported at fair value with the value increasing each year until the repayment date.

Reserves

Reserves are expected to increase year on year due to the forecast surpluses combined with increasing asset values as a result of investment and growth.

Cashflow strength

A continued focus within the RSL borrower group remains on absolute cash generation capacity. When considering our position we look to the amount of cash that the business generates from its operations, strip out accounting adjustments, and deduct the costs invested through our repairs and on-going capital maintenance programme. This calculation we base on our Earnings before Interest, tax, depreciation and amortisation (EBITDA) and then deduct our major capitalised repairs – this being defined as EBITDA-MRI

The table below shows the projected EBITDA MRI relative to interest for the first five years

[redacted]

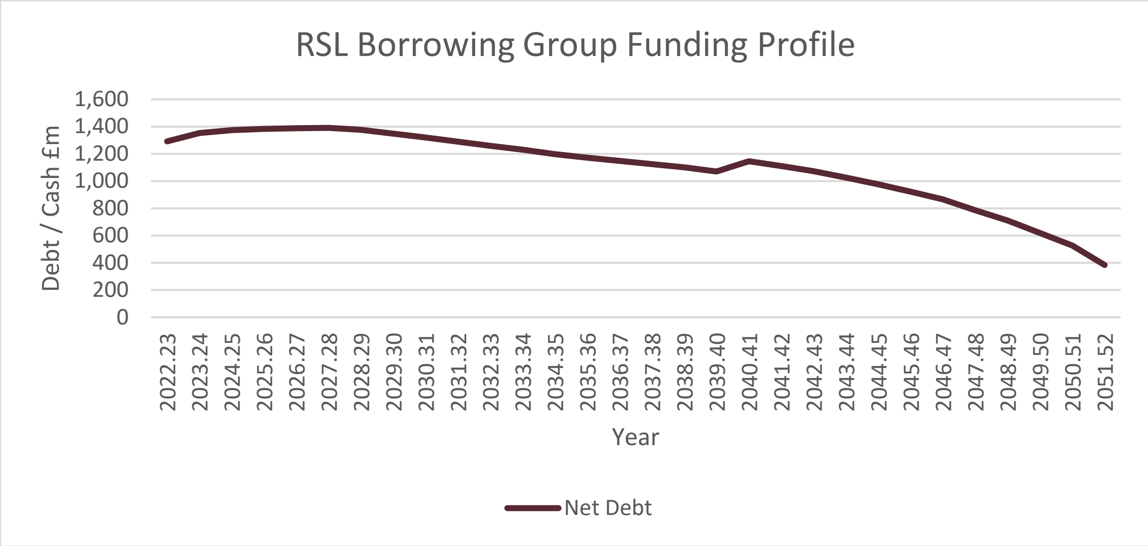
This demonstrates a steady improvement over the period as efficiency savings in operating costs are achieved and additional income is generated from new units and rent increases. Interest costs are forecast to increase over the period as borrowing increases however our projections show there will be sufficient income to cover this in all years.

Funding and debt profile

The financial projections for the RSL borrowing group reflect the new group funding arrangements through Wheatley Funding Limited 1 ("WFL1"). Each RSL borrows from WFL1 under intra-group loan agreements at an all in funding rate representing total external funding costs incurred by WFL1. Pooled assets of all the RSLs are charged in security to support WFL1's borrowings and there are cross guarantees between the RSLs on the borrowing group. Each RSL needs to maintain financial viability in its own right and this is achieved by ensuring that their individual cash flows and assets are sufficient to support their own debt.

The table and graph below show the key funding indicators and profile for the RSL Borrowing Group.

Key Funding Indicators	
Peak Debt (Gross)	£1,405.5m
Peak Debt (Net)	£1,390.5m
Peak Debt Year	Year 6


RSL Borrowing Group Funding Profile
Debt / Cash £m
1,600
1,400
1,200
1,000
800
600
400
200
0
2022.23
2023.24
2024.25
2025.26
2026.27
2027.28
2028.29
2029.30
2030.31
2031.32
2032.33
2033.34
2034.35
2035.36
2036.37
2037.38
2038.39
2039.40
2040.41
2041.42
2042.43
2043.44
2044.45
2045.46
2046.47
2047.48
2048.49
2049.50
2050.51
2051.52
Year
Net Debt

Key financial parameters / covenants
As part of the RSL borrowing group funding arrangements, financial covenants that need to be met are set out below:

[redacted]

The table above shows that based on the RSL Borrowing Group projections all funding covenants will be met. The debt service cover ratio (DSCR) is embedded in our EIB loans and measures cash available relative to debt service requirements, defined as interest plus capital repayments. This reduces over the period as our current funding facilities are fully utilised but will increase once new loan facilities are put in place to ensure our liquidity.

The RSL Borrower Group is funded on a 'secured' basis and as a result the housing assets of the RSL borrower group need to be of sufficient value to provide security cover for the borrowing within WFL1. The 2020/21 external valuations adjusted for new build properties delivered within the current financial year, project a surplus funding capacity of circa £166m at the start of 2022/23 to support additional debt. This capacity increases as the development programme progresses and there is sufficient value to cover all the new funding tranches modelled in the business plan.

4 Dumfries & Galloway Housing Partnership

These financial projections are the third update since DGHP joined the Wheatley Group in December 2019 and have been prepared assuming DGHP's current funding arrangements remain in place and separate from the rest of the RSLs in the Group, since this is the legal position at the time of writing. The projections reflect the key tenant promises and the value DGHP expects to gain directly from being part of the Wheatley Group including:

- additional investment capacity for communities through an accelerated home improvement programme;
- keeping rents more affordable than they would otherwise have been;
- 1,000 new homes across the region including many designed for older people;
- an expanded range of excellent services.

As well as benefitting from the implementation of our new operating model across the Group, DGHP's new Neighbourhood Environmental Teams were launched in July 2021, with local full time staff dedicated to keeping neighbourhoods clean and tidy, creating communities to make customers proud.

DGHP is forecast to complete 37 new build properties in 2021/22 at Monreith and Lincluden and projected to invest £32.8m in existing homes this year.

DGHP's updated financial projections for 2022/23 include:

- Funding of £94m net of grant claims over the five years for the completion of 965 new homes for social rent and a provision for stock rationalisation which will enable the regeneration of our communities.
- Investment of £81m over the first five years in our existing properties to ensure all properties continue to meet regulatory standards and that we deliver the accelerated additional investment promised to customers.
- A cap on rent increases of 2% a year until 2023 in line with our tenant promises on the partnership with Wheatley
- Increased provision for investment in our digital transformation and office accommodation strategies

The plan confirms that DGHP can make the anticipated investment, deliver on tenant promises, and service and repay its debt.

Key assumptions

The key assumptions in the DGHP Partnership Business Plan are highlighted below. All figures include VAT and inflation, unless stated otherwise.

Stock numbers

As at 1 April 2022, DGHP is assumed to own a total of 10,393 homes, 10,292 for social rent and 101 mid-market rent properties. This is based on the stock as at 31 March 2021 as reported in the audited statutory accounts adjusted to reflect 37 new build properties, 5 at Monreith and 32 at Lincluden, projected to complete by the end of the current financial year. A provision has been made within the projections for the demolition of 529 of these properties, including 83 properties in the Lochside area of Dumfries which were classified as void and unlettable and approved by the Board for demolition. It is assumed that 965 new homes will be completed over the five year period to March 2027. This will bring the total new homes completed since joining the group to 1,014.

The table below shows the assumed stock profile over the period.

Stock Numbers	Forecast						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Social Housing							
Opening Units	10,255	10,292	10,217	10,121	10,421	10,700	10,773
New Build	37	37	52	349	384	143	0
Demolition	0	(112)	(148)	(49)	(105)	(70)	(45)
Closing Units	**10,292**	**10,217**	**10,121**	**10,421**	**10,700**	**10,773**	**10,728**
Mid Market Rent	101	101	101	101	101	101	101
Total Closing	**10,393**	**10,318**	**10,222**	**10,522**	**10,801**	**10,874**	**10,829**

Rental Income

Opening rents are based on our average weekly rent per our current rent roll adjusted for a 2% increase in April 2022. The April 2022 increase marks the final year of the ballot commitment to tenants to cap increases at 2% for three years. In the following two years, increases have been assumed at 3.7% each year with this reducing to 3.5% in April 2025 and 2.9% per annum thereafter. These increases are in line with the general rent increase assumptions across the group and are higher than in last year's projections to mitigate against the impact of the current high levels of inflation. Future increases will however be reviewed at the time and may be reduced, in particular in the event that inflation is lower or additional efficiency savings can be found. Rent increases will always be subject to consultation with tenants each year. The table below shows assumed rent increases for business planning purposes only.

Rent Increase	2022/23	2023/24	2024/25	2025/26	2026/27 on
Rent Increase	2.00%	3.70%	3.70%	3.50%	2.90%

<u>Operating Performance</u>

Void losses are assumed at 1.5% over the first three years for core rented stock before reducing to 1% from year four on. This is prudent compared to our year to date void performance in 2021/22 of 0.83%. For the 529 properties assumed to be demolished a higher void rate has been assumed. This has been estimated based on current empty and unlettable units and projected clearances.

The provision for bad debts has been assumed at 2.0% of gross rental income in 2022/23, which is also conservative compared to our performance of 0.3% in 2020/21 and 0.8% in the 2021/22 year to date. Void and bad debt assumptions are shown in the table below.

	2022/23	2023/24	2024/25	2025/26	2026/27
Voids (Retained Properties)	1.50%	1.50%	1.50%	1.00%	1.00%
Bad Debts	2.00%	2.00%	2.00%	2.00%	2.00%

Our financial projections also assume an increase in arrears over the period as a result of universal credit. The assumptions used have been updated to reflect our experience in the current year and expectations going forward :-

- A total of 950 tenants previously receiving housing benefit will move to UC over the five year period (3,550 tenants assumed to have already moved to UC);

- 80% of tenants who move on to universal credit will have an increase in arrears, with this increase equivalent to 5 weeks rent (£425-£485); and
- Of this increased arrears balance it is assumed only 40% will be recovered with this recovery taking up to two years.

Other Income

In addition to rental income, a further £2.5m is expected to be generated by DGHP in 2022/23 from other income streams including lease income from Lowther Homes in respect of mid market rent properties, commercial properties, garages and grant income for support activities and adaptations. The table below shows forecast other income including inflation and other uplifts

Other Income	2022/23	2023/24	2024/25	2025/26	2026/27
Leased Properties	127	127	127	127	127
Garage and Garage Sites	359	394	408	422	435
Service Charges	233	122	115	109	100
Mid Market Rent	430	439	447	456	465
Commercial Properties	59	60	62	64	65
Aids & Adaptations Grant	500	450	450	350	359
RHI Grants	49	37	36	36	27
Temporary Accommodation	578	0	0	0	0
Young Person Project	185	0	0	0	0
Total Income	**2,520**	**1,629**	**1,645**	**1,564**	**1,578**

Staff and Other Management Costs

Staff costs reflect the staffing structure put in place in 2020/21 as part of the implementation of our new operating model. This new model enhances services to our customers and includes smaller housing officer patch sizes. In addition to housing management staff, direct staff costs also include the cost of the new Neighbourhood Environmental Team launched in July 2021, and a share of the Wheatley 360 costs.

Total direct staff costs in 2022/23, including on costs are assumed to be £4.9m. Direct employee cost savings of £500k and £300k have been assumed in years 4 and 5 respectively and a provision of £1.6m has been made for restructuring costs in the preceding years. Salary costs for 2022/23 reflect the 1.25% increase in the National Insurance rate from April 2022 and include provision for allowances made to agile home based workers. Taking into consideration the current high inflation rates, pay increases of 3.5% have been assumed in 2022/23 with this reducing to 2.5% in 2023/24 and 2% each year thereafter.

Running costs have been updated to reflect current year forecast and include additional provision in respect of the expected increases in utility costs and insurance premiums. Savings in respect of our office accommodation strategy have also been included in the 2022/23 figures and further savings are assumed to be achieved in 2023/24. A provision has been included in 2024/25 for a refresh of the stock condition survey carried out in 2019.

Recharges from Wheatley Solutions for the provision of services such as the 24/7 customer first centre, transactional teams, legal, IT and Finance have been assumed at £4.4m. The table below shows assumed management costs for the five year period.

Management Costs	2022/23	2023/24	2024/25	2025/26	2026/27
Employee Costs	4,933	5,056	5,157	4,791	4,600
Running Costs	1,782	1,890	2,223	2,065	2,191
Wheatley Solutions Recharges	4,399	4,518	4,626	4,728	4,832
Management Costs	**11,114**	**11,464**	**12,007**	**11,584**	**11,623**

Repair Costs

Our repairs service is a key priority for our customers so when our existing repairs contracts were due for renewal the decision was made to bring repairs ‘in-house’. Bringing repairs and maintenance in-house provided the opportunity to improve services for customers, ensuring most repairs are completed on the first visit. During 2021/22, gas servicing was brought “in-house”, with savings in VAT already being seen in the year to date. While savings have been generated from the move to an in-house provision, these have not been assumed within our financial projections, providing a buffer against anticipated inflationary cost increases.

The table below shows the profile of spend, including assumed inflationary uplifts over the period.

Repairs and Maintenance	2022/23	2023/24	2024/25	2025/26	2026/27
Reactive repairs	6,477	6,679	6,922	7,259	7,570
Heating	1,335	1,375	1,416	1,452	1,488
Property Cyclical & Landscaping	819	849	903	1,035	1,147
Compliance	1,407	1,449	1,646	1,172	1,201
Total Repair Costs	**10,038**	**10,352**	**10,887**	**10,918**	**11,406**

Demolition Costs

The financial projections assume that 529 units will be demolished over the six-year period from April 2022. This includes 352 properties in the Lochside area of Dumfries as part of the regeneration of the area and a further 177 units identified as being unpopular with tenants or requiring substantial investment to meet energy efficiency standards. Costs associated with the demolition, including the physical demolition cost, service disconnections, home loss and disturbance and owner buybacks have been estimated and reflected within the financial projections. Over the period to 2027/28, the total costs in relation to demolition have been assumed at £5.9m. As the majority of these sites will be redeveloped a proportion of the demolition costs, £3.0m, have been capitalised.

At this stage, the programme is an assumption for business planning purposes only, and the proposed demolition programme will be presented to the Board for approval with detailed option appraisals set out for each demolition site.

Capital Investment

Investment in current housing stock

The partnership with Wheatley released significant new capacity to fund improvements to existing homes and build hundreds of new homes. The focus of the investment programme will be on ensuring we meet and maintain properties to current regulatory standards such as SHQS and deliver additional works to windows, roofs and external walls to meet the EESSH standard on energy efficiency. Covid

19 restrictions resulted in a delay to delivery of these works in 2020/21 however increased spend in 2021/22 will ensure all properties meet regulatory standards by March 2022. The table below shows the profile of capitalised investment works (incl VAT, fees and inflation) over the first five years.

£000s	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Core Investment & Compliance	13,705	10,218	10,962	10,722	10,982	56,589
Medical Adaptations	600	540	540	540	540	2,760
Capitalised Voids	2,987	3,077	3,169	3,248	3,329	15,810
Capitalised Employee Costs	1,082	1,109	1,132	1,127	1,132	5,582
Total	**18,375**	**14,944**	**15,802**	**15,637**	**15,983**	**80,742**

Funding of over £56m has been included over the first five years of the projections for our core investment programme and lifecycle replacements. This includes £15m for replacement of windows and doors, £14m for kitchens and £7m for low rise fabric. A provision of £3.5m has also been included over the 5 year period for our Customer Voice and Think Yes funds. These provisions will be used for tenant directed investment works, building customer engagement into our investment programme and ensuring we deliver the projects most important to them.

As highlighted in the introductory section, there are significant wider economic and inflationary cost challenges in the business in the earlier years. In order to provide capacity for this period of pressure, a small element of the investment programme has been reprofiled into year 6-10 comprising of non core, discretionary areas of investment. We have ensured that, across the ten year period, sufficient provision has been set aside to keep the stock in a good state of repair, compliant with legislative requirements and meeting our high standards of safety.

The investment programme in the later years of the plan has also been informed by a detailed stock condition survey, the final version of which was completed by Savills in October 2019.

Investment in new housing

In addition to investment in existing homes, the extra funding made available through the partnership with Wheatley has enabled us to invest in new homes. The restructure of our funding arrangements in December 2019 increased our development capacity and provided sufficient funding to allow for the planned delivery of 1,000 new homes for social rent. Site closures and changes in working practices resulting from the Covid-19 pandemic delayed delivery of our programme in 2020/21 however the programme is now progressing well with developments at Sanquhar and Monreith now complete and the final 6 units out of a total of 32 at Lincluden expected to be handed over by 31 March 2022. Over the first five years of the financial projections we anticipate the completion of 965 new homes taking the total number of homes completed since joining the Wheatley Group to just over 1,000 units. Development costs and grant assumptions have been updated to reflect actual amounts, where known, and our latest expectations on delivery. These are shown in the table below:

£000s	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Development Cost	7,746	46,844	67,576	36,432	8,377	**161,544**
Grant Income	(5,063)	(34,013)	(33,523)	(9,761)	0	**(78,705)**
Capitalised Demolition Costs	618	497	341	748	511	**2,714**
Capitalised New Build Staff	895	917	936	899	883	**4,531**
Capitalised Interest	132	235	973	929	330	**2,598**
Net Cost	**4,328**	**14,480**	**36,301**	**29,247**	**10,102**	**94,458**
Units Completed	37	52	349	384	143	**965**

Investment in non-housing assets

In addition to investment in housing a provision of £10.9m has been made over the five year period for implementation of our digital transformation and office accommodation strategy.

Funding

The financial projections reflect the current funding arrangements put in place in December 2019 following the refinancing of the [redacted] loan and is made up of:

- [redacted]

The financial projections reflect the rates and repayment terms per the funding agreements. Transactional banking is provided by RBS.

As at 31 December 2021 DGHP had drawn debt of £189.0m and had cash of £55.2m (£25m of which is on term deposit with Close Brothers). Our financial projections assume, based on forecast cash required to fund investment in existing and new homes, DGHP will have a cash balance of £44m as at 1 April 2022.

The Bank of England has commenced the process of moderately increasing the base rate – moving this from an all-time low of 0.10% up to 0.25% in their December 2021 meeting. The market currently anticipates further rate hikes up to a maximum of 1.25% by May 2023. This is largely in response to inflationary pressures but is likely to be tempered by the nascent economic recovery post Covid-19. We continue to have conservative expectations for floating rates versus interest rate markets, assuming 1.75% for 2022/23 increasing to a maximum of 5.00% for 2026/27 and each year thereafter.

Interest rate assumptions	Forecast				
	2022/23	2023/24	2024/25	2025/26	2026/27
Interest Payable (LIBOR)	1.75%	2.75%	3.50%	4.50%	5.00%
Interest Receivable	0.25%	0.50%	1.00%	1.50%	2.00%

Financial projections – next 5 years

The tables below show the projected financial statements for the five year period from 2022 to 2027.

Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME	Forecast				
	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27
	£'000	£'000	£'000	£'000	£'000
Net Rental Income	44,529	45,949	47,625	51,492	54,548
Other Income	2,520	1,629	1,645	1,564	1,578
Grant Income	3,624	4,577	32,442	35,904	13,208
Total Income	**50,673**	**52,155**	**81,713**	**88,960**	**69,334**
Management Costs	(11,114)	(11,464)	(12,007)	(11,584)	(11,623)
Repairs & Maintenance	(10,038)	(10,352)	(10,887)	(10,918)	(11,406)
Demolition and ER/VR	(688)	(891)	(1,462)	(968)	(312)
Support Activities	(691)	0	0	0	0
Bad Debts	(943)	(967)	(989)	(1,082)	(1,159)
Depreciation	(13,649)	(14,718)	(15,642)	(17,362)	(18,844)
Operating Expenditure	**(37,122)**	**(38,393)**	**(40,988)**	**(41,914)**	**(43,344)**
Gain on Investment Properties	112	113	114	115	116
Operating Surplus	**13,663**	**13,875**	**40,839**	**47,161**	**26,107**
Operating Margin	**27%**	**27%**	**50%**	**53%**	**38%**
Net Finance Costs	(6,193)	(6,059)	(5,521)	(7,112)	(8,716)
Movement in Value of Social Housing	(24,288)	610	(38,549)	(42,858)	(8,476)
Total comprehensive income	**(16,818)**	**8,426**	**(3,230)**	**(2,809)**	**8,914**

The information presented in the table above includes inflation.

Income

Net rental income is projected to grow over the period as a result of the assumed rent increases and the additional properties completed as part of the development programme.

Other income includes garage and garage site rents, mid market rent lease income and commercial property rents in addition to grants and funding received for specific short term initiatives. The reduction over the period is due to funding for certain initiatives such as temporary accommodation and the young person project which is included in the first year only together with a reduction in service charge income as a result of the demolition programme.

In line with our accounting policies, housing properties are assumed to be carried at valuation with assumed movements reported in comprehensive income. As properties are carried at valuation, under FRS102, grants received in respect of new build developments are released to the statement of comprehensive income in full on completion of the properties using the performance method.

Operating Expenditure

Staff and running cost assumptions have been updated to reflect our new operating model including the move to Group Services, the launch of our new neighbourhood environmental teams and Wheatley360 services. Savings in running costs from procurement and our office accommodation strategy have been assumed in the first two years and employee cost savings of £800k are assumed to be achieved across years 4 and 5.

Repairs and maintenance costs are assumed to remain relatively stable over the period with increases in line with assumed inflation and additional provisions for new homes. While we anticipate achieving savings in gas maintenance in the coming year as a result of bringing the service in house, these have not been reflected in our financial projections to provide some protection against the current high inflation levels.

Support activity costs relate to the temporary accommodation and young person projects. The contracts for these services are assumed to end in March 2023 so costs are included in the first year only.

Operating Surplus

DGHP are projected to make an operating surplus in all years with this higher in years 3 and 4 due to an increase in the new build grant recognised. The increase in grant recognised also results in an increase in operating margin from 27% in 2022/23 to 53% in 2025/26. As grant reduces in year 5 operating margin falls to 38%.

Excluding the impact of grant income and valuation adjustments, underlying operating surplus reduces from 21% in 2022/23 to 17% in 2024/25 as a result of the costs associated with demolition and organisational restructure before increasing to 23% by 2026/27.

Funding costs

Funding costs reflect the rates as specified in the loan agreements for DGHP's current facilities. Interest payable remains relatively constant over the first three years as there is sufficient cash to fund the investment and development programme. From year four additional funding is assumed to be drawn.

Comprehensive Income

In years 1, 3 and 4, total comprehensive income is showing a deficit primarily as a result of the assumed reduction in valuation of social housing properties. This reduction in valuation arises from the difference between the EUV-SH valuation of new build properties compared to the gross cost of development. The valuation movement in 2022/23 also reflects an adjustment in respect of the 529 properties assumed to be demolished.

Statement of Financial Position

STATEMENT OF FINANCIAL POSITION	Forecast				
	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Housing assets	402,125	453,003	486,266	482,326	482,087
Investment Properties	11,821	11,934	12,048	12,163	12,279
Other Fixed Assets	7,744	8,584	8,183	7,651	7,697
Total Fixed Assets	**421,689**	**473,522**	**506,497**	**502,140**	**502,063**
Current Assets	39,538	26,822	9,638	9,663	9,681
Current Liabilities	(20,130)	(49,727)	(50,971)	(24,996)	(11,959)
Net Current (Liabilities)/Assets	**19,408**	**(22,905)**	**(41,334)**	**(15,333)**	**(2,278)**
Long term liabilities	(193,542)	(194,636)	(212,412)	(236,864)	(240,929)
Provisions	(475)	(475)	(475)	(475)	(475)
Pension liability	(3,325)	(3,325)	(3,325)	(3,325)	(3,325)
Net Assets	**243,755**	**252,181**	**248,951**	**246,143**	**255,057**
Total Reserves	**243,755**	**252,181**	**248,951**	**246,143**	**255,057**

The information presented in the table above includes inflation.

Fixed Assets

In accordance with our accounting policy housing properties have been forecast at valuation with the opening valuation based on the figures reported in DGHP’s audited statutory accounts. Over the period shown above, housing and investment properties are expected to increase by 16% as a result of planned investment in existing stock and in new properties.

Other Fixed Assets include fixtures and fittings and IT equipment, the value initially increases as a result of assumed investment in office accommodation and IT before decreasing in the later years as annual depreciation charges exceed additions.

Net Current (Liabilities)/Assets

Current assets includes rent and other debtors, and cash balances with the reduction in assets over the period predominantly due to a reduction in cash. DGHP had cash balances of £70m as at 1 April 2021 with this forecast to reduce to £44m by 31 March 2022 as a result of high levels of investment spend in 2021/22. This is projected to reduce further over the first three years of the plan to fund the development programme.

Movements in current liabilities relate predominantly to grant received in respect of housing under construction. This is recognised as deferred income until the units are completed at which point it is transferred to the Statement of Comprehensive Income as part of Turnover.

Long Term Liabilities

Long term liabilities relate to outstanding loan amounts net of fees. This is forecast to increase over the period to fund investment in existing properties and the development programme.

Reserves

Over the projected period shown above, reserves are expected to increase as valuation adjustments in respect of new build and demolition are offset by increases in underlying income.

Cash Flow Strength

Cash flows need to be able to demonstrate that there is sufficient cash available to service debt each year and to repay funding within 30 years. The measure of Revenue Surplus removes items that are non-cash and/or unrelated to operations, such as grant income and property valuation movements, which, after the deduction of capital investment in existing properties, is used to assess the funds available to meet interest payments and pay for all costs related to current stock.

Cash Flow Strength	Forecast				
	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27
	£'000	£'000	£'000	£'000	£'000
Revenue Surplus	23,576	23,904	23,925	28,504	31,627
Less Capital Investment (Existing Properties)	(18,375)	(14,944)	(15,802)	(15,637)	(15,983)
Revenue Surplus less Capital Investment	**5,201**	**8,960**	**8,123**	**12,867**	**15,644**
Net Finance Costs	(6,193)	(6,059)	(5,521)	(7,112)	(8,716)
Cover	**(993)**	**2,901**	**2,602**	**5,756**	**6,928**

Due to the high level of investment assumed in existing homes, Revenue Surplus less Capital Investment is insufficient in the first year to cover funding costs. As income increases and investment required reduces the measure becomes positive and from 2023/24 there is sufficient cash generated to cover both investment in existing stock and funding costs. Over the longer term it is projected that debt can be repaid in 2049/50 of the plan with £89.2m of cash generated by year 30.

Funding and debt profile

The financial projections reflect DGHP's current funding arrangements. The table and graph below show the key funding indicators and funding profile by facility for DGHP

Debt indicator	Value
Peak debt (net)	£236.5m
Peak debt year	2027/28
Debt repayment year	2049/50
Closing cash	£89.2m

[graph redacted]

This graph shows DGHP will have sufficient facilities available as a result of the refinancing to fund the development programme over the short to medium term. DGHP's debt level will increase in the short term as investment continues in both existing and new build homes. The debt starts to get repaid in 2028/29 of the plan and thereafter the debt levels reduce. By 2049/50, there will be sufficient cash to repay debt with an estimated closing cash balance of £89.2m.

Key Financial Ratios / Covenants

As part of the current funding arrangements there are a number of financial covenants which DGHP need to meet. The key covenants are set out below :-

[redacted]

The table shows that based on DGHP's financial projections all funding covenants will be met.

5 RSL Borrower Group (Growth)

Background/Assumptions

The financial projections set out for the RSL Borrower Group and DGHP in Sections 3 and 4 reflect funding arrangements as at February 2022. It is however anticipated that, subject to finalising agreements with lenders, DGHP will be admitted to the RSL Borrower Group on 1 April 2022 and that changes to our funding agreements will increase WFL1's borrowing capacity allowing us to implement a more ambitious regeneration and development plan than our existing agreements allow. The following section sets out the assumptions and financial projections for our RSL Borrower Group (Growth) plan. This reflects DGHP's accession to the RSL Borrower Group arrangements from 1 April 2022 and provides for an increase in both the demolition and development programme.

<u>Stock numbers</u>

The addition of the 10,300 social rent properties and 101 mid market rent properties owned by DGHP to the RSL borrower group will increase the projected stock owned as at 1 April 2022 to 61,800 social housing properties, 370 shared ownership units and 1,250 homes for mid market rent.

Within the existing funding arrangements it was assumed that of these 61,800 social rent properties, 1,129 units including 600 in Wyndford and 529 in Dumfries and Galloway would be demolished over the first five years. Our RSL Borrower Group (Growth) financial projections assume that we will use the additional capacity created by the changes to our funding arrangements to increase the number of units to be demolished to 2,000 properties over the ten year period. The additional 875 units have been assumed to be multi storey properties in Glasgow which are performing poorly or will require substantial investment works making them unviable over the long term. These are planning assumptions only, and any additional demolitions will be subject to a full option appraisal and will require board approval.

The increase in our demolition programme will also create opportunities to regenerate areas and will assist in the delivery of our ambitious development programme. Our "Growth" projections assume that the additional borrowing capacity will allow the development of 12,500 new homes for affordable rent over the ten year period, with 4,715 of these completing in the first five years. The table below shows the forecast stock movements over the ten year period (including 8 properties acquired).

	Year 1 2022-23	Year 2 2023-24	Year 3 2024-25	Year 4 2025-26	Year 5 2026-27	Total Years 1-5	Years 6-10 2027-2032	Total Years 1-10
Social Housing								
Opening Stock	**61,836**	**61,911**	**61,679**	**62,417**	**63,217**	**61,836**	**63,907**	**61,836**
New Build / Acquisitions	350	381	787	1,001	1,047	**3,566**	**5,730**	**9,296**
Demolition / Disposal	(275)	(613)	(49)	(201)	(357)	**(1,495)**	**(537)**	**(2,032)**
Closing Social Housing Stock	**61,911**	**61,679**	**62,417**	**63,217**	**63,907**	**63,907**	**69,100**	**69,100**
Mid Market Rent								
Opening Stock	1,243	1,389	1,575	1,861	2,125	**1,243**	**2,400**	**1,243**
New Build	146	186	286	264	275	**1,157**	**2,060**	**3,217**
Closing MMR Stock	**1,389**	**1,575**	**1,861**	**2,125**	**2,400**	**2,400**	**4,460**	**4,460**
Shared Ownership / Shared Equity								
Closing SO/SE Stock	**370**	**370**	**370**	**370**	**370**	**370**	**370**	**370**

<u>Demolition Costs</u>

The RSL Borrower Group (Growth) financial projections include provision to demolish 2,000 units over a ten year period with 1,495 assumed to be demolished in the first 5 years. The total cost of demolition, including physical demolition, service disconnections, owner buybacks and home loss and disturbance has been estimated at £29.5m. As our intention is to redevelop the majority of the sites we have assumed that a proportion of costs can be capitalised. No grant income has been assumed in respect of the demolitions with the full cost borne by the RSLs. The table below shows the profile of spend assumed over the period.

Demolition Costs £000s	Year 1 2022-23	Year 2 2023-24	Year 3 2024-25	Year 4 2025-26	Year 5 2026-27	Year 6 2027-28	Year 7 2028-29	Year 8 2029-30
Total Cost	**3,323**	**4,946**	**4,592**	**3,041**	**5,509**	**4,814**	**1,845**	**1,391**
- Capitalised	1,118	4,056	4,006	1,312	2,241	2,141	633	649
- Revenue	2,205	891	586	1,729	3,268	2,673	1,212	742

Development Programme

The financial projections in our Growth plan assume that a total of 12,500 new affordable homes will be delivered by Group RSLs over the next decade, with over 4,700 expected to complete in the first five years. The cost to deliver this ambitious programme has been estimated based on current tendered costs and grant levels. As shown in the table below, total costs of £2.1bn are projected with this supported by grant funding of £983m.

	Year 1 2022-23	Year 2 2023-24	Year 3 2024-25	Year 4 2025-26	Year 5 2026-27	Total Years 1-5	Years 6-10 2027-32	Total Years 1-10
Development Costs	87,738	153,880	181,841	194,231	233,788	**851,477**	1,260,406	**2,111,883**
Grant Income	(54,264)	(82,955)	(87,023)	(100,773)	(114,135)	**(439,150)**	(543,488)	**(982,638)**
Net Development Costs	**33,474**	**70,924**	**94,818**	**93,458**	**119,652**	**412,327**	**716,918**	**1,129,245**
Units Completed	490	565	1,073	1,265	1,322	**4,715**	7,790	**12,505**

RSL Borrowing Group Financial Projections (with Growth) – next 5 years

The projected Statement of Comprehensive Income and Statement of Financial Position for the RSL borrowing group are shown below.

Statement of Comprehensive Income

	2022-23	2023-24	2024-25	2025-26	2026-27
Turnover	**351,347**	**361,241**	**424,596**	**455,133**	**475,689**
Operating Expenditure	(280,725)	(284,204)	(284,234)	(294,931)	(303,762)
Other Income & Gains	(4,639)	(15,128)	(19,263)	(11,502)	(15,867)
Operating Surplus	**65,984**	**61,910**	**121,100**	**148,699**	**156,060**
Operating Margin	19%	17%	29%	33%	33%
Gain/Loss on disposal of fixed assets	275	8	0	0	0
Finance Charges	(62,859)	(63,897)	(67,469)	(72,507)	(78,396)
Movement in valuation of social housing properties	1,350	54,216	(15,553)	(13,776)	(20,631)
Total Comprehensive Income	**4,749**	**52,237**	**38,078**	**62,416**	**57,032**

Turnover

Turnover is forecast to increase over the five year period as a result of assumed rent increases and income received from the additional properties completed. Grant income recognised in respect of our new build programme is however the primary reason for the increase shown. Excluding grant income, underlying turnover is forecast to increase by 17.6% over the period from £312m to £367m.

Operating Expenditure

Operating expenditure is projected to increase over the period as inflationary increases and provisions for new units delivered through the development programme offset the management cost savings assumed. There is some fluctuation over the first three years as a result of demolition and organisational restructuring costs. In real terms i.e. excluding inflation and depreciation operating cost will decrease by 8.1% over the five years.

Other Income & Gains

Other income and gains relate primarily to projected valuation movements investment properties. The figure for 2022/23 does not include the non- cash gain on business combination from the accession of DGHP to the borrower group.

Operating Surplus (Margin)

It is projected that the RSL Borrower Group will make an operating surplus in all years with this fluctuating over the period due to movements in new build grant recognised and assumed valuation adjustments in investment properties. These movements result in the margin fluctuating between 17% and 33% over the five year period. Excluding the impact of grant income and valuation adjustments, the underlying operating margin increases from 10% in 2022/23 to 17% by 2026/27. This is due to increased turnover from new units and rent increases, and operating expenditure savings.

Funding Costs

Interest paid increases over the period as loans are drawn to fund the development programme and interest rates on variable rate funding are assumed to increase.

Total Comprehensive Income

It is projected that the RSL Borrower Group will make a surplus of £4.7m in 2022/23 with this increasing to £57.0m by year 5 as a result of additional income generated from new units, operating cost efficiencies and assumed increases in the value of properties following investment works.

Statement of Financial Position

	2022-23	2023-24	2024-25	2025-26	2026-27
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Housing Properties	2,556,159	2,708,424	2,803,273	2,915,334	3,055,036
Investment Properties	128,541	148,670	179,493	208,630	239,489
Other Fixed Assets & Investments	114,543	126,449	130,273	127,681	126,729
Total Fixed Assets	**2,799,243**	**2,983,543**	**3,113,039**	**3,251,645**	**3,421,254**
Debtors Due < 1 year	43,892	43,575	42,632	42,722	42,621
Cash	15,000	15,000	15,000	15,000	15,000
Creditors Due < 1 year	(164,436)	(207,227)	(204,137)	(201,484)	(206,671)
Net current assets/(liabilities)	**(105,544)**	**(148,652)**	**(146,505)**	**(143,762)**	**(149,051)**
Loans	(1,495,961)	(1,584,932)	(1,678,513)	(1,757,462)	(1,864,766)
Pension Liability	(4,802)	(4,802)	(4,802)	(4,802)	(4,802)
Other Creditors & Provisions	(3,898)	(3,882)	(3,866)	(3,850)	(3,834)
Long Term Liabilities	**(1,504,661)**	**(1,593,616)**	**(1,687,181)**	**(1,766,114)**	**(1,873,402)**
Net Assets	**1,189,038**	**1,241,274**	**1,279,353**	**1,341,769**	**1,398,801**
Capital & Reserves	**1,189,038**	**1,241,274**	**1,279,353**	**1,341,769**	**1,398,801**

<u>Housing and Investment Properties</u>

Housing and investment properties are projected to increase in value by 25.9% to just under £3.3bn over the five year period as a result of value added through investment in existing stock and additional units developed.

Other Fixed Assets and Investments

Other fixed assets relate to offices, community infrastructure, IT equipment, motor vehicles and fixtures and fittings. These remain relatively steady over the period as additional investment is offset by depreciation.

Other investments relate primarily to the £30m unsecured convertible (to ordinary shares) loan from GHA to Lowther Homes. As approved by the Board, this loan increases by £15m over the five years to £45m.

Current Assets/Liabilities

Short term debtors are forecast to increase in the first year of the projections primarily as a result of assumed increases in rent arrears of £2m. This increase is intended to provide for the potential impact of welfare benefit reforms and in particular the full roll out of Universal Credit. In later years a gradual reduction in arrears has been assumed resulting in a decrease in debtors.

Movements in short term creditors relate predominantly to grant received in respect of housing under construction. This is recognised as deferred income until the units are completed at which point it is transferred to the Statement of Comprehensive Income as part of Turnover.

Cash is assumed to be subject to a minimum balance of £15m. The balance held is higher in years where debt has been issued but has yet to be fully utilised to fund the development programme.

Long Term Liabilities

The loan figure shown above includes private funding provided by WFL1 net of loan fees in addition to a repayable £100m Scottish Government Grant. This figure increases over the period as additional borrowing is required to fund the development programme. The Scottish Government Grant is reported at fair value with the value increasing each year until the repayment date.

Reserves

Reserves are expected to increase year on year due to the forecast surpluses combined with increasing asset values as a result of investment and growth.

Cashflow strength

A continued focus within the RSL borrower group remains on absolute cash generation capacity. When considering our position we look to the amount of cash that the business generates from its operations, strip out accounting adjustments, and deduct the costs invested through our repairs and on-going capital maintenance programme. This calculation we base on our Earnings before Interest, tax, depreciation and amortisation (EBITDA) and then deduct our major capitalised repairs – this being defined as EBITDA-MRI

The table below shows the projected EBITDA MRI relative to interest for the first five years

[redacted]

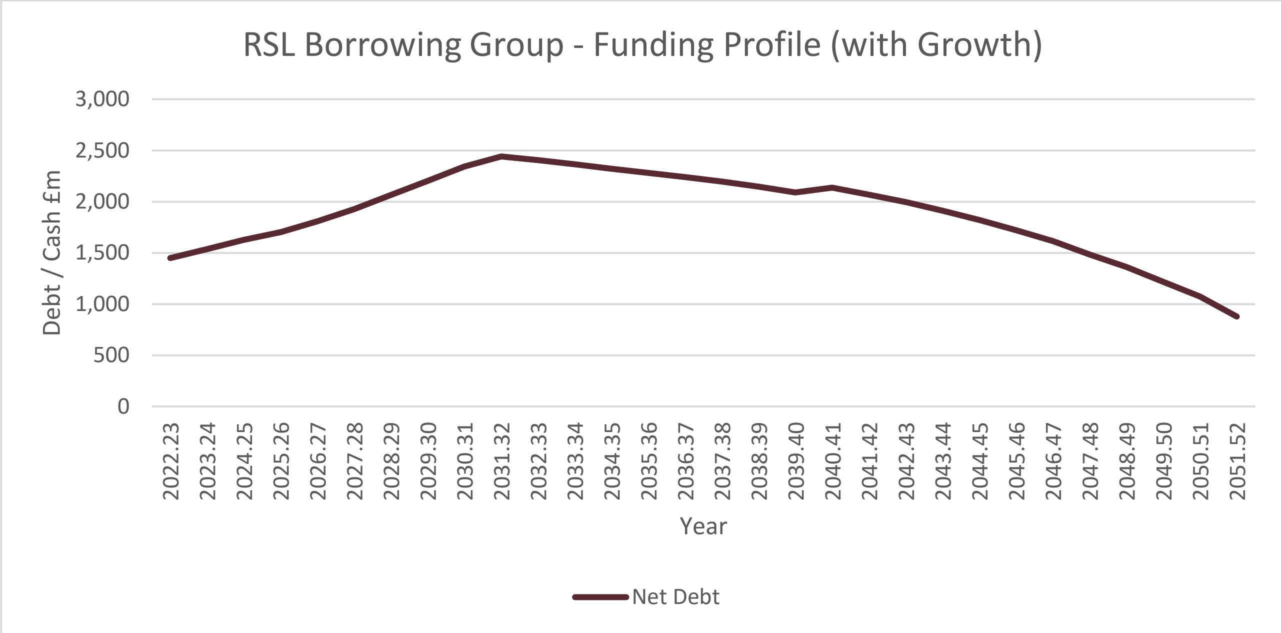
This demonstrates a steady improvement over the period as efficiency savings in operating costs are achieved and additional income is generated from new units and rent increases. Interest costs are forecast to increase over the period as borrowing increases however our projections show there will be sufficient income to cover this in all years.

Funding and debt profile

The financial projections for the RSL borrowing group reflect the proposed funding arrangements through Wheatley Funding Limited 1 (“WFL1”). Each RSL borrows from WFL1 under intra-group loan agreements at an all in funding rate representing total external funding costs incurred by WFL1. Pooled assets of all the RSLs are charged in security to support WFL1’s borrowings and there are cross guarantees between the RSLs on the borrowing group. Each RSL needs to maintain financial viability in its own right and this is achieved by ensuring that their individual cash flows and assets are sufficient to support their own debt.

The table and graph below show the key funding indicators and profile for the RSL Borrowing Group.

Key Funding Indicators	
Peak Debt (Gross)	£2,456.1m
Peak Debt (Net)	£2,441.1m
Peak Debt Year	Year 10



Key financial parameters / covenants
As part of the RSL borrowing group funding arrangements, financial covenants that need to be met are set out below:

[redacted]

The table above shows that based on the RSL Borrowing Group projections all funding covenants will be met. The debt service cover ratio (DSCR) is embedded in our EIB loans and measures cash available relative to debt service requirements, defined as interest plus capital repayments. This reduces over the period as our current funding facilities are fully utilised but will increase once new loan facilities are put in place to ensure our liquidity.

As previously noted, the RSL Borrower Group is funded on a ‘secured’ basis and as a result the housing assets of the RSL borrower group need to be of sufficient value to provide security cover for the borrowing within WFL1. The addition of DGHP’s unencumbered assets of £165m to the borrower group increases capacity to support additional debt to £330m at the start of 2022/23. This capacity increases as the development programme progresses and there is sufficient value to cover all the new funding tranches modelled in the business plan.

6 Commercial Subsidiaries

6.1 [redacted]

6.2 Wheatley Care

Wheatley Care was formed on 1 April 2020 and has been providing the Group's care activities for nearly two years. Its key themes are to create customer value and shape care services for the future. Delivery of all of the Group's care services by a single entity is a major step towards realising our ambition of being Scotland's leading care organisation by 2026 and further protects the viability of Care activities in an entity with a strong level of reserves, supported by a new structure to enhance the frontline delivery of Care.

The Health and Social Care environment has seen many recent changes which provide financial challenges to business operating in the sector such as high real living wage inflation, increases in employers National Insurance and changes to the way in which services are delivered as we come out of the Covid-19 pandemic. The Care sector has proven it can be, and continues to be, agile and it can flex to changes.

Income in respect of Care Services is the main source of income for Wheatley Care with the majority of this received in the form of grant from local authorities. Health and Social Care Partnership (H&SCP) budgets for care services have been under pressure for a number of years and it is expected that these funding challenges will continue. Wheatley Care currently cover 8 H&SCP areas spreading the risks of funding cuts. In 2021/22, the Scottish Government announced an increase in the wage rate for 1st tier social care staff to £10.50 per hour, higher than the previous commitment to Real Living Wage, this was after an increase to the hourly rate for social care staff in December 2021 to £10.02 for the Scottish Government's winter preparedness payment. Inflationary increases in other costs will also continue to put pressure on budgets. Reconfiguration of services by altering staff structures and working patterns, along with efficiencies in overhead costs, have historically allowed Wheatley Care to deliver surpluses each year while absorbing the impact of these financial pressures. This work will however need to continue in future years if surpluses are to be maintained within the current environment.

In preparing the financial projections a prudent approach has been taken to income and costs. Our forecasts reflect current staffing models together with pay increases which ensure all staff will receive the new “social care rate”. Health and Social Care Partnership budgetary pressures continue to impact care funding however we have assumed income will increase to cover the costs of the services. These general assumptions result in the overall surplus remaining relatively stable over the five year period as shown in the table below.

	2022-23 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s	2026-27 £000s
Income	**22,837**	**23,243**	**23,737**	**24,254**	**24,754**
Expenditure					
Staff	(17,864)	(18,235)	(18,586)	(18,980)	(19,372)
Overheads	(3,402)	(3,461)	(3,570)	(3,666)	(3,759)
Group recharge	(1,440)	(1,462)	(1,491)	(1,522)	(1,549)
Total Expenditure	**(22,705)**	**(23,158)**	**(23,647)**	**(24,167)**	**(24,681)**
Surplus/(Deficit) before Interest	**131**	**84**	**90**	**87**	**73**

Within the context of strong financial performance since Loretto Care first joined Wheatley, and future forecast surplus generation, the projections assume a modest accumulation of reserves. This helps maintain a provision to help mitigate the impact which may result from loss of key services. This is in line with the current reserves policy of holding a minimum of one month of expenditure in reserves, working towards two months of expenditure. The table below shows the projected reserves relative to spend over the next five years.

Projected Reserves	2022-23	2023-24	2024-25	2025-26	2026-27
Total charity funds £000s	2,396	2,504	2,645	2,801	2,948
Reserves held (months)	1.35	1.39	1.43	1.48	1.53

7. Other Group Companies

7.1 Wheatley (WHG)

Wheatley is the parent company of the Group and itself an RSL. As it does not own any housing assets it is not included in the RSL Group Business Plan for the purposes of our funding arrangements.

7.2 Wheatley Solutions

The Wheatley Housing Group Board agreed to create Wheatley Solutions at its December 2015 meeting with the intention to create a distinct entity in its own right, delivering excellence in shared service provision to subsidiaries across the Group.

Staff are seconded to Wheatley Solutions from what used to be the corporate functions in various group partners, most notably GHA, and to a lesser extent Dunedin Canmore, WLHP and Loretto Housing. The provision of services was extended to DGHP in 2021/22, with DGHP staff seconded to Wheatley Solutions and costs in relation to corporate functions transferred. In developing Wheatley Solutions the intention is to ensure continuity of service whilst developing new services and ways of working to ensure Wheatley Solutions, like all other parts of the Group, is recognised for providing excellent services to customers.

During 2021/22, following the positive consultation with our RSL tenants our new “Customer First Centre” was launched in January 2022, a key Group commitment in those proposals, which will resolve the vast majority of customer enquiries at the point of first contact.

Costs incurred by Wheatley Solutions are predominantly staff and running costs. These have been estimated based on the current year’s forecast adjusted for identified savings and known changes to the operating model including the launch of the new Customer First Centre and the £4.8m increase in staffing costs, the 1.25% increase in National Insurance Contributions, and additional IT running costs linked to increases in hosted services and upgrades to virtual desktop infrastructure. Incremental savings are assumed in the financial projections with employee costs planned to reduce by £0.5m in real terms and efficiency savings of £0.8m delivered over the five year period. These will be achieved through restructuring and economies of scale e.g. through group wide procurement of contracts to ensure value for money on services provided to other group members. All costs relating to staff and running costs are fully recharged to subsidiaries.

Income received from subsidiaries is based on costs plus a mark-up of 5% however this profit is offset by an annual rental charge payable to GHA and DGHP for the use of office hubs including Wheatley House and Lipton. If costs were to vary from those projected, the recharge would be adjusted to ensure that overall Wheatley Solutions remains financially neutral.

FCA approval for Wheatley Solutions to be the agent for the Wheatley home contents insurance scheme offered to tenants and factored homeowners as well as the building insurance offered to factored homeowners was granted in 2020. Both schemes were previously offered by Lowther but transferred to Solutions in December 2020. Commission on insurance activities is now recognised as income with a corresponding reduction in the recharge to Lowther for their share of Wheatley Solutions services.

The table below shows forecast income and expenditure over the five year period.

Wheatley Solutions	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000
Income					
Group recharges	37,152	37,950	38,459	39,301	39,583
Regulated insurance activities	4,083	4,083	4,083	4,083	4,083
Total	**41,235**	**42,032**	**42,542**	**43,384**	**43,665**
Costs					
Staff	21,772	22,316	22,763	23,218	23,119
Running Costs	15,851	16,104	16,167	16,554	16,934
Regulated insurance activities	3,609	3,609	3,609	3,609	3,609
Total	**41,232**	**42,029**	**42,539**	**43,381**	**43,662**
Profit before tax	**3**	**3**	**3**	**3**	**3**
Tax	(1)	(1)	(1)	(1)	(1)
Profit after tax	**2**	**2**	**2**	**2**	**2**

Wheatley Solutions also manages the IT investment on behalf of the Group with the assets being held by our RSLs. Each subsidiary makes a capital contribution and in return receives access to group IT systems and networks. In total, across the Group the financial projections provide for a 5 year IT capital investment programme of £40.16m as shown in the table below.

Wheatley Solutions	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	Total £000
IT Investment Costs	8,926	8,807	7,473	7,685	7,272	**40,163**

This additional investment is in recognition of the key role technology has in supporting the delivery of the key strategic aims in the Group's 2021-26 strategy. Alongside the digital aspirations for Group services to customers and staff, the funding also provides for a safe, secure and reliable technology service.

7.3 Wheatley Foundation

The Wheatley Foundation was established as a charitable foundation, providing a high profile vehicle within the Group through which the Wheatley Group can support its most disadvantaged customers and communities. Having a charitable foundation enables the expertise and track record that exists in many Group subsidiaries to be shared more widely for the benefit of all tenants and customers across the group. The Foundation's brand and identity has developed to reinforce the Group's reputation for supporting better lives. This is evidenced by the high profile external funding awards secured previously from the Scottish Government and National Lottery.

The Foundation played a key role in the Group's response to the Covid-19 pandemic primarily through the extension of the EatWell programme to support households with either essential food packages or supermarket vouchers. While recovery from the pandemic continues, additional pressures on households from increases in utility prices and the cost of other goods mean the role of the Foundation in supporting customers is as important as ever.

The Foundation's income is primarily received from other companies within the group and includes gift aid payments from Lowther Homes, as well as contributions from the RSLs. The other source of funding is by way of external grants. External grants include those that have either been awarded already such as the Way Ahead contract or are associated with community benefit clauses within our new build development framework. We also set targets for additional external grant funding and a number of discussions are ongoing with partners to secure funding for next year and beyond, and to look for other publicly available sources of funding to match fund our contributions in specific projects.

The income received is used to fund a number of projects and initiatives that will benefit customers and communities across the group. These initiatives include projects such as Wheatley Works, educational bursaries, Home Comforts, Eat Well services, the Helping Hand Fund, as well as the provision of Welfare Benefit Advisers.

Given the challenging economic environment and the need to realise efficiencies across the group, the confirmed Gift Aid and donations from the Group will be used to fund core activities such as Welfare Benefit Advice, Home Comforts, Better Lives, the Helping Hand fund and core team overhead. The commitment to other Foundation projects is to be met from external fundraising including community benefit donations from new build contracts and external grant to support projects such as EatWell, Wheatley Works and the bursary programme. Projects which are funded by external fundraising will not be committed until the external income has been confirmed.

The table below shows the projected income and expenditure over the five year period.

Foundation	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000
Income					
Gift Aid/RSL Donations	4,218	4,287	4,158	4,176	4,266
External Grant (Way Ahead)	560	0	0	0	0
External Grant (New Build)	470	532	532	532	532
External Grant (to be identified)	500	500	500	500	500
Total income	**5,748**	**5,319**	**5,190**	**5,208**	**5,298**
Expenditure/provisional allocations					
Overheads	1,220	1,250	1,275	1,301	1,327
Tackling Poverty & Social Inclusion	3,338	3,358	3,414	3,469	3,524
Education	210	160	110	110	100
Training & Employment	883	554	567	578	589
Sports/Arts	21	22	22	23	23
Digital Inclusion	66	68	70	72	74
Total expenditure	**5,738**	**5,411**	**5,458**	**5,552**	**5,636**
Net cash from operating activities	**10**	**(91)**	**(268)**	**(344)**	**(338)**
Opening cash	1,096	1,106	1,015	748	404
Closing cash	**1,106**	**1,015**	**747**	**403**	**65**

8. Risk Analysis

The key challenges for WHG include:

- How we best mitigate the risk of the current economic climate, including the impact of high, and increasing, inflation, interest rate increases, welfare benefit changes and a tightening of the job market on both our cost base and rent affordability for our customers.
- How we manage the impact of any future disruption to our operations as we remobilise out of Covid-19, including the impact on our customers' ability to pay their rent and further delays to delivery of our investment and development programmes.
- Our need to reduce our management costs to ensure sustainable services, achieve our financial projections and provide demonstrable value.
- The changing housing market in Scotland, with affordability an increasing national priority across a wider range of residents and potential demand implications for social and mid-market rented housing.
- Limitations on public resources creating need for innovative solution to deliver national priorities and leading to increased demand for our services
- Adapting care services to the new delivery model and funding environment
- Delivery of the development programme within resources available particularly given the dependency on sufficient grant being available to support the programme

As risks affect different parts of the Group in different ways, especially in terms of specific funding covenants in place, we have assessed the impact of the key risks on the RSL Borrowing Group, DGHP and Lowther Homes (as they are funded separately) as well as wider risks affecting the Group.

RSL Borrowing Group

In addition to considering the impact of potential risks on the RSL Borrowing Group, a number of mitigating actions have also been identified which could be used to offset any negative impact on funding requirement or headroom. These mitigating actions have been noted below:

Mitigant	Rationale	Impact	Impact timing
Tier 1			
Reduce non-essential running costs	Spend on non-essential running costs such as consultancy and other discretionary spend could be reduced/stopped	£0.3m	Immediate, ongoing
Reduce Foundation funding	Option to reduce scale of Foundation activities resulting in a reduction in funding required from RSLs	£0.2m	Immediate subject to match funding commitments
Suspend cyclic maintenance	Non-essential cyclic maintenance could be suspended for up to two years	£2.0-£3.5m pa	Immediate, short term impact only
Defer/delay investment programme	Short term saving could be realised by limiting investment on lifecycle replacements and non essential customer priorities.	£2.0m pa	Immediate, short term
Reduce ICT capital expenditure	Spend on maintenance of existing systems only with limited investment in new technology would reduce debt requirement	£1.5m pa	Immediate
Development Fund	Acquisition of potential sites for development could be stopped and financial support for new schemes reduced	£0.5m	Immediate, short term
Tier 2			
Restructure and reduce Tenancy Support Service (£1.6m)	Ancillary to core housing management service, reduction in TSS would require provision for ER/VR	£0.8m	Within 1 year
Cease all Foundation funding	Cease all Foundation funding with exception of core activities such as welfare benefit advice	£0.7m	Immediate subject to match funding commitments

Reduce annual pay increases	Reducing staff pay increases by 0.5% for three years or applying a pay freeze would allow immediate cost savings without reducing posts or service	£0.9m	Immediate, potentially ongoing
Staff cost reductions	Environmental service could be reduced in scope, patch sizes increased and some back office elements could be removed.	£2m	Lead time to restructure services & negotiate redundancies. ER/VR impact
Rent increase	Higher rent increase (+0.5%) could be applied for 1 year to offset increasing cost base.	£1.2m	Immediate, short term
Defer/delay investment programme	Further short term saving could be realised by limiting investment to compliance & essential works only for up to five years. Provision for compensation to City Building may be required	£3.0m pa	Immediate, short term
Reduce/cease non social new build programme	Reduction or cessation of non committed/contracted mid market rent developments would reduce debt requirement	Reduction in debt only	Non contracted developments only.
Tier 3			
Reduce/restructure Community Improvement Partnership with Police/Fire	Reduction in CIP could be done with minimal ER/VR. Possible implications for tenant security	£0.8m	Within 1 year
Reduce void repair standard	Void standard could be reduced resulting in a saving in repairs and investment costs. May impact on asset values and tenant satisfaction	£1.5m	Immediate
Reduce medical adaptations	Funding available for medical adaptations could be reduced from current £1.5m	£0.5m	Immediate

Further staff cost reductions	Patch sizes could be increased further (600 units), and delivery of other customer services such as environmental, CFC reduced in scope. Consideration may be required of compulsory redundancy	£4m	Lead time to restructure services & negotiate redundancies. ER/VR impact
Rent increase	Higher rent increase could be applied to maintain differential to cost increases e.g. cost inflation +0.5%. Subject to tenant consultation and demonstration of value for money	£1.2m	Tenant consultation required, ongoing cumulative benefit
Sale of Wheatley House	Sale of Wheatley House could generate a substantial cash inflow in the short term. Additional ongoing cost however of either leaseback or relocation of staff	£10-14m	Time required to find buyer and relocate staff
Negotiate restructure of JV	Savings/additional efficiencies could be realised through restructure of the JV. This would be subject to negotiation with GCC and may require additional costs in the short term to realise any benefits	TBD	Likely to require at least 1 year to negotiate with GCC & implement

The table below sets out key financial sensitivities on the RSL Borrower Group funding covenants.

Nr	Risk Description	Golden Rules Met Y/N	Covenants Met Y/N	Debt per Unit (Max)	Interest Cover Headroom (Min)	DSCR Headroom (Min)	Impact & Mitigations
Base Case		**Y**	**Y**	**£25,940**	**£15.2m (2022/23)**	**£44.5m (2023/24)**	
Combined risks							
1	Inflation increases to 3.5% in years 1-5 with no change to rent increases, interest rates are 1% higher than assumed over the same period and bad debts are 0.5% higher	N	Y	£26,465 (2027/28)	£11.7m (2023/24)	£34.9m (2027/28)	The combination of higher cost inflation while limiting rent increases plus additional interest costs reduces surplus and increases debt. While interest cover, DSCR, debt service and debt per unit covenants can still be met headroom is substantially reduced and breach of golden rules will signal need to undertake mitigating actions.
2	Interest rates reduce in line with Chatham forecasts, rent increases reduced to 2.5% from year 4	Y	Y	£25,914 (2024/25)	£15.5m (2022/23)	£45.2m (2023/24)	Reduced funding costs as a result of lower variable interest rates offsets decrease in income. Covenants and golden rules can be met.

Nr	Risk Description	Golden Rules Met Y/N	Covenants Met Y/N	Debt per Unit (Max)	Interest Cover Headroom (Min)	DSCR Headroom (Min)	Impact & Mitigations
3	Major contractor fails and development cost for schemes post 2024 increases by 10% with no increase in grant	N	Y	£26,168 (2025/26)	£15.2m (2022/23)	£41.2m (2023/24)	The combination of delayed completions and increased cost with no additional grant results in a substantial increase in debt requirement, funding costs and a reduction in surplus. Covenants can still be met but headroom is significantly reduced in debt per unit and golden rules would be breached signalling the need for mitigating actions.
Economic risks							
4	Inflation increases to 3.5% in years 1-5, with no change to assumed rent increase	Y	Y	£26,082	£14.5m (2022/23)	£41.4m (2027/28)	As increase in costs exceeds increase in income operating surplus will be reduced. All covenants will continue to be met however headroom will be reduced signalling a need to consider mitigating actions.
5	Inflation increases to 3.5% from year 2 on, rent increase remains linked to inflation	Y	Y	£25,983	£15.2m (2022/23)	£44.2m (2023/24)	Income exceeds costs over the medium to long term therefore, providing rent increases of cost inflation + can be applied, all covenants and golden rules can be met with headroom maintained
6	Interest rates are 1% higher than assumed from year 1	N	Y	£26,016	£14.1m (2022/23)	£41.5m (2027/28)	Significant proportion of funding is fixed therefore limited impact on covenants. Additional fixed rate funding could be put in place should rates increase further.

Nr	Risk Description	Golden Rules Met Y/N	Covenants Met Y/N	Debt per Unit (Max)	Interest Cover Headroom (Min)	DSCR Headroom (Min)	Impact & Mitigations
7	Rent increases limited to cost inflation in all years	N	Y	£26,159	£14.8m (2023/24)	£35.4m (2027/28)	Reduction in income results in increased borrowing requirement and reduced operating surplus. Covenants can be met in all years however headroom reduced and breach of golden rules signals need for mitigating actions.
Operational risks							
8	Performance – bad debts increase by 1%	N	Y	£26,099	£12.5m (2022/23)	£40.8m (2027/28)	Reduction in net income received increases debt requirement and reduces headroom on covenants however covenants can still be met
9	Staffing savings achieved are 50% lower than target	Y	Y	£26,016	£14.9m (2023/24)	£41.0m (2027/28)	Increased cost reduces operating surplus and increases funding. Covenant headroom is reduced but can still be met
10	Repair costs are 10% higher from year 1 on	N	Y	£26,332	£10.2m (2022/23)	£38.0m (2027/28)	Significant increase in costs increases debt and reduces operating surplus. Covenants can be met but with lower headroom.

Nr	Risk Description	Golden Rules Met Y/N	Covenants Met Y/N	Debt per Unit (Max)	Interest Cover Headroom (Min)	DSCR Headroom (Min)	Impact & Mitigations
Growth							
11	New build programme ceases from 2024 due to insufficient grant to meet costs	Y	Y	£25,610	£15.2m (2022/23)	£26.6m (2025/26)	Cessation of programme from 2024 results in a reduction in debt requirement improving our debt per unit ratio.
12	New build programme delayed (250 units by 6 months)	Y	Y	£25,942	£15.2m (2022/23)	£45.2m (2027/28)	Delay in development of 250 properties results in a reduction in debt requirement in the short term and increases headroom in interest cover. Over the longer term there is an adverse impact from the delay in receiving rents.
13	New build programme accelerates (265 units by 1 year)	N	Y	£26,090	£15.2m (2022/23)	£42.6m (2024/25)	Development of 265 units one year earlier than programmed results in additional debt and a breach in our debt per unit golden rule. This could be mitigated by reducing other capital spend.
14	Major contractor (representing 25% of our programme) fails resulting in delay and additional costs	Y	Y	£26,053	£15.2m (2022/23)	£41.3m (2023/24)	Delay in delivery of the units combined with an assumed 20% increase in costs increases debt and funding costs and reduces surplus. While debt per unit increases close to golden rule, covenants could still be met.

The table shows that while in the majority of cases golden rules would not be met there is sufficient headroom within our covenants to avoid a breach. Where our golden rules are not met, the necessary mitigating actions identified will be undertaken to prevent any breach of covenants and restore headroom to previous levels. As the table below demonstrates even in the event of an extreme downside scenario there are sufficient mitigating actions available to prevent a breach.

Nr	Risk Description	Golden Rules Met Y/N	Covenants Met Y/N	Debt per Unit (Max)	Interest Cover Headroom (Min)	DSCR Headroom (Min)	Impact & Mitigations
Extreme downside scenario							
1	Inflation increases to 3.5% in years 2-5, repair costs are 10% higher, bad debts 1% higher and interest rates increase to 5%. No change to rent increases assumed	N	N	£27,159 (2027/28)	-	£30.5m (2027/28)	The combination of higher cost inflation and reduced income plus additional interest costs reduces surplus and increases debt. Headroom reduced on interest cover and this is projected to breach by 2036/37. Maximum DPU is also in excess of covenant. Significant mitigating actions will be required.
2	With mitigations	N	Y	£26,866 (2027/28)	£4.4m (2023/24)	£31.8m (2023/24)	All tier 1 mitigations required in addition to reduction in pay uplifts of 0.5% for three years, £1m staff saving, reduction in TSS, reduction/reprofiling of investment programme and 0.5% increase in rent inflation in year 5. Further substantial reprofiling in investment and development activities would be required to meet golden rules

Close monitoring of operational performance and management of overall costs within the financial envelope assumed in the plan will however remain key to achieving the projected financial results unless additional income can be generated to offset any additional costs.

The other potential impact is on our security value and asset cover as significant market downturns or changes in the valuation could negatively impact on our security position. The majority of our £2,120m of secured stock is valued on a EUV-SH basis (62% of value is on an EUV-SH basis), which is based on discounted cashflows and therefore not impacted by movements in general property values. This is not the case with assets valued on the MV-ST basis and these are more sensitive to general property market fluctuations. It is not easy to quantify how scenarios may impact on property value, however there remains sufficient asset cover headroom across the majority of our facilities which, combined with the £166m of unsecured assets at the start of 2022/23, could be used to fill any asset valuation shortfall. In addition, there is also the option to move secured assets between facilities to address asset cover shortfalls in one facility from a surplus in another. House prices (which influence in part the MV-ST valuations) in 2021 have remained strong as a result of the LBTT freeze and pent-up demand following the initial lockdown, with analysts forecasting this position to continue into 2022.

<u>DGHP</u>
The key risks for DGHP are largely the same as those for the RSL borrower group. The DGHP 2022/23 Financial Projections include detailed sensitivity analysis showing the impact of these risks on the key financial parameters, including funding covenants.

<u>Lowther Homes</u>
[redacted]

<u>Wheatley Care</u>
While Wheatley Care has reconfigured staffing and operating structures during the past two years the operating environment is becoming increasingly challenging with further reductions in income anticipated and pressure on costs due to inflation and increasing wage levels. The impact of these risks on Wheatley Care’s surplus and reserves is included within the detailed sensitivity analysis within the Wheatley Care 2022/23 Financial Projections.

Wheatley Group

Report

To: **Wheatley Housing Group Board**

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

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

Subject: **New operating model update**

Date of Meeting: **23 February 2022**

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1. Purpose

1.1 This report updates the Board on progress with our new operating model and the proposed next steps as we emerge from the Scottish Government's Omicron-related restrictions.

2. Authorising and strategic context

2.1 Our new operating model is a key part of our 2021-26 strategy has been subject to detailed review and approval prior to its implementation by the Group and partner organisation Boards. This includes our largest-ever tenant engagement exercise which allowed us to establish that it has strong support amongst our customers. However, given its ongoing strategic importance, it is proposed that we continue to update all Boards on its progress throughout the course of the year.

3. Risk appetite and assessment

3.1 Our risk appetite for service delivery innovation is "open"; which means we are prepared to take risk and embrace change. In this context, our new operating model represents a significant change from our previous approach, and it is critical to the success of our overall 2021-26 strategy.

3.2 If key elements do not operate effectively – for example the Customer First Centre or the model of hybrid working – then there is a risk that we might fail to deliver out strategic objectives around customer satisfaction, service standards and staff morale. For that reason, this paper sets out a number of measures designed to closely monitor the impact and effectiveness of our new operating model and to allow us to refine elements of it as required in the coming months.

4. Background

4.1 From the beginning of February, the Scottish Government relaxed the requirement for home working wherever possible in favour of permitting hybrid working. On the 22nd February, it is due to publish an updated Strategic Framework which will set out in greater detail the approach to be taken across Scotland to managing Covid more sustainably and less restrictively in the remaining phases of the pandemic, and then as the virus is anticipated to become endemic.

4.2 The restrictions imposed over December and January meant the ability of our staff to meet in person was limited. Our *Wheatley Way* staff engagement sessions were paused, and Board meetings went back to being online. Despite this backdrop, we have continued to make good progress with the implementation of our new operating model.

5. Customer engagement

5.1 A letter was issued to all RSL tenants at the end of January informing them of the results of the consultation on the operating model and, in the case of GHA tenants, of the proposed name change to Wheatley Homes Glasgow. It also informed tenants that the Customer First Centre has been established and sought interest for becoming part of our new engagement structures. Further detail of the next steps with these aspects of our new model is provided below.

6. Discussion

6.1 The tenant consultation carried out last autumn contained four key customer-facing elements that underpin our new operating model. These were:

(i) Customer First Centre

6.2 The Customer First Centre launched successfully on 1 December and has since handled over 135,000 calls, of which around 40% related to repairs. The Centre is open 24/7, 365 days a year. Specialist teams of housing professionals are now in place to support the call handlers and the overall resource in the centre has increased by 110 people on the previous call centre.

6.3 We have updated and simplified the phone line structures and messages, reducing the number of routes/queues ("press 1 for repairs", etc) from 17 to 6; increasing use is being made of text for customer comms and this will continue with the environmental text update service presented to the Board last year. The technical IT system work has now been completed in readiness for extending web-chat to more service areas post-April.

6.4 Early evidence shows that the Customer First Centre is providing to be an efficient way for tenants to get day-to-day problems solved and questions answered quickly. At the start of week commencing 14th February, the grade of service had risen to 90% of calls being answered within 30 seconds (10% higher than our target), 92% were resolved by the call handler with no hand-offs to other staff required and the call abandonment rate was below 3%, compared to 13% last November.

6.5 Initial feedback from housing officers is that they are experiencing a significant reduction in tasks allocated by the CFC (via our customer relationship management system) compared to the previous call centre. The percentage of repairs being raised by housing officers has also dropped, from over 30% last October to 12-15% by the start of February. This supports our commitment to reducing the transactional-type workload for housing officers, thereby freeing them up to spend more time out and about in our communities. We will continue to evaluate the activity profile of housing officers as part of our evaluation of the operating model over the course of the year.

6.6 We have commissioned an external review of the CFC, to be carried out during March and April. This will provide an independent assessment of what is working well and areas we should focus on for further development after the first few months of its operation. We anticipate that a further detailed review will be carried out in 12 months' time to provide us with an external view on how well the significant investment we have made in the CFC is delivering on our objectives.

(ii) More services in your home

6.7 Over recent months, our local housing officers have continued to operate throughout our communities and deliver services to the door of customers' homes. Our staff are meeting customers face to face through home visits, or in locations of the customer's choice in the community, to deal with complex cases, supporting the most vulnerable and dealing with anti-social behaviour and estate management.

6.8 Customers can request a housing officer next day visit online or through the Customer First Centre, and housing officers can update their diaries while on the move using their GoMobile technology. The ability of housing officers to support customers in their homes will be particularly important in the coming months for those on Universal Credit, as we can provide face-to-face support to help tenants navigate their DWP online journal and amend their claims to take account of the upcoming rent increase.

(iii) Do more online

6.9 Housing applications are already fully online through our *MyHousing* page, other than for Edinburgh customers in Dunedin Canmore and across DGHP, due to the use of common housing registers with other landlords in these areas. A project to transition DGHP to the use of MyHousing is in development, and an update will be brought back to the Board later in the year.

6.10 The Board approved a significant new digital service offering last autumn for environmental services, which will introduce a range of electronic communications for customers on issues such as stair cleaning and grass cutting. This is due to be introduced in the summer.

6.11 On repairs, we have conducted user experience testing on our repairs ordering website with small groups of tenants in preparation for it going live again. However, to deliver the full range of service to customers set out in our strategy – the "Book It, Track It, Rate It" approach – we will need to deploy a new system. We have identified a preferred provider (Localz) and are working with them on developing this approach. In parallel, City Building and Dunedin Canmore IT systems will also have to be upgraded to allow this functionality, since customer messages will be delivered from these systems. These projects are part of the repairs transformation programme discussed in more detail on the separate paper on the agenda.

6.12 In line with our project plan for the year, we have carried out a detailed evaluation, including feedback from a group of tenants, of potential “community apps”, which could contain content about local events, customer news and information, etc. In response to tenant feedback, we propose not to develop an app just for this purpose, but to broaden our successful local digital engagement forums such as community Facebook pages instead. In this context, our social media engagement over the last year has seen:

- Nearly 300,000 social media accounts reached;
- 144 new social media followers take the total to nearly 45,000;
- 40% increase in visits to Wheatley’s careers pages;
- Facebook and Instagram reach doubles year-on-year;
- and a 10% increase to Wheatley Group website traffic compared to December 2020

6.13 Our strategy will focus on the development of a Wheatley app that offers key services, in particular repairs booking functionality.

(iv) Our new hubs – centres of excellence

6.14 With the Scottish Government’s announcement of the move to hybrid working, staff have been returning in small groups to our Wheatley House hub. Our second Glasgow hub at Dava Street in Govan is due to open before the end of March. Following this, the third – in Knightswood in the north west of the city – is due to open by the end of April once refurbishment works are complete. We are proposing to refurbish the Wallacewell Road hub in the north east of the city with this being ready for staff and customer use by the summer.

6.15 In Edinburgh, works are underway at New Mart Road, with an overall July completion planned. The work will be undertaken in two phases, ten weeks per floor, with a new air conditioning system a key part of the project.

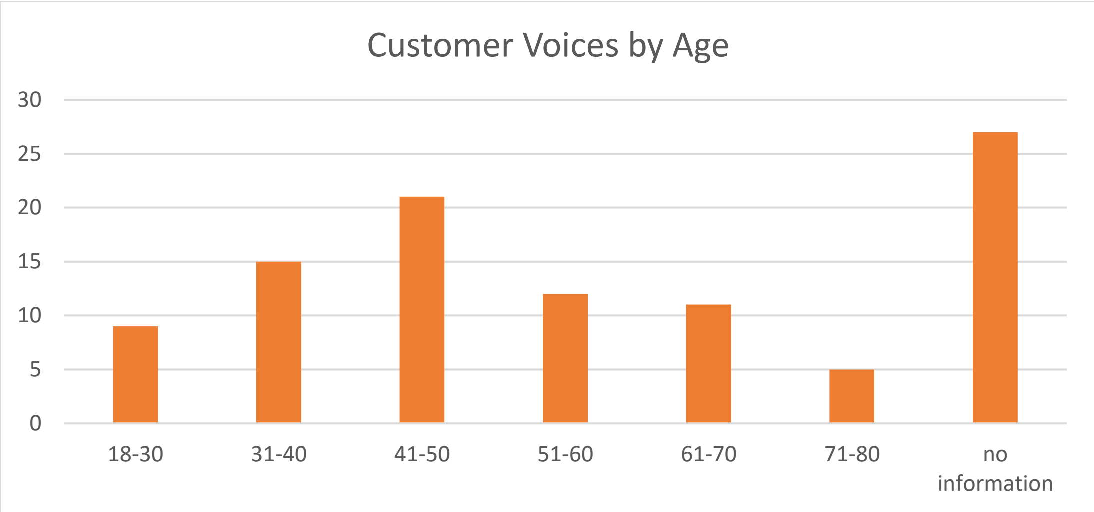
6.16 Our interim Dumfries Hub, at Brasswell Business Park on the west edge of the town, will be open around the end of March. The planned long term hub, in the town centre, is still subject to detailed discussions with planning with an anticipated completion date of the end of the year. In Stranraer, the DGHP Board and Group Development Committee have now approved the demolition proposals for the existing office, with in-principle agreement that a new hub and 12 residential units will be delivered on the site later this year.

New engagement structures

6.17 To support our new way of engaging we have recruited our first 100 Customer Voices across the Group. These Customer Voices – covering every one of our RSLs - are customers who have been involved in recent engagement work with us such as rent consultation focus groups; web self service testing; local neighbourhood walkabouts and regeneration activity. As a follow on from these activities we have asked those involved if they would like to sign up with us as a Customer Voice, enabling them to take part in further activities with us to influence service design and local investment.

6.18 At the end of January we wrote to all customers to formally launch the Customer First Centre and to invite customers who were interested in engaging with us to sign up to our Customer Voice programme. We will follow this up with local Housing Officer engagement and information on social media in order to build up our database of customers who want to be actively engaged with us on local or group-wide activities.

6.19 Part of our commitment in the Stronger Voices engagement framework was to increase the diversity of those customers who actively engage with us to influence services and investment. Analysis of our first 100 Customer Voices show a gender split of 30% male to 70% female, so we will review how we can attract more male customers to become involved. We have also segmented our Customer Voices by age, where people were willing to share that information with us. As the chart below shows we have some diversity across age bands, and the fact that we have been promoting more digital engagement activities is likely to have helped us attract more customers in lower age bands than we have been able to previously.



6.20 Our Customer Voice engagement programme for 2022/23 is currently in development. This includes strategic group-wide projects as well as local activities such as neighbourhood walkabouts, identifying local Customer Voice investment projects, You Choose Challenges for community development, and regeneration engagement for example the Wyndford Future Focus Group in Glasgow and Lochside in Dumfries. WLHP customers will also be engaged in formal consultation on the partnership proposal between WLHP and Dunedin Canmore.

6.21 In terms of Group-wide engagement activities, this will feature the following topics:

- Equality and diversity – focus groups with customers looking at the development of our Equality and Diversity approach and the information we collect from customers for this purpose
- On-line services – further customer journey mapping and user research with customers to ensure our on-line service offering meets customer needs and requirements
- Customer First Centre – we will be using customer insight to improve and refine this service, and we will also involve Customer Voices in the scrutiny of this information through engagement panels

- Community led development – we will use a mixture of focus groups and surveys to work with local communities in areas where we have proposed new build sites
- Repairs – we will use focus groups and customer journey mapping to gather insight and improve customer experience of our repairs service in each region of the Group.

New working model for staff

6.22 The new operating model also changes the way many of our staff work. Even those whose working patterns and locations may not change – such as our 700 environmental operatives – will be impacted in some way by the changes. For example, new technology such as the environmental app presented to the Board last year and the changing corporate office footprint will have an impact on how they work. It will be important that we understand the differential impacts in parts of the Group so that we can learn how the model is working and make adjustments as necessary.

6.23 A steering group will be established to oversee the key workstreams. These will include:

- **A review of our policies and procedures** – while a number of key policies have already been updated, such as health and safety, lone working and working from home; it will be important to assess how these are operating in practice, as well as identify and further amendments necessary to these or other policies. For example, we may augment areas of staff guidance to reflect the long term use of video conferencing.

- **Understanding the staff experience** – we continue to engage with staff to understand their experiences of the new working model and any elements we may need to adjust. This will also inform an assessment of training needs and building design/functionality, such as whether changes need to be made to the layout or operation of Wheatley House or other new hubs to support staff working arrangements.

- **Learning and development** – this operates differently in a blended working context, with a mix of online and face-to-face approaches. The group will consider the balance between these and which models are proving most effective.

- **Leadership** – this year we will launch our leadership development programme, but we recognise that this will require ongoing adaptation in light of staff feedback and experiences of how leadership models are evolving in the blended working environment. Staff empowerment and a culture of trust have been key elements of our Think Yes culture, and we will consider how this continues to develop in our new model; for example through considering questions such as how we might devolve more responsibility and accountability to repairs trades teams.

7. Digital transformation alignment

7.1 The new operating model is a key element of our digital transformation plans. In addition to developing our digital customer services, we are increasingly using digital means of engagement – for example, this year we have run rent focus groups online for the first time.

8. Financial and value for money implications

8.1 The proposals in this report can be funded within existing budgets as set out in our business plan projections; there are no new financial implications.

9. Legal, regulatory and charitable implications

9.1 To support our new operating model, we will undertake a review of compliance with laws, policies and regulations across all areas of the Group over the coming months. This will provide a further level of assurance that in changing our operating model and working practices, we continue to be compliant with applicable requirements. This will include technical building maintenance and environmental requirements such as water testing, electrical checks and fire safety. It will also cover compliance with corporate governance and regulatory requirements such as Companies House, Scottish Government and Scottish Housing Regulator codes of practice and Financial Conduct Authority rules.

10. Equalities implications

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

11. Environmental and sustainability implications

11.1 The new operating model supports our objective to transition to a net zero corporate carbon footprint by 2026. The reduced office footprint, more energy efficient buildings and reduced staff travel form part of this. A more detailed update will be included in the Board workshop in March and in updates to future Board meetings.

12. Recommendation

12.1 The Board are asked to note the contents of the report.

Report

To: Wheatley Housing Group Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Energy costs: supporting our customers

Date of Meeting: 23 February 2022

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1. Purpose

1.1 This report updates the Board on the steps we are taking to support our customers with increasing energy costs.

2. Authorising and strategic context

2.1 The financial measures noted in this report are budgeted within the business plan financial projections separately on the Board agenda. Supporting our customers with the cost of running their homes is a key objective in our 2021-26 strategy.

3. Risk appetite and assessment

3.1 The rising cost of energy presents a number of risks; it will see customers face increasing financial hardship, which in turn could impact on their ability to pay rent. While we maintain conservative provisions for rent arrears in our business plan, it is also important that we take direct action to support our customers where they face acute issues of fuel poverty.

4. Background

4.1 The UK has limits on how much suppliers are able to charge consumers for energy, known as the price cap. Energy price caps are reviewed by the government's regulator, Ofgem, every six months. Following price rises in October 2021, energy costs for customers are due to again increase from 1 April.

4.2 The increase on 1 April will see households on standard tariffs pay an average of £693 more per year – with bills rising from £1,277 to £1,971 per year, while prepayment customers will see an average increase of £708 - from £1,309 to £2,017.

4.3 Wholesale natural gas prices have been rising for a number of reasons, including low inventories as economies re-open post-Covid, and Russia tightening its gas supply to the rest of Europe. The UK has been heavily impacted due to its reliance on gas as an energy source, with 85% of UK domestic heating being gas-based.

4.4 Since the start of the pandemic, we have supported customers facing hardship through a range of initiatives, these include our emergency response fund, EatWell programme and a number of fuel top-up schemes, including our Energy Crisis Fund, for which we have claimed £1.75m in support from Ofgem to date.

5. Customer engagement

5.1 Discussed further below.

6. Discussion

6.1 Given the current position regarding the cost of energy, our Fuel Advice Team will play two key roles. Firstly, we will help advise and guide customers through the array of different funds and sources of support recently announced by the UK and Scottish Governments. While these are welcome, they are likely to be confusing for customers to navigate.

6.2 Utility companies are currently not offering any new tariffs due to the ongoing situation regarding energy prices, meaning our customers are unable to move to a more affordable tariff at this time. However, the Fuel Advice team are continuing to deliver a bespoke energy advice service to our customers and we have seen a recent increase in demand for our service and in the number of customers requiring our support. The valuable service continues to deliver great outcomes for our customers, as this quote from our customer, Sandra regarding the home heating support fund shows, 'it has helped me a lot, a huge weight has been lifted off my mind. I wouldn't have known what to do as it was very complex. I'm also getting a smart meter fitted now.'

6.3 Secondly, we have accessed or are developing other support mechanisms for our customers. These are set out below.

(i) While we will continue to access funds on a local and national basis on behalf of customers, we have also considered how we can concentrate our resources to help customers given the acute nature of the situation. We have therefore brought together £1m under Wheatley Foundation through the Helping Hand Funds and former GHA Better Lives Fund which will be used a single pot to support customers in urgent need of assistance. This fund will be available for our frontline staff, including in the Customer First Centre, to access on behalf of customers, and may cover food, fuel and other forms of emergency assistance. This is on top of the £200,000 budget allocated next year for food support through our Eat Well programme, also run by the Wheatley Foundation.

(ii) To augment the Wheatley Foundation's funds, our Fuel Advice team along with Housing Officers and other colleagues across Group have been supporting customers who have prepayment meters through our Energy Crisis Fund. We have to date successfully secured £1.75m in grant funding from Ofgem, of which £410k remains. We have also just had confirmed our bid for a further £500k has been successful, taking the total to £2.25m. We can begin to locate this money from the end of this month onwards. The Energy Crisis Fund supports customers by providing a maximum of three awards of £49 by voucher that they can credit to their pre-payment meter. We can also potentially use this funding to arrange the reconnection of gas where it has been shut off by the supplier due to overdue charges (at the same time updating the CP12).

(iii) The Fuel Advice team have also been supporting customers to apply to Scottish Power and SSE who have their own hardship funds which are only available to their customers specifically, as well as British Gas who has a fund that is opened to customers of any energy supplier. Each of these individual funds have differing eligibility criteria and some are only open for a short period of time.

(iv) We are at the early stages of a partnership agreement with The Wise Group to support customers who have credit meters with a one-off payment of £150 which would be paid directly to the energy supplier on behalf of our customers, and we are proposing a pilot of this approach in GHA South. We also have a number of customers who have self-disconnected because of the standing charge or have had their gas meters disconnected due to debt. The team are working in partnership with colleagues in City Building to develop a potential approach to support these customers to address the debt and have their meters reconnected to the energy supply.

6.4 In addition to our own initiatives and sources of direct support for customers, the UK and Scottish Governments have announced a number of mitigation measures.

6.5 The UK Government has:

- Proposed a scheme whereby all residential electricity customers would receive a £200 discount on their electricity bills from October, which will later be repaid in £40 instalments over five years; and
- Stated it will expand the *Warm Home Discount Scheme* to cover three million households. It offers low income households a one-off annual discount on their electricity bill, and was worth £140 in 2021/22.

6.6 The Scottish Government has been allocated £290m of extra funding under the Barnett formula following the UK measures, and has allocated it as follows:

- £280m to provide £150 to every household in receipt of Council Tax Reduction in any Band and to provide £150 to all other occupied households in Bands A to D. This means 1.85 million households across Scotland, or 73% of all households, will receive financial support through their council tax bill or a direct payment. The proportion of our customers benefitting is likely to be higher than this; and
- £10m in 2022-23 to continue the Fuel Insecurity Fund to help households from rationing their energy use.

6.7 In December 2021, the Scottish Government launched a consultation on proposals to introduce a new Scottish benefit to replace the current Cold Weather Payment scheme in Scotland from winter 2022. The proposed new benefit, *Low Income Winter Heating Assistance*, would give the 400,000 low income households currently eligible for Cold Weather Payments a £50 payment every year. This will be an investment of around £20 million each year to support people towards the costs of heating their homes in winter no matter what the weather or temperature. The current requirement is for temperatures to be recorded or forecasted at below zero degrees Celsius for seven days in a row in order to trigger a £25 payment.

6.8 Also in December, the Scottish Government launched a £4m Home Heating Support Fund, administered by Advice Direct Scotland. Our Fuel Advice team have been granted access to this fund as Trusted Referral Partners, allowing us to submit applications on behalf of our customers who are in fuel debt, experiencing financial hardship or are self-rationing their energy use. The fund seeks to provide financial relief to energy consumers who are experiencing significant financial hardship and strives to provide this support to households regardless of the fuel or payment method used. The grant will pay up to a maximum of £1,000 per household and closes on 31st March 2022. The fund is open to users of prepayment and credit meters, district heating networks and unregulated fuels. Since the fund opened in January 2022, our Fuel Advice team have been submitting applications for our customers, with 25 successful applications to date and a total of £20,180 paid into these customers' utility accounts.

7. Digital transformation alignment

7.1 There are no digital transformation implications associated with this report.

8. Financial and value for money implications

8.1 The proposals in this report can be funded within existing budgets as set out in our business plan projections; there are no new financial implications.

9. Legal, regulatory and charitable implications

9.1 Not applicable.

10. Equalities implications

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

11. Environmental and sustainability implications

11.1 Our housing stock generally performs well from an energy efficiency perspective, and we continue to install energy efficiency measures in line with our strategy, as noted in the five-year investment plan report on the agenda. Further discussion on our energy efficiency, decarbonisation and retrofitting plans will take place at the Board workshop on sustainability in March.

12. Recommendation

12.1 The Board are asked to note the measures we are taking to support customers facing hardship due to the energy crisis.

Report

To: **Wheatley Housing Group Board**

By: **Olga Clayton, Group Director of Housing and Care**

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

Subject: ***A New Deal for Tenants* – draft Rented Sector Strategy consultation**

Date of Meeting: **23 February 2022**

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1. Purpose

1.1 This report summarises the Scottish Government's recently published draft strategy for the rented sector in Scotland, *A New Deal for Tenants*, and outlines potential implications arising from the proposals it contains; and

1.2 Seeks the Board's views on the draft strategy to inform the Group's overall response to the consultation exercise.

2. Authorising and strategic context

2.1 The Scottish Government's draft strategy for the rented sector has Group-wide implications including for the delivery of the Group's strategy, *Your Home, Your Community, Your Future*.

3. Risk appetite and assessment

3.1 Our agreed risk appetite in relation to changes in policy is cautious. This level of risk tolerance is defined as "p*reference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward*".

3.2 Through discussion of the draft strategy and a comprehensive response to the consultation, as well as our networks with key stakeholders and relationship with the Scottish Government we would aim to inform policy arising from the strategy and its implementation, and effectively plan to mitigate negative impacts as far as possible, whilst maximising the opportunities it creates to deliver better outcomes for our customers.

4. Background

4.1 When the Scottish Government published Housing to 2040, the country's first long term housing strategy, it signalled its intention to publish a new Rented Sector Strategy to set out how it would achieve improved accessibility, affordability and standards across the rented sector.

4.2 The draft strategy – *A New Deal for Tenants* – was subsequently published on 20 December 2021.[1] The government is now consulting on the draft with the aim of having the final strategy in place by the end of 2022 and bringing forward housing legislation to implement key aspects of it in 2023.

4.3 The draft strategy is one of the first outputs from the cooperation agreement between the Scottish Government and the Scottish Green Party, and reflective of the concerns of the latter, it has a strong focus on enhancing tenants' rights across all rented sectors, including the social and private rented sector (PRS). Some areas of the strategy such as supply and access to affordable housing are relatively undeveloped or, in the case of pushing up quality standards, reference other policy initiatives already underway.

4.4 The Scottish Government is seeking responses to the draft strategy by 15 April 2022. The Lowther Board considered the draft strategy and its implications for the PRS sector at their meeting on 10 February 2022. The discussion below focuses on areas of the draft strategy relevant to Lowther's PRS rental activities and has been updated to reflect the Lowther Board's feedback. We will update RSL Boards as part of their March meeting cycle.

5. Customer engagement

5.1 As part of the development of the Group's response to the consultation document we will elicit customer's views through a meeting with the Tenant Scrutiny Panel at the end of February.

6. Discussion

6.1 The draft strategy document aims to take a whole rented sector approach to "*ensure all tenants, whether living in private or social rented homes, can access secure, stable tenancies, with affordable choices – whilst also benefiting from good quality homes and professional levels of services and rights*."

6.2 By 2025, through the proposals in the draft strategy, the Government intends to deliver:

- Enhanced rights for tenants;
- New requirements for data collection on rents in the private sector;
- New cross-tenure housing standards;
- A new private rented sector Regulator; and
- Legislation to underpin a new effective system of rent controls.

6.3 The draft strategy is clear that the private rented sector is behind the social rented sector in many of the areas where the Government wants to see progress, and therefore the weight of policy proposals being consulted on are for that sector with implications for the Group and Lowther drawn out in the discussion of each part of the draft strategy below.

[1] https://www.gov.scot/binaries/content/documents/govscot/publications/consultation-paper/2021/12/new-deal-tenants-draft-strategy-consultation-paper/documents/new-deal-tenants-draft-strategy-consultation-paper/new-deal-tenants-draft-strategy-consultation-paper/govscot%3Adocument/new-deal-tenants-draft-strategy-consultation-paper.pdf?forceDownload=true

6.4 The tables that follow for each chapter of the draft strategy summarise the key proposals along with considerations for the different parts of the Group's operations including our RSLs and Lowther, as well as how we already deliver against the various proposals, and key elements for our response to the consultation.

A New Deal for Tenants

Key Proposals	*Considerations for Wheatley Group*
Ensuring tenant's voices are heard with an equalities led approach	
Establishing a **PRS Tenant Participation Panel** to inform the development and implement of national policy	We would welcome any opportunities for tenants to be involved in shaping the development and implementation of national policy. The Group is committed to ensuring that customers voices are heard, and that they co-create services with us, and therefore we support any developments which also allow tenants to shape the policy environment for those services.
Consider the role of **tenant unions** in tenant participation and influencing decision-making processes and policies	We welcome feedback from all relevant organisations. However, increasingly we find that this is more robust and more representative when sought in a whole range of ways. These include instant feedback, digital engagement and detailed input on specific items. Younger people and those from protected characteristic groups tend to be more inclined to become involved through these mechanisms rather than in a more traditional and long-term forum. Landlords of any tenure should be encouraged to develop strong tenant engagement, which can involve individuals from a robust cross-section of their customer base. If landlords consistently engage customers across all aspects of service development, allowing them to lead in the direction of travel, we will steadily build up the customer voice so that tenants are a powerful influence locally and nationally. This is likely to create more diverse and representative feedback to add to that from formal organisations. There is a role for regulators in assuring this engagement process.
Deliver a national **awareness raising campaign** of tenant's rights and how to exercise them in 2022	At the point of let we talk to tenants about their rights, and information is available through our websites where we also direct customers to independent advice through Citizen's Advice Scotland and Shelter. We would welcome any campaign to increase tenants understanding of their rights, especially with regards the new Private Rental Tenancy which offers tenants more security than previously, helping to make this a more viable housing choice for many households wary of the PRS sector.

Consider how best **advocacy and advice** can be offered to PRS tenants seeking to access the First-tier Tribunal (FTT).	We understand the value of high quality, independent advice and advocacy for tenants delivered by trusted sources such as Shelter and the Citizen's Advice Bureaux and would support any development of this or similar provision should the Scottish Government make funding available.
Further develop Regional Networks to represent diversity in the sector	Our Strategy commits us to ensuring that our services and approach are led by our customers, representing all parts of society. We have recently undertaken a range of work as part of the development of the New Scots Action Plan and will take a similar approach as we implement the homelessness policy. We know from experience that it can be difficult to ensure that all protected characteristics are represented. Regional Networks would be welcome as an additional mechanism to hear from customers but should not replace the work of each landlord.
Enhancing rights within the existing tenancy framework	
Tenancy Deposit Schemes – use **unclaimed deposits** to improve and benefit the private sector.	We remind all tenants to reclaim any unused deposits from the scheme we use. Analysis has shown unclaimed deposits is not a big issue for our PRS tenants. However, we would welcome the recycling of unclaimed deposits after an appropriate time to support PRS tenants access to advice and support.
Consider reforms to the current **grounds for repossession** under the Private Residential Tenancy (PRT)	The PRT has been in place since 2017 and is now the main from of tenancy for Lowther's tenants. There are 18 grounds for eviction which are a mix of mandatory, where the FTT would have to grant an eviction order if all the requirements were met, and discretionary, where the FTT could consider wider factors. All grounds have been discretionary under emergency Covid legislation and are due to remain so until March 2022. Scottish Government has already sought views on making this change permanent in line with the social rented sector. From our experience the current grounds work well. We are comfortable with the requirements on landlords seeking evictions under the grounds, and welcome the introduction of pre-action protocols as discussed below.
Revise pre action protocols in the social rented sector to take account of Universal Credit and the impacts of domestic abuse	Pre-action requirements work well in Wheatley by codifying the actions we already undertake. Court and eviction action are only undertaken as a very last resort. We provide thorough support to help tenants to pay their rent or resolve their behaviour and as a result very few cases go to court.

	We have already modified our approach to all the initial 5 week wait arrears which result in Universal Credit to be paid back incrementally Additional proposals to support those experiencing domestic abuse are also welcomed. It is important that victims can stay in their existing home where they feel it is important to do so as it can help to maintain existing support networks
Introduce **pre-action protocols** when considering issuing notices of eviction for arrears permanently for PRS tenancies.	During the pandemic when the requirement to use pre-action protocols was put in place, Lowther drew on the established model already used by our RSLs. This has worked well in helping to structure engagement with tenants around arrears prior to issuing a Notice, so we welcome the proposal to make these permanent for the PRS sector. Pre-action requirements work well for the Group – they codify the actions that we were already taking for tenants. Court and eviction action are only undertaken as a very last resort. Our thorough approach to ensuring tenants are supported to pay their rent or resolve their behaviour means that very few cases go to court and even less are evicted. This extensive approach is easier for larger RSLs and it is recognised that it would be difficult to replicate in full for small private landlords. However, a standard pre-action protocol as implemented by Lowther would be welcomed as it should have a beneficial effect on preventing homelessness. The national aim to end homelessness can only be achieved through supporting at-risk households well before they become homeless. This will allow them to transition to a new home without the trauma of temporary accommodation. Supporting private rented sector tenants in this situation will require teams with the skills to address their particular issues – for example mediation, advocacy and legal services. These are very different from those found in traditional homelessness and housing options teams.
Review legislation to tackle **commercial sexual exploitation** and consider as part of a wider package of support housing measures to support women to exit.	We would welcome a review of the terms “immoral purposes” and “brothel keeping” within the model SST. The language currently used is outdated and should instead be focussed on criminality and disturbance to communities. The review must balance the need to avoid harm to individuals with the potential impact on the wider community. It should take account of the potential for managed moves where community relationships have broken down to avoid eviction but allow people to

	start afresh. Commercial Sexual Exploitation (CSE) is a form of Violence Against Women and it is important that all sectors within housing understand and appreciate this and that the appropriate level of support is given to those affected, including access to safe and suitable forms of accommodation. The Group has developed specialist training to enhance the knowledge and understanding of our staff in this area and this will shortly be rolled out across our wider frontline staffing teams to ensure anyone impacted is able to access the right support at the right time.
Ensure a **joint tenant** can end interest in a PRS tenancy And joint tenants who experience **domestic abuse** can remain in the family homes as the sole tenant. Introduce a ground that enables private landlords to apply to the FTT to transfer a tenancy to enable a survivor of domestic abuse to remain in the family home as sole tenant.	We would welcome improvements to how PRS sector joint tenants can end tenancies to equalise practices with the social rented sector. However, we would recommend that longer notice periods may be advisable to give tenants time to save for the deposit or make plans if the rent and deposit is no longer affordable. We would welcome grounds that support domestic abuse survivors to remain in their homes as a sole tenant. Allowing private rented sector tenants to end a joint tenancy may also assist in avoiding a greater crisis. Victims of domestic abuse should have the option to remain in their existing home where they feel it is appropriate to do. The Group offers a wide range of support including risk assessment and safety planning, access to safe and secure home/personal safety referrals, attendance at multi-agency forums to take a collective approach towards targeted action planning and established partnership working with statutory and non-statutory agencies. Supporting tenancy sustainment across all sectors is crucial in terms of the approach towards helping victims of domestic abuse remain where their support network is if they chose this option and it is safe to do so. Women are known to be most disadvantaged by domestic abuse and, as they often assume the role of primary caregiver, remaining within the community where children attend education, existing GPs surgeries etc is of real importance to their support structure.
Amend the **PRS rent adjudication** process so Rent Officers or FTT can only agree a proposed rent increase or lower it.	As required whenever we increase PRS rents for sitting tenants, we inform them of their right to apply to a Rent Officer if they disagree with the rent increase. Removing the fear that the Officer could increase the rent is likely to lead to more applications, however, as our PRS partner Lowther's annual rent setting exercise is based on market data and rents are set within the Local Housing Allowance for MMR homes, information

	which the Rent Officer also looks at, our rent increases can be justified and unlikely to be challenged.
Greater flexibility to personalise a rented home	
Potentially creating a right to keep **pets** in the PRS and Social Rented Sector	Generally, across both our RSLs and Lowther we recognise the importance of pets and the impact they can have on wellbeing. However, out of consideration for neighbours the new right should allow for restrictions in numbers and in some other limited circumstances – for example in social housing, to allow decisions to be taken on a project basis in specialist and supported housing.
Amend the Private Housing (Tenancies) Scotland Act to allow people to personalise their home by internal **decoration**.	We allow tenants to personalise their home taking into account the extent and cost of returning it to a lettable state, for example tenants can put up pictures and can change the wall colour although we would expect them to return the property to a neutral colour at the end of the tenancy or at their cost, but they would not be allowed to change the flooring because of the cost of replacing or rectifying any damage to carpets. Any reforms would need to be specific about the extent of personalisation allowed without explicit landlord consent. One consequence may be that landlords look for a higher deposit at the start of the tenancy up to the maximum of 2 months rent to cover additional costs in returning flats to a lettable state and this could create an affordability barrier for some lower income tenants. We do not have any furnished tenancies so this is not a factor.
Reform of the eviction process	
Introduce measures that **prevent evictions over the 'winter period'** to give tenants more time to access support and alternative accommodation when subject to a notice to leave or notice of proceedings. One way of achieving this could be by introducing a requirement on the FTT/Sheriff Court to consider delaying enforcement of an eviction order during winter except where there ASB or criminal behaviour.	The 'winter period' is undefined and the strategy does not provide a detailed justification for preventing evictions at this time, other than saying that particularly during the festive period it can be hard to find support and alternative accommodation due to less properties being available, disruption to services due to staff holidays or increased costs such as utilities. Most notice to leave periods are 3 or 6 months, the only exceptions to this being 28 days for grounds relating to a relevant criminal conviction or ASB or an abandonment. Giving longer to leave under these circumstances could have wider implications for neighbouring tenants. For other grounds at least 3 months would be reasonable for tenants to find alternatives throughout the winter season. It also can take a month from an eviction order being granted to paperwork being processed for Sherriff Officers to carry out an eviction.

	As the difficulties identified for tenants in the draft strategy seem to be most acute over the 2-week Christmas period it would indicate that any ‘ban’ on winter evictions should be limited only to this period of winter. In our social rented tenancies, we already stop issuing NOPs, booking cases to court or carrying out evictions from mid-December to the beginning of January. However, this does mean rent arrears continue to accrue and extending this period for longer means tenants have more debt to clear. Often, servicing the notice prompts engagement which has not been forthcoming despite our support at earlier stages and therefore a longer break would potentially negatively affect the customer. Any restriction on evictions means that costs to landlords from any additional unpaid rent through this period could increase. The draft strategy does not address this impact presumably expecting landlords to absorb this cost. The unintended consequence of a winter eviction ban will be landlords timing action to avoid it, leading to notices and higher demand on courts before and after the winter period. Where this is not possible and evictions are due to unpaid rent, the financial cost of extra time in the tenancy during the ban period is unlikely to be recovered from the outgoing tenant therefore we would welcome additional financial support measures for tenants through this period that would cover unpaid rent. The draft strategy suggests local authorities could offer income maximisation advice to prevent winter evictions. As part of a range of support for tenants we already offer income maximisation advice to prevent eviction for arrears, however, it is often the case that by the time a case has reached the FTT/Courts income maximisation will not address the accumulated arrears so it is unlikely this would prevent or even delay eviction or cover the additional unpaid rent owed to the landlord. Financial support to tenants, similar to the Tenant Hardship Grant Fund could allow more effective engagement with RSLs and private landlords not having to take the whole burden of ongoing arrears and reduce the stress of the situation for tenants. However, this would require an additional financial resource not currently available to RSLs or private landlords. Ideally, there would be a national approach to how this was delivered as the approach to Tenant Hardship Grant has varied by local authority.

Rent Guarantor Schemes	
Potentially developing a **rent guarantor scheme(s)** to support key groups to access the PRS	Lowther's letting policy sets out that we would not usually accept guarantors except where in exceptional circumstances, for example, this is the prospective tenant's first tenancy and they are not able to provide any landlord references or income history. Lowther would welcome rent guarantor schemes where it would help key groups to access housing, for example, young people or people leaving care environments to access the sector. We feel this should also be broadened to deposit guarantee schemes in response to the points from MMR tenants earlier in the draft strategy that saving up a deposit can be a barrier to accessing or moving within the sector. There is the question whether funding for such schemes could be a use for unclaimed deposit monies.

6.5 It is notable that the strategy is largely silent on **increasing access to affordable housing**, especially around the growing mid-market rent part of the private rented sector where each provider will have their own approach to marketing and allocation as well as letting criteria, and there is limited understanding amongst prospective tenants about MMR and how to access these affordable homes. For example, there is no single place for customers to find these homes and Local Authority websites with links to MMR providers are often out of date and require prospective tenants to approach each provider and navigate different letting criteria and processes.

6.6 Considering the significant investment by the Scottish Government and RSLs in MMR as a tenure, we would welcome a discussion on how the MMR sector can deliver better outcomes for low income households by increasing the visibility of and ease of access to this high quality affordable housing product. For example:

- A clearer 'brand' for MMR that enables potential customers to understand the benefits and security of this tenure, accompanied by a national public awareness campaign;
- A common platform to market MMR homes;
- A review of the use of deposits in the MMR sector and the reach of deposit guarantee schemes;
- An understanding of the role it plays in reality in preventing homelessness; and
- Standardisation in letting processes and criteria for MMR homes.

Affordable Rents

Key Proposals	*Considerations for Wheatley Group*
Develop a **shared understanding of affordability -** views are being sought on the most important factors to be considered in developing that understanding, and also how such an understanding could be used and evaluated.	A shared understanding of affordability would usefully build on existing work in this area, including the detailed review Scottish Government published in 2019 which we and others already use to inform our guideline of social rents being within 35% of household income. Similarly, the SHFA affordability tool, extensively used in the sector, is the product of detailed research and input from a variety of bodies and works well as a broad indication of affordability. The factors that influence affordability will vary significantly across the country but it would be useful to have a tenant informed view which will give greater understanding. This should include all aspects of affordability e.g. heating and potential commuting costs as well as rent, and would be very useful in informing decisions and consultation for RSLs. However, the social sector rent consultation directly with tenants should remain the key determinant of rent increases. Tenants in each RSL need to consider the balance of services, quality of homes and cost of living. This cannot be determined by a one size fits all approach. Rents, although just one part of housing costs, in the MMR sector are pegged to Local Housing Allowance and the Scottish Government's Broad Market Rental Area data as the proxy for affordability. Lowther's letting policy, which is in line with other providers in the MMR sector, assesses affordability by looking at a prospective tenant's ability to sustain the rent and other key housing and living costs, where as a rule of thumb rent should be no more than 35% of income. MMR letting criteria includes an income banding of £21 – 40k/pa, as this income can sustain MMR rents up to 100% of the local housing allowance for the areas we operate in. A shared understanding of affordability could be used to refine and standardise letting criteria and affordability assessments by MMR providers to improve accessibility for low income households.
Mandate the need for PRS landlords to provide a range of **rental data and other property information -** to support future rent control policies – provisions to be included in the Housing	The exact data to be collected has not been determined and needs further expert input but a sample list is provided in the draft strategy Lowther already provides rent data annually for our full and MMR homes to the Scottish Government in the format they request it and would be happy to provide future data.

Bill. Scottish Government is proposing to make available rent and property information for all properties including rents paid by previous tenants.	The issue of data accuracy and keeping it up to date will be challenging for the sector as whilst sitting tenant rents can only change once a year, rents can change significantly at re-let to reflect market conditions. This can mean tenants in similar properties in the same block or street paying different rents depending on when the property is let. Publishing this data may lead to more challenges to Rent Officers, however, we would be confident that rents can be justified with reference to the local market and the quality of our product.
Views are sought on the proposed vision for **national rent controls** for the PRS sector aimed at tackling poverty and improving outcomes for low income families. Views are also sought on the principles of national rent controls: - Give local authorities mechanisms to introduce local measures - Be evidence based - Encourage PRS to improve the quality of properties - Learn from processes already in place for social sector tenants - Seek to give tenants a stronger voice. National rent controls for the PRS only	Rent control for MMR homes is already in place through the grant regime which should be recognised in any approach to national rent controls. Further, any control system must recognise that to provide high-quality landlord services, such as repairs, we face cost inflation, and therefore controls cannot be lower than relevant indices such as CPI or building cost indexes in order that services to tenants are not negatively impacted. The underlying principles would indicate that the Scottish Government may introduce tenant consultation around rent increases in the PRS sector. Reflecting that rent setting in the private sector is market driven to ensure that rents are competitive, Lowther does not apply a single rent increase across our diverse portfolio. The practicalities of tenant consultation on rent increases specific to a single street or block would need to be worked through if this was to be proposed, so as to ensure it provides value and benefit to tenants. We agree that there is no need for a rent control approach in the social sector. It is vital that these are set at an organisational level determined by tenant engagement. The existing safeguards through the Scottish Housing Regulator ensure that this engagement is appropriate.

Supply of Rented Homes

6.7 This section has no proposals, instead it recognises a number of challenges in increasing supply and asks for views on a number of questions set out below.

Key questions	*Considerations for Wheatley Group*
Beyond the routes already available to deliver **MMR** homes how could new **additional investment** in this be supported?	The delivery of an MMR programme across the East and West has been successful in recent years, giving a route to increase numbers of affordable homes being delivered and creating balanced, mixed communities. MMR delivery is hampered in some areas such as Dumfries and Galloway as a result of the Local Housing Allowance levels. However, private sector finance appetite to invest in Scottish affordable housing sector via the existing model of senior, secured debt is significant with debt priced relatively cheaply given the strong support from Scottish Government grant funding. However, introducing different types of funding (mezzanine and/or equity) into the model is somewhat limited given the rate of return required for these investors is higher and future income streams on MMR are limited by rent increases, tied to Local Housing Allowance. Similarly, if PRS is subject to rent controls it will act as a deterrent to private sector finance as returns to investors will be constrained. The new Scottish National Investment Bank (SNIB) has a potential role to play here, meeting a gap in supply to provide either mezzanine or equity funding, or potentially a 'whole-ticket' approach (including senior debt), priced to reflect the low risk of default in the sector and the sustainable outcomes for the people of Scotland (access to affordable housing, increase of supply of new energy-efficient homes, creation and support of 20-minute neighbourhoods, regeneration of brown sites etc.).
What measures can be put in place to encourage **build to rent** (BTR) in Scotland?	Purpose built BTR has seen some growth in Scotland in recent years. Unlike south of the border, house market factors (including lower average house price purchase pricing), mean that the economic viability of PBBTR is very challenging and can often only work in housing markets areas that are very strong in Scotland. Competition for land in such markets is consequentially very high making the investment case for PBBTR on a financial rate of return basis, very challenging when set again open market sale competitors.

	The majority of BTR investors work UK-wide and consider investments using a rate of return model, with assumptions of rent increases over a 25/30-year timeframe. Scotland may be put at a competitive disadvantage in the event that rent controls are introduced here, but not in the rest of the UK. Also there is a current pipeline of 9,000 new homes in the BTR sector. Should this expand, there may be a risk to MMR demand in some market areas. Given this, demand reports will need to be carefully considered.
Is the approach to allocations achieving the right balance between supporting existing social tenants and those seeking a home within the sector	The ambition to end homelessness means that a significant proportion of social stock must be used to achieve that aim. The current shortfall in supply means that this comes at the cost of less ability to help others in need. There are particular challenges in meeting the needs of those who need larger or accessible homes. Changing the approach to allocations is unlikely to achieve a significant difference until the balance of supply is changed

Quality-Raising Standards

Key Proposals	*Considerations for Wheatley Group*
A review of existing **registration regimes in the PRS sector** to identify lessons and ways to strengthen them to drive up standards. Also a suggestion there could be new fines for landlords and letting agents who fail to comply with requirements in relation to property adverts, and expanding the scope of penalties that local authorities can issue to landlords.	Our commercial entity, Lowther, is both a registered landlord and letting agent. Both sets of registrations require to be renewed every 3 years but whilst the key fit person tests are consistent, the systems are different with local authorities administering the former and the Scottish Government the latter. Lowther will be introducing an annual self-assurance statement for review by its Board, following the model currently required of social landlords, that will set out requirements including those in the Letting Agent Code of Practice, and compliance with those as well as continuous improvement actions.
Intention to consult on **a new housing standard**, to be published in 2023 and legislated for in 2024/25 with phased implementation from 2025 to 2030. This will incorporate the energy efficiency standards set out in	There are already extensive cost implications from the EESSH2 requirement in the social sector, estimated to cost tenants across the sector £2 billion through their rents. Any new standard needs to be accompanied by sufficient funding and consider the impact on affordability for tenants if rents have to increase to fund the

the Heat in Buildings Strategy.	necessary investment. The current grant fund for Net Zero Social Housing is a welcome start but we would strongly welcome removal or reduction of the need for 50% match funding which acts as a barrier to bidding. There will be other financial implications for the Group from the housing standard depending on the precise requirements, particularly around minimum space and digital connectivity and particularly if these are implemented for existing stock. For example, studio flats are not regarded as meeting the space standard so funding would be required to adapt or demolish these. This would also reduce supply. The ongoing investment in our RSL stock, the age of Lowther's PRS properties and planned investment in our portfolio should position us well to meet any new housing standard. The requirement around energy efficiency in Heat in Building Strategy is welcome, as is the commitment to put legislation in place given our commitment to the energy efficiency of our properties
Introduce regulations in 2025 requiring all **PRS to reach EPC C** as a minimum where technically feasible and cost-effective at change of tenancy, and for all properties by 2028.	Lowther's investment approach is already focused around achieving EPC C for the small number of properties not currently achieving it and we project this target should be achievable by the proposed deadline.
Legislate to require the installation of **zero or new zero emission heating** in existing buildings, and all buildings to meet this standard by 2045.	The Group is committed to playing our part in achieving net-zero and recognise the importance of zero emission heating in achieving this. Detailed consideration will be need on the cost implication of changing existing systems and the best way for Government to support required change. Wider consideration such as the rate of adoption of new technologies, such as hydrogen based fuel, will also have an impact on implementation.
Fundamental review of the **adaptations system**	A full review of adaptations is required. The current system is deeply unfair to GHA tenants who have to self-fund adaptations now that limited allowances made in the transfer business plan settlements from 20 years ago have been exhausted, whilst other social rent tenants do not. There should be an equal national system that is

	fair to all tenants and provides the higher funding levels that the SFHA has consistently argued for. The system at present is fragmented and difficult for customers. It can often delay discharge from hospital and/or exacerbate health issues. The direct funding of adaptations to RSLs continues to work well allowing a streamlined approach for our tenants to receive what they need. However, across the country adaptations are considered through a different route from aids and equipment even though the same people will often require both. The pressure on our health and care services, together with the ageing population mean it is vital to get this process right going forward. It is also likely that resources need to be reconsidered. Adaptations (either for individuals or on a more widely planned basis) will be the main mechanism to make our existing stock more accessible. The resource allocation to adaptations needs to be significantly altered given the ageing profile of our population, the existing demand for adapted homes and the need to be able to move people out of hospital more rapidly. If we are to meet these needs much of the work needs to be done in existing stock. All our landlords have a strong approach to working with tenants and other stakeholders to facilitate adaptations and welcome any review however that review needs to look at funding as a key enabler of a more effective adaptations system.
Cross-sector regulation through setting out clear outcomes and standards that landlords in both the private and social sectors would be assessed against, for example implementing a Charter for the PRS sector. Views are sought on a vision of a tenure-neutral outcomes for tenants in both sectors, and underlying principles that focus on:	The Group has a well-established approach to meeting and exceeding regulatory requirements as set out in the Charter for our RSLs. However, any increase in regulation on the PRS sector will mean higher management costs and this will need to be factored into Lowther's business plan and our appraisal of future MMR growth opportunities.

- **Setting up a PRS regulator** building on experience of SHR - **PRS regulation based on defined standards** for quality, affordability and fairness - Being evidence based but taking account of stakeholders views and value for money - Be reflection of the draft strategy's ambitions	

Implications

6.8 Looking across the range of proposals in the draft strategy many of the proposals will have no or relatively low impact, especially for our RSLs. The draft strategy presents some opportunities to support more vulnerable groups such as tenants who are survivors of domestic abuse, and ensure tenants are aware of their rights which we would welcome. However, there are a number of areas where the implications for the Group could be more significant:

- A new housing standard is likely to have significant cost implications as we have already seen with EESSH2, and with inadequate Government funding it will put pressure on rents across the social and private rental sectors impacting services and affordability for households on low incomes counter to the aims of the draft strategy.

- A ban on winter evictions looks to be inevitable, and depending on the definition of 'winter' that is adopted, the additional rent arrears accrued could be significant. Although our mitigation will be to re-profile our arrears and legal actions to reduce this impact.

- The cumulative impact of the proposals in the PRS sector – increased regulation, new requirements to provide data, national rent controls, a new housing standard, changes to how evictions are handled by the courts – will increase management costs for Lowther's PRS portfolio whilst limiting ability to recover that through rents. We will need to take this into account in the rate of return we use when we appraise future MMR growth opportunities. We will also need to review our existing FMR portfolio which is older stock on which the majority of Lowther's investment programme is focused, some of which has not performed well in recent years.

- Increased pre action protocols in the private sector should help to prevent homelessness. However, this will only be the case if a targeted approach is adopted to help households find alternative accommodation – largely remaining in the private rented sector. If this is not well planned there is potential for an increase in the number of households coming through the homelessness route and being referred to our RSLs for accommodation.

6.9 The Scottish Government draft rented sector strategy contains a range of proposals to deliver on its ambition to improve access, affordability and quality across the rented sector. There is a strong focus on levelling up the PRS which has a bigger distance to travel as a sector as a whole, although there is considerable variation across it which is not well acknowledged in the proposals and discussion.

6.10 The discussion at 6.4 - 6.7 looks at each of the proposals in the draft strategy by chapter and discusses the considerations for the Group as well as beginning to frame how we might respond. There are significant implications for the Group and particularly Lowther's PRS operations arising from the draft strategy. The Board's views are sought on the strategy to inform the Group's response to the consultation exercise due to conclude on 15 April 2022.

7. Digital transformation alignment

7.1 There are no implications identified for our digital transformation alignment arising from the draft strategy consultation document and its proposals.

8. Financial and value for money implications

8.1 There are no implications identified at this time, however, there a number of areas which may have future implications, such as meeting increased regulatory requirements, which will be assessed when more detail is available.

9. Legal, regulatory and charitable implications

9.1 The draft strategy sets out a number of areas where further legislation will be developed, the implications of which are discussed above.

10. Equalities implications

10.1 There are no implications for identified at this time.

11. Environmental and sustainability implications

11.1 There are no new implications identified at this time.

12. Recommendation

12.1 The Board is asked to consider and discuss the draft proposals set out in a *New Deal for Tenants,* to inform the Group's response to the Scottish Government's consultation exercise.

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:	**23 February 2022**

1. Purpose

1.1. The purpose of this report is to:

- Update the Board on the approach for risk appetite workshops with the Group and Subsidiary Boards in Spring 2022, following approval by the Group Audit Committee and the implementation of the risk management actions as part of Campbell Tickell's strategic governance review; and
- Seek the Board's approval for the updated Strategic Risk Register which is in a revised format to reflect Campbell Tickell recommendations.

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 Group 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 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 robust, proportionate and 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. During 2021/22, the Internal Audit team has continued work to implement the findings arising from a 2019/20 review of the Group's risk management practices. The implementation of these actions was delayed by Covid-19.

4.2. In addition, the Group Board received a report in October 2021 that summarised the findings from Campbell Tickell's independent review of the Group's governance arrangements. The report identified 11 recommended actions for further development of the Group's risk management arrangements. The Board agreed to implement a number of these actions, with some to be considered as part of our ongoing review of the Group's risk management practices.

5. Customer engagement

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

6. Discussion

Group and Subsidiary Board Risk Workshops

6.1. In order to complete the actions outlined within the 2019/20 Internal Audit review of Risk Management, the Internal Audit team will facilitate individual workshops with all Boards during Spring 2022. The workshops will be focused on defining risk appetite statements for each Board. The Audit Committee approved the approach to the workshops at its meeting on 4 February 2022.

6.2. Work to develop draft risk appetite statements for each Subsidiary Board and the Group Board is ongoing. The wording for each statement has been derived from the Group or Subsidiary Board Strategy and reviewed by the most appropriate Managing Director/Director to confirm it is an accurate reflection of the Strategy.

6.3. The workshops will focus on the colour-coding allocated to each risk appetite statement. The colour of each box represents the level of risk appetite, as shown below. This is based on the same methodology used for the 5 x 5 scoring for individual risks:

Averse (Scoring 1-3)	Avoidance of risk and uncertainty is a key Organisational objective.
Minimal (Scoring 4 – 6)	Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward.
Cautious (Scoring 7 – 10)	Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.
Open (Scoring 11 – 19)	Willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward.
Hungry (Scoring 20 – 25)	Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk).

6.4. As each strategic outcome is considered, a matrix of risk appetite will be developed for each Strategic Theme, with different colours indicating levels of risk appetite. The statements within each box will make it easier for management to identify the most appropriate risk appetite to apply to individual risks. An example is illustrated below.

Theme 1 - Delivering exceptional customer experience

Strategic Outcome	Financial or VFM	Reputation and Credibility	Operational Delivery	Compliance - Legal or Regulatory
Progressing from Excellent to Outstanding	***Cautious:*** We aim to deliver the highest levels of customer service whilst optimising VfM for the services provided. We must be able to transparently demonstrate how our services and products provide VfM.	***Minimal:*** We will continue to seek to influence at a national level and be externally validated as global leaders in customer service and benchmarked results. It is vital that we deliver strong performance against key business measures that make us stand out from our competitors. We must be very sure that there is little chance of any significant reputational repercussion should there be a failure.	***Open:*** We are keen to pursue opportunities to use digital services and platforms to improve the customer experience. We should be able to demonstrate the benefits that these new digital approaches will make, including improvements to the control environment.	***Cautious:*** We will increasingly use integrated online and digital engagement platforms and spaces to support engagement with customers and should be satisfied that they protect the online safety and personal information of users. We must be reasonably sure we could win any legislative challenge related to the use of these customer engagement tools.
Enabling customers to lead	***Open:*** Increasingly, more customer control of expenditure will ensure resources are targeted at the things which matter to our customers. By 2026 25% of all tenant -facing expenditure will be controlled by tenants. We will allocate financial resource to support increased customer control of expenditure where the value and benefits can be demonstrated. We accept that there is a possibility of some financial loss as this new customer -led approach is embedded, but mitigating actions should be taken to manage this to a tolerable level.	***Open:*** We aim to create a cultural shift for customers and staff, shifting the balance of power and control to the customer and ensuring the service they experience is aligned to their personal priorities. Equality and diversity will be at the heart of our service re -design and we will choose options that are the most likely to successfully deliver these ambitions and elevate our reputation in these areas. We are willing to take decisions which might expose us to additional scrutiny, as long as steps have been taken to minimise any negative impact.	***Open:*** We aim to be a digitally led business which delivers innovative and transformative digital solutions. We will pursue opportunities to use digital services and platforms to improve the customer experience, without leaving anyone behind. Our operating model must reflect the needs of all customers.	***Minimal:*** Staff will increasingly be trusted advisors but it is essential that mitigations are in place to help keep customers safe and prevent any misuse of trust. Digital platforms and the use of artificial Intelligence and predictive analytics will be essential tools in our digitally led services, however, we must be able to demonstrate that we comply with legislation regarding the security and use of data.
Developing a customer led repairs service	***Open:*** We are prepared to invest in improvements to the repairs service, particularly where investment will result in optimised efficiency, consistency in approach and customer led services. Our spending decisions must be transparent and withstand scrutiny.	***Open:*** The repairs service is a core driver of customer value and we aim to deliver repairs efficiently and effectively, achieving a high level of customer satisfaction. We seek to improve the repairs service and be innovative in how we meet the repair needs of customers. We accept that change may bring additional scrutiny, but we will only act where we are satisfied that the results will lead to overall improvement and increased customer satisfaction.	***Open:*** Our ambition is to continue to improve the repairs service and the new systems infrastructure will support our aim to introduce more dynamic ways for repairs to be delivered. We will choose options that are most likely to result in success and seek opportunities to use developments in systems and technology to improve our operational repairs activity. Decisions about arrangements for repairs delivery in the West will be informed by the option appraisal of the first five years of the JV.	***Minimal:*** Keeping customers and staff safe is a key priority and we must be able to demonstrate that we comply with Health and Safety legislation in relation to our repairs activity.
Differentiating Lowther from its	***Open:*** Lowther will allocate resource to capitalise on potential commercial opportunities, while minimising the possibility of financial loss by	***Cautious:*** Completing Lowther's transformation into a digital -led rental business is a key strategic aim. Lowther will firmly establish its reputation as an	***Open:*** Commercially, Lowther will pursue opportunities to differentiate itself from its competitors and create new products that meet the	***Minimal:*** The development of a new 'Lowther Local' portal will be central to this digital transformation. However, we must

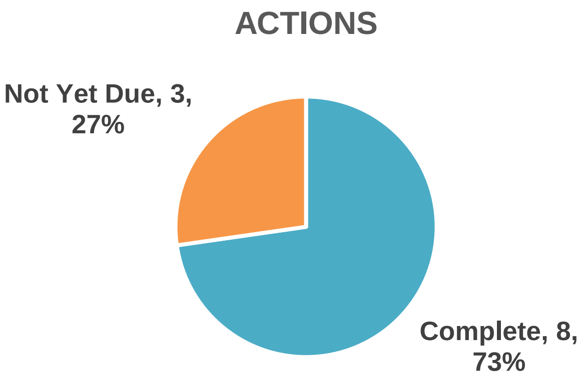
6.5. Following the risk workshops with Subsidiary Boards, a summary of the proposed risk appetite statements will be presented for review and approval by the Group Board, in addition to agreement of the Group's risk appetite statements.

Actions Raised in Campbell Tickell's Governance report

6.6. Following the Campbell Tickell strategic governance review, some further development of the Group's risk management arrangements were recommended. Accordingly, we plan to introduce an annual Risk Management Report which will summarise all risk management activities across the Group. This will be reported to the Group Audit Committee in May each year.

6.7. There were 11 specific actions in relation to risk management, the status of which is shown at Figure 1.

Figure 1



6.8. There are three actions that are ‘Not Yet Due’ but plans for implementation are well developed:

a) ***Setting a single risk appetite for the Group, with tolerances for subsidiaries.*** If the proposals described in Section 5 of this report are approved by the Committee, the Group Board will review the output of the risk appetite workshops with a view to approving any variations from a single Group-wide risk appetite statement. This action is on track for completion by June 2022.
b) ***Review of the roles of the Board and GAC in relation to risk management.*** The Group Audit Committee were provided with a more detailed update on this action at its meeting on 4 February. The Remuneration, Appointments, Appraisal and Governance (“RAAG”) Committee has reviewed the roles of Board and Audit Committee as part of a wider review of governance roles and responsibilities. Following discussion at the Audit Committee, the Committee’s Terms of Reference, along with other subsidiary Terms of Reference, will be presented to the Group Board for approval. This action is on track for completion by June 2022.
c) ***Work to align risk appetite with risk scoring should be completed.*** This paper sets out the proposed approach and, if approved, the revised reporting approach will be rolled out following completion of the planned risk workshops. This action is due for completion in Spring 2022.

Strategic risk register update

6.9. The Strategic Risk Register is set out in full at Appendix 1 to this paper. It was reviewed by the Group Audit Committee on 4 February 2022. The table in paragraph 6.3 summarises the proposed changes.

6.10. The format of the register has been updated and will continue to evolve following feedback from the Audit Committee and Boards. The key changes are as follows:

- Each risk is linked to a Strategic Outcome and categorised as Financial, Reputational, Regulatory or Operational in nature. This will provide a clear link to the appropriate risk appetite statement;
- The risk appetite is clearly identified, and there is an assessment of whether the risk is within or outwith risk appetite; and
- There is space to record details of additional Committee/Board scrutiny of the risk and its compensating controls that i) has occurred within the previous 12 months or ii) is scheduled for the next 12 months. This will provide the Committee and Board members with additional information with which to form a view of the extent of assurance available to them in respect of that risk.

6.11. The risk appetite sections of the Strategic Risk Register at Appendix 1 have not been fully populated, pending the Board risk appetite workshops in Spring 2022.

6.12. All of the risks within the risk register have been reviewed and updated where required by the relevant Group Director as the risk owner. The following table summarises the proposed changes to the Strategic Risk Register arising from that review. Details of previous/next ET or Board scrutiny have been added for all risks, so these are not highlighted in the table.

Risk	Commentary
SRR19 – [redacted]	[redacted]
SRR15 – Failure to recruit, develop, retain and succession plan	Residual risk score has been updated. Revised wording of risk description and control, to reflect planned changes to senior management team.
SRR11 – Securing new funding and adverse market changes	Minor update to control wording.
SRR16 – Laws and Regulations	Inherent and residual risk scoring has been updated, as have mitigating controls.
SRR24 – Meeting stakeholder expectations on climate change	Merged with SRR23 – Climate change impact on Group Assets and Services

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. Recommendations

12.1. The Board is asked to:

1) Note the agreed approach for Board Risk Appetite Workshops in Spring 2022 and the current status of the risk management actions arising from the Campbell Tickell Governance review; and
2) Approve the proposed changes to the Strategic Risk Register

List of Appendices

Appendix 1 – Wheatley Group Strategic Risk Register

Wheatley Group

Making homes and lives better
wheatley-group.com

Appendix 1 - Strategic Risk Register

23 February 2022

Strategic Risk Register at 4 February 2022

The following slides set out the risks within the risk register in descending order of residual risk score, in line with Campbell Tickell recommendations. Where risks have the same residual risk score, they are shown in descending order of inherent risk score.

Any risks with a residual risk score of 12 or more have been highlighted in the page header as high residual risks. Any risks with an inherent risk score of 20 or more have been highlighted in the page header as high inherent risk. Any risks with proposed changes have been highlighted in the page header, with the proposed changes being identified in red font. These risks are highlighted in red text in the chart to the right, which shows the spread of risks within the Strategic Risk Register by residual risk score (e.g SRR10 has a residual risk score of 8).

Risk appetite is a statement of how much risk each Board is willing to take in pursuit of its strategic objectives. The Group approach defines appetite in 5 levels ranging from Averse to Hungry. Each appetite level corresponds to scores within the 5x5 risk matrix. The background colours in the chart represent the following risk appetite classifications.

Appetite Classification	Score	Definition
Averse	1 - 3	Avoidance of risk and uncertainty is a key Organisational objective.
Minimal	4 – 6	Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward.
Cautious	7 - 10	Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.
Open	11 - 19	Willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward.
Hungry	20 - 25	Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk).

Impact

5	10	15	20	25
4	SRR10 8	SRR03 12 SRR15	SRR07 SRR19 16 SRR21	20
3	SRR12 SRR13 6 SRR17 SRR22	SRR02 SRR04 SRR05 SRR06 SRR08 9 SRR09 SRR11 SRR14 SRR20 SRR24	12 SRR23	SRR18 15
2	4	6	SRR16 8	10
1	2	3	4	5

Likelihood

Risk scoring definitions

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

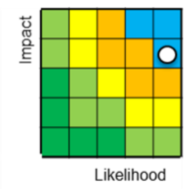
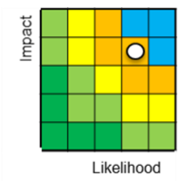
Score	Impact	Likelihood
1	***Insignificant*** - Short term disruption to operational activity which can be managed locally. No impact on the delivery of Group or Subsidiary objectives. Any financial, legal or reputational impact would have little or no consequence for the Group	***Remote*** - Rare, may occur in exceptional circumstances. It hasn't occurred before.
2	***Minor*** - Incident, event or disruption to operational activity which requires reporting to Departmental Management Team (DMT). No impact on the delivery of Group or Subsidiary objectives. Any financial, legal or reputational impact would have little or no consequence for the Group	***Unlikely*** - Might occur at some point, it is possible but rarely occurs.
3	***Moderate*** - Incident, event or disruption to operational activity which requires reporting to Executive Team (ET) and Board members. Reportable breach of regulatory or legal obligation which may result in minor penalties. May impact on the delivery of Subsidiary objectives, but the Group's overall strategic aims would still be achieved. Any financial or reputational impact would have little or no consequence for the Group, but may be damaging to the Subsidiary	***Possible*** - Could occur. It is feasible but is not common.
4	***Significant*** - Incident, event or disruption to operational activity which requires immediate reporting to Executive Team (ET) and Board members. Could cause significant damage or disruption to the Group and prevent it from achieving its Strategic Aims. Could result in Regulator intervention at a subsidiary, or closure of a Care Service. Ultimately could result in subsidiary being dissolved	***Likely*** - Will probably occur. It has before and likely will again.
5	***Extreme*** - Event which would have extreme consequences for the Group's future. Ultimately it could threaten the survival of the Group, but if successful, the outcome might bring high reward	***Very Likely*** - Is expected to occur, almost certain. It has happened frequently before now.

Strategic Risk Register – proposed changes, high inherent and residual risk scores

[redacted]	Risk type: Operational	Strategic Outcome: Evolving digital platforms to support out activities

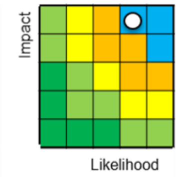
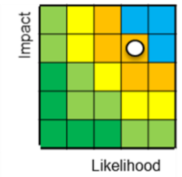
Strategic Risk Register – high inherent and residual risk scores

SRR07 Rent arrears including universal credit	Risk type: Financial	Strategic Outcome: Maintaining a strong credit rating and managing financial risks
Description: 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.		***Controls:*** Staff across the Group, including frontline housing teams, the customer first 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, 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.

Inherent risk	Residual risk	Risk appetite level:	Within Risk Appetite?	Previous / Next detailed Board scrutiny	Scrutiny Date	Risk Owner
		Cautious	No – further action required (FOR ILLUSTRATION ONLY)	The Group, RSL and Lowther Boards consider this on a quarterly basis through performance report RSL/Lowther Five year financial projections and management accounts	Ongoing Feb 22 and standing item thereafter	Group Director of Housing and Care

Strategic Risk Register – high inherent and residual risk scores

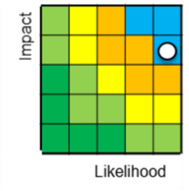
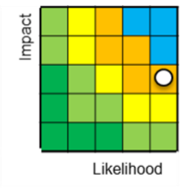
SRR21 Post-2021 Housing Policy and Grant availability	Risk type: Financial	Strategic Outcome: Raising funding to support our ambitions
Description: There is a risk that without sufficient Scottish Government financial support we may be unable to deliver some of the Scottish Government and EESSH2 targets in relation to energy efficiency.		***Controls:*** 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.

Inherent risk	Residual risk	Risk appetite level:	Within Risk Appetite?	Previous / Next detailed Board scrutiny	Scrutiny Date	Risk Owner
		Open	Yes – no further action required (FOR ILLUSTRATION ONLY)	Group Board (funding session including research/presentation from Prof Sean Smith) Group Board (themed on development, investment and finance) Group Board sustainability / EESSH 2 workshop	October 21 Feb 22 Mar 22	Group Director of Finance

Strategic Risk Register- high inherent and residual risk scores

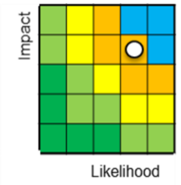
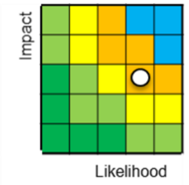
SRR18 Supply chain disruption	Risk type: Operational	Strategic Outcome: Increasing the supply of new homes

Description: 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.	***Controls:*** 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 -** 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.

Inherent risk	Residual risk	Risk appetite level:	Within Risk Appetite?	Previous / Next detailed Board scrutiny	Scrutiny Date	Risk Owner
		TBC – *post risk workshops*	TBC – *post risk workshops*	Group DevCo and Group Board (Prof Sean Smith supply chain research) CBG Board (Operational update and repairs transformation programme) Group DevCo - tenders/ programme performance/Contractor financial exposure. These are standing items at each meeting Wheatley Solutions Board (Procurement strategy) All Boards performance, finance and development updates	Sept / Oct 21 November 21 Ongoing Jan 22 Feb 22 Ongoing standing items	Group Director of Property and Development

Strategic Risk Register – high residual risk score

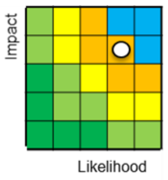
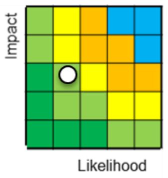
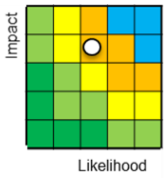
SRR23 Climate change impact on Group assets and services	**Risk type: Financial**	**Strategic Outcome: Setting the benchmark for sustainability and reducing carbon footprint**
Description: There is a risk that the Group's inability to adapt to results of climate change results in damage to the value of our assets and our ability to deliver services. Additionally, the Group is not able to deliver climate-change mitigation activities that meet the expectations of key stakeholder requirements and regulatory requirements.		***Controls:*** 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. Our strategy includes an objective to reduce emissions from our corporate activities to be carbon neutral 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.

Inherent risk	**Residual risk**	**Risk appetite level:**	**Within Risk Appetite?**	**Previous / Next detailed Board scrutiny**	**Scrutiny Date**	**Risk Owner**
		TBC – *post risk workshops*	TBC – *post risk workshops*	Group Board (pandemic review) All Boards – business plan including detailed 5 year capital investment plan and climate impact Group Board workshop (sustainability as one of the themes) Funding update to Board, including how we are developing ESG measures to meet out funders' expectations Bord workshop scheduled which will consider our wider sustainability strategy.	September 21 Feb 22 March 22 15 December 21 9 March 22	Group Director of Property and Development

Strategic Risk Register – proposed changes, high residual risk score

Wheatley Group

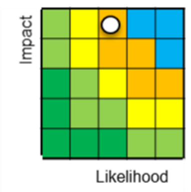
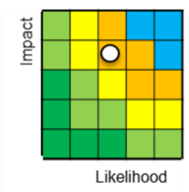
SRR15 – Failure to recruit, develop, retain and succession plan	Risk type: Operational	Strategic Outcome: W.E. Work – strengthening the skills and agility of our staff
Description: Failure to recruit, develop, retain and succession plan for high quality / qualified staff, resulting in reduced levels of service provision, staff not competent to perform their job to expected standard and achieve strategic objectives. The Group is currently entering a period in which significant changes in the Group's most senior management team are planned, increasing the potential impact and likelihood of this risk materialising.		***Controls:*** 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. There is a detailed succession and recruitment plan in place for managing the planned changes within the Executive Team.

Inherent risk	**Residual risk**	**Risk appetite level:**	**Within Risk Appetite?**
	Previous:  Revised: 	TBC – *post risk workshops*	TBC – *post risk workshops*

Previous / Next detailed Board scrutiny	**Scrutiny Date**	**Risk Owner**
An update on the ET succession and recruitment plan was scrutinised at the December 2021 meetings of the RAAG Committee and Group Board. Further updates will be provided at each 2022 meeting of RAAG and Group Board.	All meetings	Group Director of Finance
Group Board workshop	March 22	

Strategic Risk Register – high residual risk score

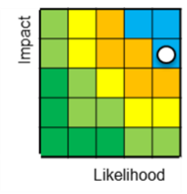
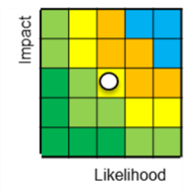
SRR03 Fire Safety	*Risk type: Regulatory*	Strategic Outcome: Investing in existing homes and environments
Description: There is a risk that a failure to comply with relevant fire safety standards for our buildings results in harm to the health or safety of our customers and/or staff, leading to injuries or fatalities, enforcement action and reputational damage.		***Controls:*** 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 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.

Inherent risk	**Residual risk**	**Risk appetite level:**	**Within Risk Appetite?**	**Previous / Next detailed Board scrutiny**	**Scrutiny Date**	**Risk Owner**
		TBC – *post risk workshops*	TBC – *post risk workshops*	Standing item at Group Audit Committee meetings Annual report to RSL Boards on Fire Prevention and Mitigation Framework Group, RSL and Lowther Boards - Fire safety performance related KPIs (ADFs and FRAs) as part of standing performance updates	Ongoing May 21 Ongoing	Group Director of Property and Development

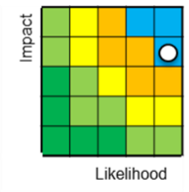
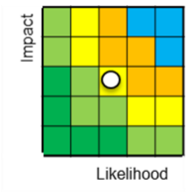
Strategic Risk Register – high inherent risk score

Wheatley Group

SRR04 – New operating model implementation	**Risk type: Operational**	**Strategic Outcome: W.E. Work- strengthening the skills and agility of our staff**
Description: 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.		***Controls:*** The Customer Consultation on the new operating model continues, and results of the completed consultation were 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.

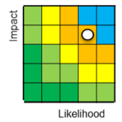
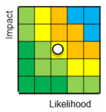
Inherent risk	**Residual risk**	**Risk appetite level:**	**Within Risk Appetite?**	**Previous / Next detailed Board scrutiny**	**Scrutiny Date**	**Risk Owner**
		TBC – *post risk workshops*	TBC – *post risk workshops*	Group Board CFC implementation update CFC implementation update to all Boards Quarterly performance reports with CFC KPIs as a standing item	Dec 21 Feb 22 Ongoing	Group Chief Executive Officer

Strategic Risk Register – high inherent risk score

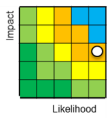
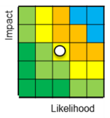
SRR05 – Care and support services			**Risk type: Regulatory**	**Strategic Outcome: Shaping Care Services for the future**		
Description: A failure in the care of an individual could result in serious personal harm, leading to risk to life and limb, financial liability and loss of future work due to reputational 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.				***Controls:*** 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.		
Inherent risk	**Residual risk**	**Risk appetite level:**	**Within Risk Appetite?**	**Previous / Next detailed Board scrutiny**	**Scrutiny Date**	**Risk Owner**
 Impact / Likelihood	 Impact / Likelihood	TBC – *post risk workshops*	TBC – *post risk workshops*	Finance reports are standing items at the Wheatley Care and Group Boards Care business plan and ongoing care performance reporting to Group and Wheatley Care Board (minimum quarterly) Group and Care Boards approved care strategic review with outcome to be reported Apr 22	Ongoing Feb 22 and ongoing Dec 22 Apr 22	Group Director of Housing and Care

Strategic Risk Register

~~SRR24 – Meeting stakeholder expectations on climate change~~	~~*Risk type: Reputational*~~	~~Strategic Outcome: W.E. Work- strengthening the skills and agility of our staff~~
~~***Description:*** The Group is not able to deliver climate-change mitigation activities that meet the expectations of key stakeholder requirements and regulatory requirements.~~		~~***Controls:*** Our strategy includes an objective to reduce emissions from our corporate activities to be carbon neutral 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.~~

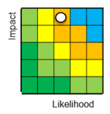
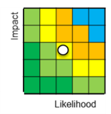
~~*Inherent risk*~~	~~Residual risk~~	~~Risk appetite level:~~	~~Within Risk Appetite?~~	~~Previous / Next detailed Board scrutiny~~	~~Scrutiny Date~~	~~Risk Owner~~
		~~TBC – *post risk workshops*~~	~~TBC – *post risk workshops*~~	~~Funding update to Board, including how we are developing ESG measures to meet out funders' expectations~~ ~~Bord workshop scheduled which will consider our wider sustainability strategy~~	~~15 December 21~~ ~~9 March 22~~	~~Group Director of Property and Development~~

SRR02 - Ongoing threat of future waves of COVID-19 and / or another pandemic	*Risk type: Operational*	Strategic Outcome: W.E. Work- strengthening the skills and agility of our staff
Description: 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.		***Controls:*** 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.

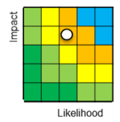
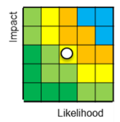
Inherent risk	Residual risk	Risk appetite level:	Within Risk Appetite?	Previous / Next detailed Board scrutiny	Scrutiny Date	Risk Owner
		TBC – *post risk workshops*	TBC – *post risk workshops*	Business updates have been standing Board through the last year and have set out any changes to service levels as the pandemic has progressed. This will continue to be the case through 2022.	Ongoing	Group Chief Executive Officer

Strategic Risk Register

SRR08 – Compliance with funders' requirements	*Risk type: Financial*	Strategic Outcome: Raising the funding to support our ambitions
Description: There is a risk of defaulting on loan agreements as a result of failing to meet or maintain compliance with loan agreements. This would result in withdrawal of the funding, potential for cross-default on other facilities, difficulty in obtaining future funding from other funders, and would likely result in higher cost of funding.		***Controls:*** 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.

Inherent risk	Residual risk	Risk appetite level:	Within Risk Appetite?	Previous / Next detailed Board scrutiny	Scrutiny Date	Risk Owner
		TBC – *post risk workshops*	TBC – *post risk workshops*	Business plan projections in Feb and Sept Finance reports, including covenant compliance, are a standing item for all Boards Treasury update reports are presented quarterly to Group and WFL1 Boards	Feb/Sept 21/22 Ongoing Quarterly	Group Director of Finance

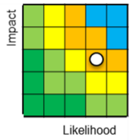
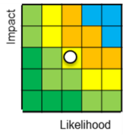
SRR06 – Customer Satisfaction	*Risk type: Reputational*	Strategic Outcome: Enabling customers to lead
Description: Customers do not feel our homes and services meet their needs and/or the standards they expect, leading to declining customer satisfaction.		***Controls:*** Customer service excellence is 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.

Inherent risk	Residual risk	Risk appetite level:	Within Risk Appetite?	Previous / Next detailed Board scrutiny	Scrutiny Date	Risk Owner
		TBC – *post risk workshops*	TBC – *post risk workshops*	Quarterly performance reports include details on complaints received from tenants	Ongoing	Group Director of Housing and Care

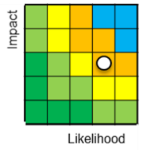
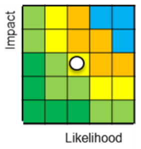
Strategic Risk Register

Wheatley Group

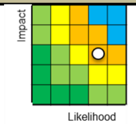
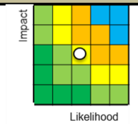
SRR11 – Securing new funding and adverse market changes	*Risk type: Financial*	Strategic Outcome: W.E. Work- strengthening the skills and agility of our staff
Description: There is a risk that the Group's ability to raise borrowing at cost-effective rates or raise the funds required to meet our liquidity 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.		***Controls:*** 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). Annual ESG reporting in place with reports issued alongside the statutory accounts. A Sustainability Financing Framework ~~will be~~ was issued in Q3 2021/22, ~~which will be~~ accredited by S&P.

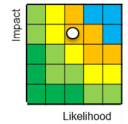
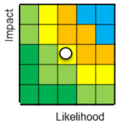
Inherent risk	Residual risk	Risk appetite level:	Within Risk Appetite?	Previous / Next detailed Board scrutiny	Scrutiny Date	Risk Owner
		TBC – *post risk workshops*	TBC – *post risk workshops*	Group Board review of financing arrangements Treasury management update to WFL1/Board every quarter, which includes update on market conditions Annual scenario and stress testing of group business plan	October 21 Ongoing Feb 22	Group Director of Finance

SRR14 – Political and Policy Changes	*Risk type: Reputational*	Strategic Outcome: Influencing locally and nationally to benefit our communities
Description: 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.		***Controls:*** 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.

Inherent risk	Residual risk	Risk appetite level:	Within Risk Appetite?	Previous / Next detailed Board scrutiny	Scrutiny Date	Risk Owner
		TBC – *post risk workshops*	TBC – *post risk workshops*	Group CEO update to group Board as standing item includes update on political engagements Senior SG attendance at Board strategy event to engage on the policy landscape and Ministerial visit to Group Board Senior political presence at all GHA Board meetings through GCC drawn appointments Board sustainability workshop re zero carbon policy agenda	Ongoing Aug/Oct 2021 Ongoing Mar 2022	Group Chief Executive Officer

Strategic Risk Register

SRR20 – Implementation of partnership promises			*Risk type: Reputational*	Strategic Outcome: Progressing from Excellent to Outstanding		
Description: We may fail to deliver the tenant promises made in the DGHP and Cube 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.				***Controls:*** The DGHP and Cube implementation plans have now been mainstreamed into the Group's strategy and are included with the Group's performance framework.		
Inherent risk	**Residual risk**	**Risk appetite level:**	**Within Risk Appetite?**	**Previous / Next detailed Board scrutiny**	**Scrutiny Date**	**Risk Owner**
		TBC – *post risk workshops*	TBC – *post risk workshops*	Board update to DGHP Board on progress with tenant promises Annual GHA/DGHP/LHA Board strategy workshops	Nov 21 May 22	Group Chief Executive Officer

SRR09 – Governance Structure			*Risk type: Operational*	Strategic Outcome: W.E. Work- strengthening the skills and agility of our staff		
Description: 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.				***Controls:*** 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.		
Inherent risk	**Residual risk**	**Risk appetite level:**	**Within Risk Appetite?**	**Previous / Next detailed Board scrutiny**	**Scrutiny Date**	**Risk Owner**
		TBC – *post risk workshops*	TBC – *post risk workshops*	Group Board approved governance review action plan Progress on governance review action plan a standing item to all RAAG meetings in 2022 Governance update is a standing item on all board agendas	Oct 2022 Ongoing through 2022 Ongoing	Group Chief Executive Officer

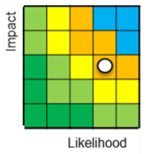
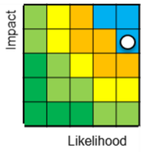
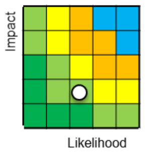
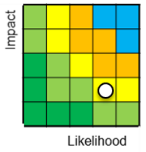
Strategic Risk Register – proposed changes, high inherent risk score

SRR16 – Laws and Regulations	Risk type: Regulatory	Strategic Outcome: Progressing from excellent to outstanding

Description: 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
vi. OSCR, the Scottish Charities Regulator

resulting in adverse feedback and loss in confidence from regulators, funders, customers and potential partners, as well as potential fines and penalties.

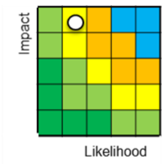
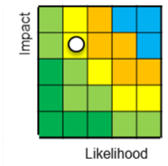
Inherent risk	Residual risk	Risk appetite level:	Within Risk Appetite?
Previous:  Revised: 	Previous:  Revised: 	TBC – *post risk workshops*	TBC – *post risk workshops*

Controls: A Group wide Scottish Housing Regulator Annual ~~Charter~~ Assurance process is supported by the Tenant Scrutiny Panel reviewing outcomes which provides assurance on regulatory requirements for RSLs. We will introduce a similar approach for non-RSLs within the Group during the next year.
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.
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. FCA regulations are considered when new products and services are developed.
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. Changes to existing legislation are identified and implemented by identified responsible officers across the Group.
Group wide approach to how the Group manages information. Privacy Impact Statements to be implemented across the Group.

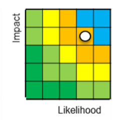
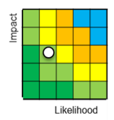
Previous / Next detailed Board scrutiny	Scrutiny Date	Risk Owner
An annual assessment of compliance against relevant regulatory and legislative requirements will be reported to relevant Boards for each non-RSL subsidiary during 2022.	Oct 2021, Aug 2022	Group Director of Finance

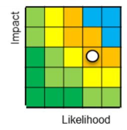
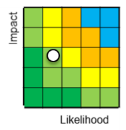
Strategic Risk Register

SRR10 – Group Credit Rating	*Risk type: Financial*	Strategic Outcome: Maintaining a strong credit rating and managing financial risks
Description: 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.		***Controls:*** 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. 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.

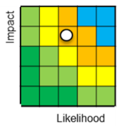
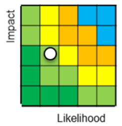
Inherent risk	Residual risk	Risk appetite level:	Within Risk Appetite?	Previous / Next detailed Board scrutiny	Scrutiny Date	Risk Owner
		TBC – *post risk workshops*	TBC – *post risk workshops*	Business plan projections for all Boards set out how we will maintaining financial position The Group and WFL1 Boards receive quarterly treasury reports on the current credit market conditions and any credit rating updates	Feb 2022 Quarterly through 2021 and 2022	Group Director of Finance

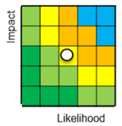
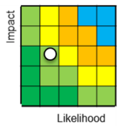
Strategic Risk Register

SRR12 – Business Continuity / Disaster Recovery			*Risk type: Operational*	Strategic Outcome: W.E Work – Strengthening the skills and agility of our staff		
Description: 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.				***Controls:*** 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.		
Inherent risk	**Residual risk**	**Risk appetite level:**	**Within Risk Appetite?**	**Previous / Next detailed Board scrutiny**	**Scrutiny Date**	**Risk Owner**
		TBC – *post risk workshops*	TBC – *post risk workshops*	RSL Boards receive a bi-annual update under the Wheatley Solutions Services Agreement on business continuity planning and testing A business continuity plan refresh is underway, and an update will be provided to the Wheatley Group Board in April 2022.	Last update Nov 21 April 2022	Group Director of Property and Development

SRR13 – Commercial Operations			*Risk type: Financial*	Strategic Outcome: Maintaining a strong credit rating and managing financial risks		
Description: 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				***Controls:*** Robust monitoring arrangements in place to appraise the operational performance and delivery of strategic objectives. Levels of performance are monitored by Divisional Management Teams (DMTs), Executive Team (ET) and the relevant Boards as well as Group Board.		
Inherent risk	**Residual risk**	**Risk appetite level:**	**Within Risk Appetite?**	**Previous / Next detailed Board scrutiny**	**Scrutiny Date**	**Risk Owner**
		TBC – *post risk workshops*	TBC – *post risk workshops*	Lowther business plan report Finance reports are a standing item at all Board meetings, which highlight any variances against projected financial growth to allow necessary intervention	Feb 2022 Ongoing	Group Director of Property and Development

Strategic Risk Register

SRR22 – Covid-19 vaccination roll-out			*Risk type: Financial*	Strategic Outcome: Maintaining a strong credit rating and managing financial risks		
Description: 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				***Controls:*** 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 continues. Care management is monitoring uptake levels as part of a local risk assessment approach		
Inherent risk	**Residual risk**	**Risk appetite level:**	**Within Risk Appetite?**	**Previous / Next detailed Board scrutiny**	**Scrutiny Date**	**Risk Owner**
		TBC – *post risk workshops*	TBC – *post risk workshops*	Updates will be provided on vaccination to all boards as any law changes are announced, as was the case during 2021 Wheatley Care Board receives a care-specific update at each meeting	Ongoing through 2021 and 2022	Group Chief Executive Officer

SRR17 – Pension contributions			*Risk type: Financial*	Strategic Outcome: Maintaining a strong credit rating and managing financial risks		
Description: Increases in the required pension contributions for all Group pension funds may lead to potential cost pressures for the Group.				***Controls:*** 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.		
Inherent risk	**Residual risk**	**Risk appetite level:**	**Within Risk Appetite?**	**Previous / Next detailed Board scrutiny**	**Scrutiny Date**	**Risk Owner**
		TBC – *post risk workshops*	TBC – *post risk workshops*	Group pensions strategy was reviewed at Group Board Business plans with sensitivity analysis are reviewed by all Board who are members of pension schemes annually	Dec 21 Feb and Sept 2021 and 2022	Group Director of Finance

Wheatley
Group

Report

To:	**Wheatley Group Housing Board**
Report by:	**Steven Henderson, Group Director of Finance**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**Performance report**
Date of Meeting:	**23 February 2022**

1. Purpose

1.1 This report provides the Board with an update on performance to the end of quarter 3.

1.2 Dashboards with the measures included in all three sub-sections for the five themes are attached as appendices. A summary of progress delivering the strategic projects is presented in Appendix 3.

2. Authorising and strategic context

2.1 Under the terms of the Group Authorising Framework, the Group Board is responsible for setting the overall Group Performance Framework and approving the delivery plan for each year. Under the Group Authorise/Manage/Monitor Matrix, the Group Board has an ongoing role monitoring performance of subsidiaries across the Group against the key indicators agreed in the performance framework.

3. Risk appetite and assessment

3.1 Our agreed Group risk appetite in relation to board governance is “cautious”. This level of risk tolerance is defined as “preference for safe delivery options that have a low degree of inherent risk”. We mitigate this risk by reserving the agreement of individual performance targets and strategic projects to Boards and providing the Board with regular updates in relation to progress against these targets and projects.

4. Background

4.1 Cube’s properties migrated to GHA in April and to Loretto at the end of July. To reflect the differing rent billing cycles for Cube customers, for financial rent-based measures we report GHA A and GHA B.GHA B distinguishes those previous Cube customers whose rent is billed differently. The same approach is now being used for Loretto.

5. Customer engagement

5.1 We presented a summary of the validated 2020/21 performance against our Charter measures to the Tenant Scrutiny Panel in October, along with a comparison with the national average and an update on performance in the first part of 2021/22. Overall, the Tenant Scrutiny Panel were pleased with performance and understood the impacts of the pandemic. In particular, they were satisfied with the progress of gas safety despite access restrictions.

5.2 We also consulted the Tenant Scrutiny Panel on the new customer value approach that underpins the current Performance Framework. As noted previously to the Board, we are working with a technology provider to implement a new platform to gather more frequent customer feedback on the five customer service areas identified as part of the customer value approach: repairs, anti-social behaviour, environmental services, complaints handling and housing allocations. The first phase will allow us to capture feedback about repairs services.

6. Discussion

Delivering Exceptional Customer Experience

Customer First Centre - Grade of Service

6.1 The Customer First Centre launched its new service on Wednesday 1 December as a ‘soft’ launch internally within the Group. This soft launch provides the opportunity to test systems and practices before the more formal customer launch of the service in line with the launch of Wheatley Homes Glasgow.

6.2 It is recognised that the Customer First Centre marks one of the single, biggest changes to our service model in the 10-year history of Wheatley. New performance measures are therefore being developed which will continually assess the effectiveness of the new Customer First Centre model. Our new measures will be ambitious and reflect our desire to deliver outstanding services to our customers and, importantly, a service that provides choice and which is underpinned by some key important principles; personalisation, ownership, commitment, customer-centric behaviour and digitalisation. It is these principles that we aim to build into and evidence in our performance framework.

6.3 With the soft launch of the Customer First Centre in December, the grade of service target was changed from 70% of calls answered within 60 seconds to 80% within 30 seconds. Grade of service was lowest in July, at 59.9% in-month, but increased to 75.4% in December and at the start of the week of 14th February was standing at 90%.

6.4 Demand remained high in the quarter with an average of 70k calls received per month compared to an average of 65k in Quarter 1. Demand in November at 78k was the highest in-month this year. The main driver for call volumes continues to be repairs.

6.5 A more detailed discussion on the Customer First Centre and its performance is included in the new operating model update item on the agenda.

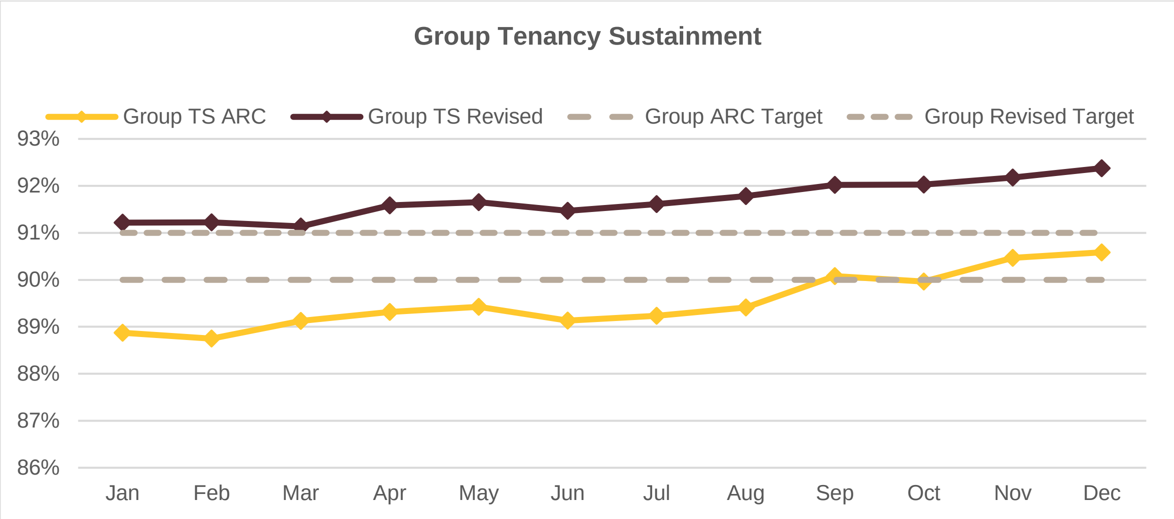
Repairs Satisfaction

6.6 As noted previously, this Charter satisfaction measure continues to be based on a very small sample size. This measure covers a rolling twelve-month period, and the current volume of surveys reflects the restricted service delivered during the pandemic. We have received 1,323 completed surveys in the last 12 months.

RSL		2021/22 Target	Current Value
West	GHA	87%	88.7%
	Loretto	87%	83.2%
East	DC	87%	85.5%
	WLHP	87%	78.6% (14 completed surveys in last 12 months)
South	DGHP	87%	91.8%
Group		**87%**	**88.3%**

Tenancy Sustainment

6.7 The percentage of new tenancies sustained for more than a year across Group remains better than target for both the Charter defined measure and our adjusted measure that excludes tenants who are deceased or who transferred within Group. The Charter measure achieved 90% target in September and is now at a high of 90.59% in December.



6.8 The following table provides tenancy sustainment results at the RSL level. Sustainment in the East continues to be best in Group. GHA has now recorded its highest sustainment since April 2017: 91.45% (ARC) and 93.22% (Revised).

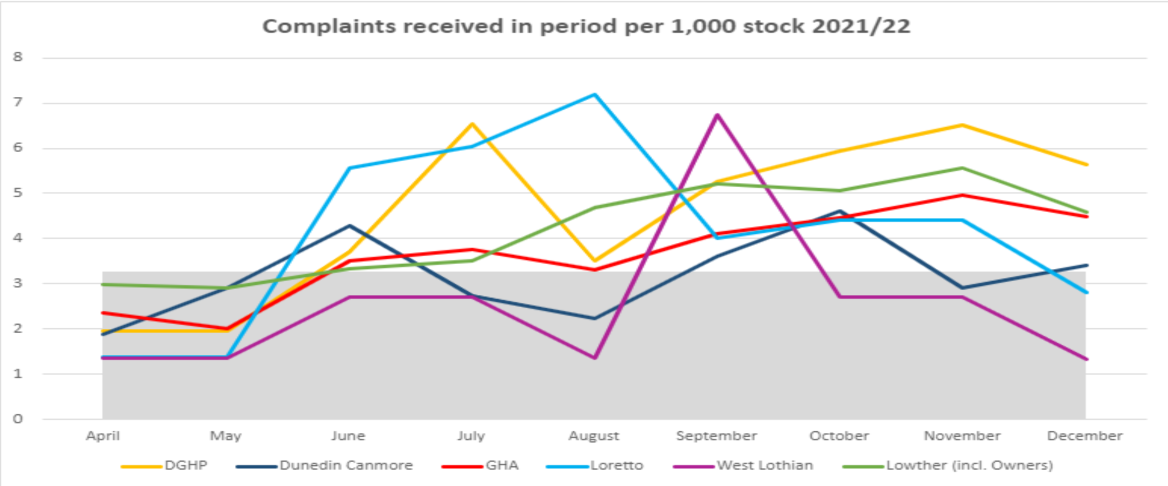
RSL Tenancy Sustainment	Charter	Ex deceased / transfers
Dunedin Canmore	93.40%	95.47%
DGHP	86.16%	87.88%
GHA	91.45%	93.22%
Loretto	89.67%	91.53%
WLHP	95.38%	96.88%
Group	90.59%	92.38%

6.9 In Dumfries and Galloway we are engaging with the Local Authority on the homelessness pathway. This includes how accurate assessments of needs are undertaken at the point of presentation and this translates to informing support requirements. Our experience elsewhere in the Group indicates this will support improved tenancy sustainment.

Complaints Handling

6.10 Over the recent quarter, during October there were 470 complaints received in Group, 481 in November and a reduction to 420 in December. The chart below provides an in-month result by subsidiary. While the single largest category of complaints continues to be repairs (42.4%), it should be noted that all complaints received year-to-date are less than 1% of all repairs carried out.

6.11 We are working to improve the operational data on our complaints. This work, and the introduction of our new CFC model, will see us respond quicker to customer dissatisfaction by fixing things before a customer feels the need to raise a complaint.



6.12 The SPSO is delaying the introduction of a standardised suite of measures to 2022/23. We are already reporting on the key measures here but will continue to develop reporting on lessons learned and complaints upheld. The table below shows the existing Group SPSO measures.

Percentage of complaints responded to in SPSO timescales	Stage 1		Stage 2	
	Complaints received YTD	Percentage responded to within 5 working days	Complaints received YTD	Percentage responded to within 20 working days
Dunedin Canmore	155	93.2%	13	81.8%
DGHP	357	81.2%	22	61.1%
GHA	1,253	94.4%	143	89.7%
Loretto	78	97.5%	6	100.0%
WLHP	17	100.0%	0	N/A
Lowther (including owners)	968	90.6%	237	74.1%

6.13 In DGHP we have undertaken a full review of the current process for managing complaints. This review has led to new processes being put in place that will manage and improve performance around the overall complaint handling. As part of this, we are introducing complaint leads across the team in DGHP as well as adding visibility and accountability across the team. The Wheatley Customer Insight and Complaints Team have been supporting colleagues in DGHP to create staff workshops across core staff groupings and to improve communication and support resolution as we move forward.

6.14 [redacted]

6.15 Given the introduction of the Customer First Centre, our aim is to resolve more issues one and done and to utilise our comprehensive team of Customer Service Advisors and Specialist Teams to tackle dissatisfaction head on and provide customers with quality resolutions at the first point of contact.

Making the Most of Our Homes and Assets

New Build Programme

6.16 The Group aim was to deliver 5,500 new homes over the course of the five year strategy. As noted in the business plan projections update on the agenda, Covid circumstances and supply chain disruption mean we propose to revise this down to 4,000 new homes over the period to 2026.

6.17 Our revised business plan target is to deliver 618 homes in 2021/22 (original target was 675, revised to 621 and then 618 by end of quarter 4), of which 201 have been handed over as of the end of December.

6.18 This is an increase of 49 since we last reported to the Board and is below our target of 346 by 145 units. The following table shows the variance against targeted progress:

RSL	Handovers	Target	Diff.	Comment
GHA	121	215	-94	
Auchinlea	23	23	0	Complete
Bellrock	19	0	19	Delayed from March 2021
Main Street, Baillieston	37	12	25	Complete. 25 had been expected in 20/21
Kennishead Avenue	42	48	-6	Complete - 6 completed in March 2021
Watson St Ph2	0	46	-46	Contractors programme shows all units handing over in May 2022
Sighthill	0	86	-86	Handover of 86 units expected September 21. High level engagement to agree handover of properties in 2021/22.

RSL	Handovers	Target	Diff.	Comment
WLHP	12	72	-60	
Jarvey Street	12	42	-30	12 units handed over in December 2021 and final 30 units expected in January 2022.
Almondvale	0	30	-30	
Dunedin Canmore	37	42	-5	
South Gilmerton	0	42	-42	24 units due to complete in Jan 2022 and final 18 units due to complete in March 2022.
New Mills Road	27	0	27	New Mills Road completed in November ahead of February 2022 target
Longniddry	10	0	10	Longniddry completed in November ahead of January 2022 target
DGHP	31	17	14	
Lincluden Depot	26	0	26	First handovers 6 months ahead of schedule
Queensberry Square		12	-12	Project completed ahead of schedule in March 2021.
St Medans, Monreith	5	5	0	Complete May 2021.
Totals	201	346	-145	

Planned to Reactive Repairs Spending

6.19 We have set a Strategic Result to achieve a ratio of planned to reactive repairs spend of 60%:40%. Spend figures are subject to investment programme profiling throughout the year. The ratio by RSL at end of December is shown in the table below. All RSLs have improved the percentage spent on planned work since this measure was introduced in July 2021.

Percentage Spend 2021/22		Planned (Jul 21)	Planned (Dec 21)	Variance (Jul to Dec)	Reactive
West	GHA	59.6%	62.1%	+2.5	37.9%
	Cube (2021/22 prior to transfer)	61.0%	61.0%	0	39.0%
	Loretto	53.9%	56.9%	+3	43.1%
East	Dunedin Canmore	51.4%	58.3%	+6.8	41.7%
	WLHP	41.2%	58.4%	+17.2	41.6%
South	DGHP	58.0%	64.3%	+6.3	35.7%
Group total		**58.1%**	**62.3%**	**+4.2**	**37.7%**
			£54,860,454		**£33,267,932**

Volume of Emergency Repairs

6.20 The table below shows our position against the Strategic Result to reduce the volume of emergency repairs by 10% by 2026 compared to the baseline year of 2019/20. All emergency repairs volumes are above the 2019/20 levels due to the Scottish Government restrictions that were in place, and our focus on delivering emergency repairs in the early part of 2021/22.

6.21 Our repairs service during 2021/22 has still been impacted by the pandemic in comparison with previous BAU years. Emergency repairs raised have been notably higher in line with an overall increased customer demand for the service. While the position in the West has been incrementally getting closer to more "normal" levels, East and South continue to experience high levels of emergency jobs.

6.22 Following implementation of Next Day Appointments in the West and East, a number of jobs which would have been emergency work have been raised as Next Day Appointments. Using West RSLs as an example, since remobilisation of services on 26 April 2021, 5,042 next day appointments across our core trades of electrical, plumbing and joinery have been completed that previously would have resulted in emergency call outs. Since remobilisation, we have seen a gradual increase in use of this new category, allowing for the expected drop in numbers across the December/festive period. The variance in the table below for West would be 14.9% had the 5,042 next day appointments been raised as emergency jobs.

Area	Completed Emergency Repairs		
	YTD December 2019/20	YTD December 2021/22	Variance
West	50,275	52,708	4.8%
East	5,438	6,493	19.6%
South	9,050	11,724	29.6%
Group	**64,763**	**70,925**	**9.5%**

<u>Repairs Timescales and Right First Time</u>

6.23 The average time taken to complete emergency and non-emergency repairs is detailed in the table below and shows the ongoing impact of demand and resource issues. Most RSLs (except for DGHP) are just over the three-hour target for emergency repairs.

6.24 All regions are maximising resource capacity and continuing to monitor performance frequently to deal with emerging issues or blockages to ensure end-to-end time is improved.

6.25 The issues with demand and material supply have also affected the right first-time measures for each RSL shown in the following table, with only Loretto meeting target. GHA, DC and WLHP have improved on this measure and are now just below target. DGHP has improved slightly but remains red.

Times to deliver repairs (Charter)		Emergency (hours)			Non-emergency (days)		
		Target	Year to Date Value	In month	Target	Year to Date Value	In month
West	GHA	3.00	3.09	3.53	5.50	7.82	8.48
	Loretto	3.00	3.18	3.87	5.50	6.38	6.66
East	Dunedin Canmore	3.00	3.16	3.37	5.50	6.20	6.34
	WLHP	3.00	3.07	3.58	5.50	6.34	6.9
South	DGHP	3.00	2.20	2.36	5.50	9.96	10.08
Group		3.00	2.95	3.35	5.50	7.86	8.29

Percentage of repairs right first time (Charter)		2019/20	In month	2021/22 YTD	Target	
West	GHA	96.3%	92.49%	92.54%	97.5%	
	Loretto	96.4%	96.06%	97.10%	97.0%	
East	Dunedin Canmore	96.8%	93.57%	94.28%	95.0%	
	West Lothian	96.4%	95.43%	94.25%	95.0%	
South	DGHP	83.5%	85.79%	82.65%	92.0%	
Group			91.85%	91.19%		

<u>Medical Adaptations</u>

6.26 Since April, we have completed 1,831 adaptations in total, an increase from the 1,126 we reported last quarter. There are now 147 households waiting (down from 267 reported last quarter).

6.27 The average time to complete adaptations has increased for the Group, from 40 days last quarter to 47.9 days. The majority of our adaptations relate our more vulnerable tenants. During the pandemic our ability to access homes for a sustained period to complete adaptations was severely curtailed as restitutions and guidance meant that we were not carrying out work in vulnerable customers' homes. However, the measure is based on the date the work commenced until completion and as such period where we had no access have adversely impacted the average time. The table below shows the number of households waiting, completions and the average time to complete adaptations by RSL.

Medical Adaptations	Current Households Waiting	Number Completed YTD	Average Days to Complete	Target
GHA	72	1,089	44.9	35
Loretto	3	87	67.3	35
DC	3	99	10.2	35
WLHP	1	21	23.7	35
DGHP	68	535	58.9	35
Group	147	1,831	47.9	35

<u>Gas Safety</u>

6.29 We continue to be in a 100% compliant position for gas safety, with no further expired gas certificates. Current figures against the rolling 12-month Charter indicator are listed in the table below and have now returned to zero.

RSL	2020/21	YTD 2021/22
Dunedin Canmore	122	0
DGHP	298	0
GHA	1,536	0
Loretto	114	0
WLHP	8	0
Total	2,149	0

<u>Compliance</u>

6.30 We have introduced a quarterly dashboard of compliance measures to track performance against our compliance programmes. RSLs are making good progress in several key areas. Please see Appendix 2 for a breakdown of progress as at the end of December. This dashboard includes measures to support monitoring and delivery of periodic electrical inspections that are now required to be undertaken within a 5 year cycle (previously 10). There has been a particular focus in January to make significant improvement in this area.

Health and Safety

6.31 We have also introduced more corporate level reporting about our health and safety work, and the measures are presented in the following table. There was one fire in April within Environmental Services, which we reported in the quarter 1 report to the Board. There have been no further accidental workplace fires to the end of November 2021.

Measure	2020/21	YTD 2021/22	Notes
Number of new employee liability claims received	2	2	
Number of open employee liability claims	9	9	
Number of days lost due to work-related accidents	334	178	2 – W360 (ongoing)
Number of RIDDOR incidents reported	7	6	2 – GHA 3 – W360 1 - DC
Number of HSE or local authority environmental team interventions	0	0	N/A

Changing Lives and Communities

Care Service Quality

6.32 Our Strategic Result is that 90% of Care services are graded five or above. The Care Inspectorate's focus throughout the pandemic remains on underperforming care homes with low grades and will continue to conduct inspections at these facilities. As such, no Wheatley Care service has had a formal inspection from the Care Inspectorate since December 2019.

6.33 The Care Inspectorate carried out a virtual inspection of the TSS Service in December 2021. The draft report has been received and the service attained grades of 5 'Very Good' in both 'How well do we support people's wellbeing?' and 'How good is our care and support during the COVID -19 pandemic'.

6.34 In response to the Scottish Government's National Care Service consultation, SSSC is reviewing registration of social care and social work staff. Wheatley Care are currently involved in discussions and are attending sessions with the SSSC.

6.35 Wheatley Care are also currently responding to a consultation on the Care Inspectorate’s three-year strategic plan.

Peaceful Neighbourhoods

6.36 The Group five-year strategic target is that 70% or more of our Group tenancies should be classified as "Peaceful". This figure has remained relatively static since the start of the year and was 68.3% at the end of December.

6.37 Improvement to this measure requires a reduction in Police-recorded ASB in the safe and calm data zones. There are 25 Problem Location Packages currently allocated to Group CIP officers for action, a reduction from 27 in November. Of the 25 packages, 16 are currently being investigated and 9 are being monitored for any new incidents.

Percentage of Wheatley Group tenancies classified as (year to date average):	2020/21		YTD 2021/22	
	Number	Percentage	Number	Percentage
Safe	6,529	7.3%	7,153	8.0%
Calm	20,931	23.3%	21,272	23.7%
Peaceful	62,279	69.4%	61,314	68.3%

Accidental Dwelling Fires

6.38 The Group set a Strategic Result to reduce RSL accidental dwelling fires by 10% against the baseline of a total of 215 fires in 2020/21 (see the following table). We therefore aim to reduce the number of accidental dwelling fires to around 193 by 2026. In the year to date, there have been 133 recorded fires. Lowther and Wheatley Care are not included in the Strategic Result but will be referenced for information if any fires are recorded.

Number of recorded accidental dwelling fires	2020/21				2021/22		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Cube	3	2	5	2			
Dunedin Canmore	5	0	0	4	3	3	2
GHA	50	34	33	35	49	35	23
Loretto	7	2	5	5	3	2	1
WLHP	0	0	0	0	0	0	0
DGHP	6	4	5	8	6	5	1
Sub totals	71	42	48	54	61	45	27
Total for Strategic Result	215				133 (Upper annual target = 210)		
Lowther	1	0	0	0	0	1	0
Care					0	0	0
Group Total	216				134		

6.39 To achieve this Strategic Result, we ensure that 100% of relevant properties have a current fire risk assessment in place. We continue to implement the Fire Risk Assessment Programme to assess non-relevant properties (Multi-Storey Flats and LivingWell) that are not currently mandated by legislation. Anticipated completion of this programme has been accelerated from the end of the financial year 2022/23 to end of March 2022.

Measure	YTD Position	2021/22 Year-end Target
The percentage of relevant premises - HMOs that have a current fire risk assessment in place	100%	100%
The percentage of non-relevant premises that have a current fire risk assessment in place according to risk profile (commenced October 2020, new expected completion date March 2022)	66.3% (118)	100%

Reducing Homelessness

6.40 The Group has made 57.1% relevant lets to homeless applicants in the year to December, with a total of 1,977 lets. We will exceed our target of 2,000 for this year, which contributes to the overall strategic result of 10,000 households over the next five years.

6.41 The following table provides the latest in-month and year-to-date breakdown of results by RSL:

Percentage of Lets to Homeless Applicants	Relevant lets only				Charter	
	2020/21	December in-month	2021/22 YTD	Target	2020/21	2021/22 YTD
DGHP	51.8%	54.4%	50.7%	45%	50.3%	49.9%
Dunedin Canmore	72.8%	66.7%	66.2%	50%	61.6%	54.7%
GHA	65.7%	63.9%	59.0%	60%	63.1%	56.2%
Loretto	57.1%	41.2%	49.0%	50%	38.5%	46.6%
WLHP	69.7%	33.3%	37.8%	50%	65.0%	34.6%
Group	63.3%	60.5%	57.1%	56%	59.7%	54.2%

6.42 GHA's result has improved period on period since August and achieved 63.9% in December. GHA has contributed 1,392 of the Group's total lets to homeless applicants. GCC reduced their requested target of 65% of lets to homeless customers for GHA to 60%, this in turn reduced the Group target from 58% to 56%. Group is surpassing this at 57.1%. All RSLs are dependent on Councils presenting homeless applicants and as reported previously, West Lothian Council did not provide applicants to WLHP in Quarter 1 due to their internal allocation review.

Jobs and Opportunities

6.43 Over 2000 children have been supported through Foundation programmes up to Q3. The target for this measure has now been met, with Imagination Library and Youth Arts exceeding their annual project targets.

6.44 624 opportunities have been supported by Wheatley Works up to Q3 this year. City Building completed recruitment and commenced employment of apprentices in October 2021 including 30 Wheatley Customers. Another internal apprentice recruitment will take place in March. Recruitment for Changing Lives trainees in the East has taken place in Q3 and 2 trainees will begin at the end of January.

Strategic Results	2021/22 Target	Current performance	
4,000 jobs, training and apprenticeship opportunities delivered	700	624	■
10,000 vulnerable children benefit from targeted Foundation programmes	1,400	2,128	■

6.45 As at the end of December, 6003 people have been supported by these programmes in Q3. Referrals for Eat Well significantly increased throughout Q3, while Barony Support Fund saw an increase at the start of the quarter with referrals tailing off in December. Starter Packs for GHA, Loretto and Dunedin Canmore tenants are recorded in this section - this project is funded by our RSLs and managed by the Foundation.

Developing our Shared Capability

Sickness Absence

6.46 The Group lost 4.1% of working time due to staff sickness absence in the year to end of December, compared to our target of 3% and the year-to-date figure of 3.58% we reported at the end of last quarter. There has been an increase since the beginning of the year, and we are now reporting slightly higher levels than 2019/20. The in-month figures for November and December show an increase from 4.81% to 5.0%.

6.47 There are a number of absence types that are contributing to the increase in the Group absence figures in last quarter. In context, the latest published Scottish Housing Regulator data for Quarter 2 showed a 6.8% absence rate for all RSLs nationally. Public Health Scotland reported a 9.1% absence rate for the Social Care Sector at 4 January 2022.

6.48 We recognise that the pandemic continues to impact on our employees, both those that have remained at work throughout and those that have had absences. We have engaged our Occupational Health Provider, People Asset Management (PAM) to provide support sessions that have been specifically designed to help staff to address issue they have experienced during the pandemic. The first of these sessions, “Practising Resilience & Self Care”, will be delivered in February before being rolled out to teams across the Group.

6.49 We continue to provide close support for employees and line managers via wellbeing calls, Occupational Health and Employee Assistance.

Enabling our Ambitions

Gross Rent Arrears

6.50 Our strategic aim is to reduce arrears to 4% by 2026. The support and wraparound services we provide to our customers continue to limit the impact of the pandemic on the rate of arrears.

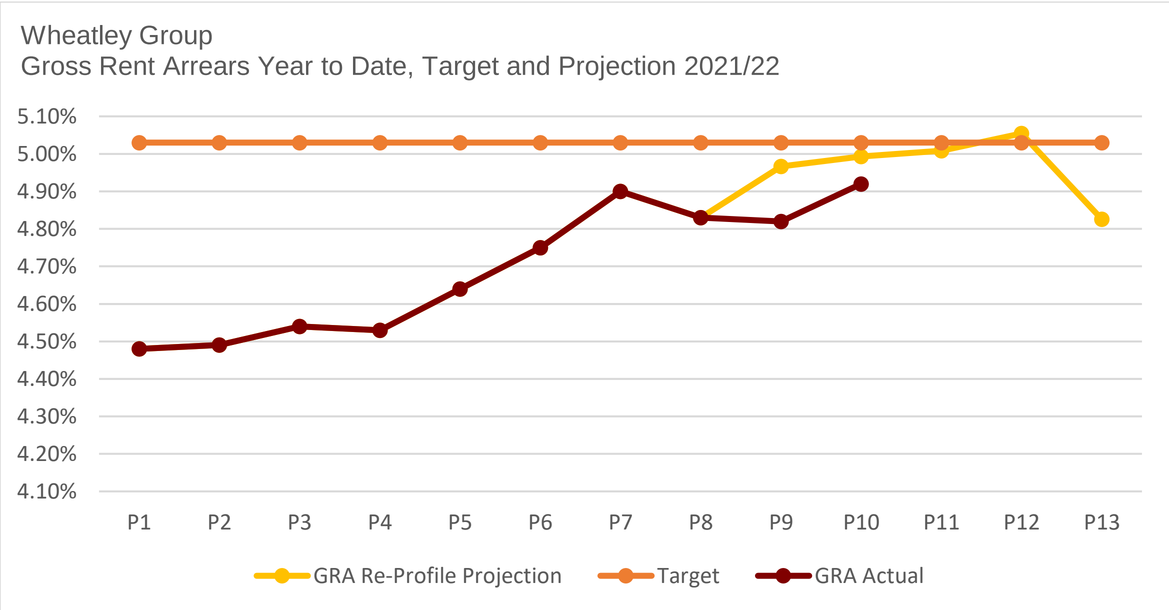
6.51 As at the end of December, current Group gross rent arrears are at 4.92%, remaining below our 5.03% target for year end.

6.52 As indicated in the following table, all RSLs remain on or better than their respective targets except for WLHP. Since October, WLHP has improved from 3.44% to 3.29% and are within 10% of target. We expect WLHP to meet their 3.12% target by end of March.

6.53 Our arrears performance remains strong against comparative benchmarks. The Regulator's Quarter 2 average for all Scottish landlords was 6.22%. When we consider peer group comparison, our smaller RSLs are better than the 4.32% average published by the Regulator and DGHP and GHA fall well below the average of 8.33% for local authorities.

RSL	Current performance		Current target	Re-profiled projection for period	Previous period	Variance	2020/21 Result
DC	4.29%		4.29%	4.38%	4.15%	0.14	3.84%
DGHP	4.06%		4.57%	4.25%	3.84%	0.22	3.86%
GHA A	5.31%		N/A	N/A	5.28%	0.03	4.78%
GHA B	5.37%		N/A	N/A	5.00%	0.37	N/A
GHA	5.31%		5.35%	5.36%	5.26%	0.05	N/A
Loretto A	3.46%		N/A	N/A	3.12%	0.34	3.05%
Loretto B	4.12%		N/A	N/A	3.43%	0.69	NA
Loretto	3.78%		4.03%	3.71%	3.27%	0.51	N/A
WLHP	3.29%		3.12%	3.43%	3.32%	-0.03	2.62%
Group	**4.92%**		**5.03%**	**4.99%**	**4.89%**	**0.03**	4.48%

6.54 Tenant Grant Funds are now open across most local authorities and we have been awarded £34,913 for 33 cases, we expect at least a further £430k income by year end. On this basis, we have re-profiled projections for arrear levels over the final quarter and at Group level this has improved our year-end projection to 4.83%, below our target of 5.03% (see following chart).



6.55 There remains fewer than expected new customers on Universal Credit (UC) this year, 3,603 new cases compared to 4,614 in business plan assumptions. There are currently 29% (17,973) of Group customers on UC, with a potential for 36% (circa 22,000) by year end.

Lowther and Gift Aid

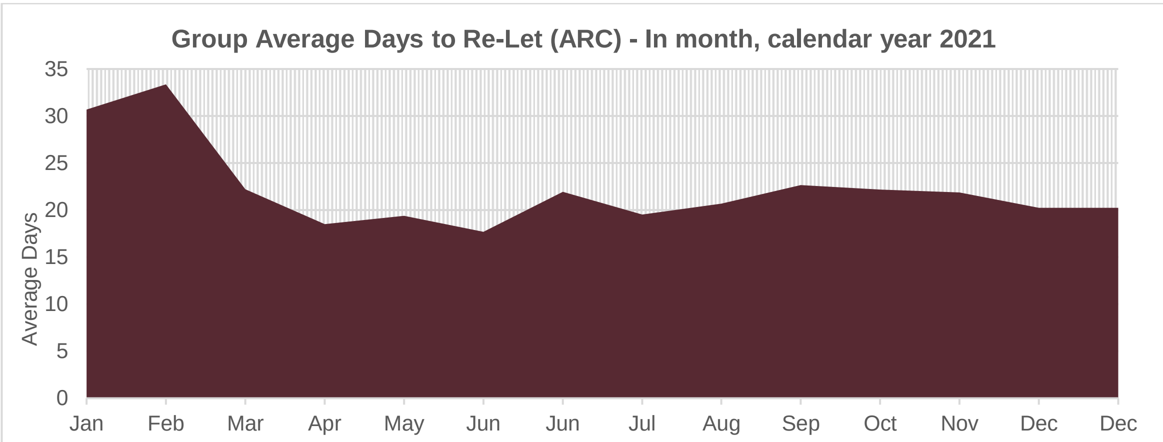
6.56 [paragraphs 6.56 – 6.61 redacted]

Average Days to Re-Let

6.62 Our target for the year is for all RSLs to be under 20.0 days so that we are in a recovered position post-pandemic to achieve the strategic target of less than 14.0 days in year two of the Strategy. The year-to-date average position for the Group is 20.62 days, just above the current cumulative target of 20 days. The Group target will change to 19.5 days in the final quarter; we remain cautious given the impact of material shortages and other factors on our turnaround times.

6.63 The number of re-lets, included in the Regulator's average days to relet measure, carried out this financial year is 3,500. When we take account of lets such as properties leased to local authorities and new builds that are not included in the Regulator's measure, the Group has made a total of 4,004 lets.

6.64 The following chart shows the in-month Group average days to re-let this calendar year and clearly shows improvement from the high recorded in February.



6.65 The table below provides the most recent in month and year-to-date position for each RSL against their respective targets. All RSLs, except GHA are meeting target. As well as post pandemic issues noted above, GHA's performance has been impacted by the return of long-term voids (for example Wingets) and low demand Livingwell properties particularly in Castlemilk, Clydeview, Pollok and Keystone.

6.66 An options appraisal paper is being prepared on the future of these LivingWell sites. Of note, GHA's re-letting performance has improved in the last quarter with 25.71 days in September improving to 20.87 days in December.

Average days to re-let (Charter)	In month December	Current YTD	Target Q3	2020/21 Results
Dunedin Canmore	21.05	17.67	20.0	52.60
DGHP	18.74	17.11	20.0	37.26
GHA	20.87	22.46	20.7	40.96
Loretto	14.71	16.43	19.0	35.18
WLHP	N/A	5.95	15.0	19.78
Group	20.24	20.62	20.0	40.87

Care Services Breaking Even

6.67 Wheatley Care reports 97% of services are currently in surplus, up from 94% reported at the end of September and continues to surpass the 80% target. Care, overall, is comfortably hitting its strategic financial targets.

Online Transactions and Digital Shift

6.68 Our Strategic Result is that 50% of our customers actively use their online account to make transactions with us. As this is a new measure, we committed to developing reporting arrangements to determine active users within the system and establish a baseline this year. We are working to build the analytics that will show us a full and comprehensive view of the usage of our online offering. This will also include the development of an action plan to introduce new services to our online offering which will aim to keep customers in this space e.g. the introduction of webchat.

6.69 Meantime, there is a total of 46,933 customers registered with online accounts across a customer base of 93,680, therefore 50.1% of our customer base is now registered. We have had 2,495 new registrations for web self-service so far this year towards our target of 4,500. We envisage that when online repairs are turned back on that this will support more uptake of digital channels. Nonetheless, establishing an excellent phone service through the CFC is a focus for Group (as discussed at 6.1).The following table provides subsidiary results for online accounts:

Online Accounts as a Percentage of Customer Accounts	Current Performance YTD
Dunedin Canmore	48.2%
GHA	56.0%
Loretto	57.1%
Lowther Factoring	[redacted]%
Lowther Letting	[redacted]%
West Lothian	67.7%
Group	50.1%

Lowther Rental Customers' Online Accounts

6.70 [redacted]

Summary of Strategic Project Delivery

6.71 The full list of our strategic projects is attached to this report as Appendix 3. Out of the 23 strategic projects we are delivering during 2021/22, the following three projects have been completed since our last report:

- Wheatley Green Investment Plan (noting that this will be subject to further discussion at the Board workshop in March);
- Implementation of strategy to meet "no home unimproved" by 2020; and
- Strategic governance review.

6.72 There are 8 projects complete, 6 on track, 7 are slipping and 2 are overdue:

Theme	Complete	On Track	Slipping	Overdue
Customer Experience	0	3	2	0
Homes and Assets	3	2	1	0
Changing Lived and Communities	2	1	2	1
Developing our Shared Capability	2	0	0	0
Enabling our Ambitions	1	0	2	1
Total by status	8	6	7	2

6.73 Details of the two overdue projects are set out below:

Project	Milestones	Due Date	Completed	Update Provided by Lead
Redesign the TSS Service	01. Cross group discovery programme	30-Jun-2021	Yes	This will form part of the Care Strategic Review now underway.
	02. Service model design draft	31-Aug-2021	Yes	
	03. Proposals approved	30-Sep-2021	No	
	04. Staff consultation commenced	31-Oct-2021	No	
	05. Implementation programme developed	31-Oct-2021	No	
	06. Implementation programme concluded	31-Dec-2021	No	
Restructure funding syndicate	01. Board agree strategy for restructure	31-Oct-2021	Yes	Loan amendments and refinancing with Barclays and Syndicate progressing; more detailed update included in treasury report
	02. Implementation of restructure	31-Dec-2021	No	

<u>Conclusion</u>

6.74 Despite continuing challenges posed by the pandemic across all sectors, we continue to perform strongly in a wide range of areas including RSL gross rent arrears which remain within target and better than sector comparisons, we have let a total of 1,977 homes to homeless applicants, far exceeding our year-to-date target of 1,500 and will surpass the 2,000-target set for the full year and we have surpassed our annual target of 1,400, with 2,128 vulnerable children benefiting from targeted Foundation programmes.

6.75 Other areas include average time for emergency repair completions continuing below the targeted 3-days, we remain fully compliant with gas safety with no gas checks unmet in year, variance in accidental fires compared to last year has improved to 17% compared to 6% reported in quarter 2 and Charter tenancy sustainment has achieved and improved on the 90% target since September.

6.76 Performance issues that remain in focus include new build completions; there has been an increase to 201 handovers compared to 152 reported at the end of September; non-emergency repair completion timescales; repairs complete right first time and medical adaptation completion timescales. Lowther is subject to a separate improvement action plan being overseen by the Group Director of Housing & Care.

6.77 Our project delivery aims to introduce many of the new ways of working that our Strategy is built on. Strong project delivery this year, in particular the implementation of the Customer First Centre, means that as a Group we are building a more digital, more customer-focused and more efficient business that will be prepared to deliver both our Strategy and improved performance results in 2022/23.

7. Digital transformation alignment

7.1 There are no digital transformation themes aligned to the content of this report.

8. Financial and value for money implications

8.1 The measures and projects included in this report were agreed as the Performance Framework and Delivery Plan for 2021/22. Both documents focus service delivery and improvement on the key priorities within the Group Strategy to make sure that financial and other resources are aligned with these priorities.

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

9. Legal, regulatory and charitable implications

9.1 The Scottish Housing Regulator requires an Annual Return on the Charter from each RSL. Key indicators within this return are also included in monthly performance reporting. RSL Subsidiary Boards approve the returns, and the figures are included in the year-end performance report to the Board. RSLs are also required to involve tenants in the scrutiny of performance, which the Group does through its Tenant Scrutiny Panel, and to report to tenants on performance by October each year.

10. Equalities implications

10.1 There are no proposals in this report relating to our duties under equality legislation or that have an adverse impact on equality.

11 Environmental and sustainability implications

11.1 As noted at previous meetings, we are developing further measures for environmental and carbon performance which will be brought back to the Board for consideration for the new financial year.

12 Recommendation

12.1 The Board is asked to note the contents of the report.

List of Appendices

Appendix 1 - Strategic Results Dashboard
Appendix 2 - Compliance KPIs Dashboard
Appendix 3 - [redacted]

Appendix 1
Group Housing Board Strategic Results 2021/22 to 2025/26

Delivering Exceptional Customer Experience

The Strategic Results the Group has set under this strategic theme are all reportable annually rather than by quarter. They are:

- Overall customer satisfaction is above 90%
- Over 90% of Care customers are satisfied with the overall service
- RSL tenant satisfaction with value for money increased to 85%
- Satisfaction with complaint handling increased by 10%
- Overall satisfaction among households with children improved to 90%
- Satisfaction with the process of getting a new home is improved by 10%
- 90% of customers feel they can participate in the landlord's decision making
- 95 of customers actively engaged in shaping services feel they participate in decision making.

The following two Strategic Results will be reported monthly, but are being developed:

- Implement "rate it" score from book it, track it, rate it repairs approach and aim to improve performance by 10% (being developed, will be reported monthly once in place)
- Net promoter score for Lowther increased to 60.

Making the Most of Our Homes and Assets

Measure	2020/21	YTD 2021/22		
	Value	Value	Target	Status
New build completions (total for Group)	377	201	346	
GHA - Social Housing	227	84	71	
GHA - Mid-market	49	37	144	
Dunedin Canmore - Social Housing	58	12	42	
Dunedin Canmore - Mid-market	35	25	0	
WLHP - Social Housing	8	12	72	
WLHP – Mid-market	0	0	0	
DGHP - Social Housing (12 units completed early in 2020/21 which were included in this target)	0	31	17	
Achieve 60:40 ratio of planned to reactive repairs spending	2019/20 66% : 36% (£61.4m : £35.2m)	62.3% : 37.7% (£54.9m : £33.3m)	60% : 40%	
Invest £360 million in improving, modernising and maintaining homes by 2025/26	New	£40,594,703	£52,009,644	
Reduce the volume of emergency repairs by 10% by 2025/26 (Group average) N.B. Current volume reduction is not linked to strategy delivery but the effect of supply delays and reduced resources on our ability to deliver to usual capacity.	April to December 19/20 – 64,763	70,925	+9.5%	N/A
GHA	April to December 19/20 – 46,611	49.662	+6.55%	
Loretto	April to December 19/20 - 3,664	3,046	-16.87%	
Dunedin Canmore	April to December 19/20 – 4,897	5,734	+17.1%	

Measure	2020/21	YTD 2021/22		
	Value	Value	Target	Status
WLHP	April to December 19/20 – 541	759	+28.72%	🔴
DGHP	April to December 19/20 – 9,050	11,724	+29.55%	🔴

The following additional Strategic Results under this strategic theme will be reported annually or are still under development:

- Invest £500m of new public and private finance in new build housing (annual)
- Achieve 95% customer satisfaction with their new build home (being developed as part of new survey approach/platform for customer value measures)
- Reduce the output of CO_2 emission from our homes by at least 4,000 tonnes per year (being developed with Fraser of Allander)
- Reduce our corporate carbon footprint to carbon neutral by 2026 (being developed with Fraser of Allander).

Changing Lives and Communities

Measure	2020/21	YTD 2021/22		
	Value	Value	Target	Status
Percentage of Care services graded very good (5) or better by the Care Inspectorate	66.67%	68.18%	90%	N/A
Over 70% of customers live in neighbourhoods categorised as peaceful by 2025/26 (Group average)	69.4%	68.3%	68.0%	
Number of accidental dwelling fires recorded by Scottish Fire and Rescue (Group RSLs)	Q3 20/21 - 161	133	-17.4%	
GHA	152	107	N/A	N/A
Loretto	19	6	N/A	N/A
Dunedin Canmore	9	8	N/A	N/A
WLHP	0	0	N/A	N/A
DGHP	23	12	N/A	N/A
100% of relevant properties have a current fire risk assessment in place (Group)	100%	100%	100%	
The percentage of non-relevant properties with current fire risk assessment in place (Group) (Target revised in-year to reflect aim of having all FRAs completed by end of March 2022 rather than March 2023 as originally planned)	Programme started October 2020	66.3%	100% by end of Q4	
Percentage of relevant lets to homeless applicants	63.3%	57.1%	56%	
GHA	65.7%	59.0%	60%	
Loretto	57.1%	49.0%	50%	
Dunedin Canmore	72.8%	66.2%	50%	
WLHP	69.7%	37.8%	50%	
DGHP	51.8%	50.7%	45%	
Percentage of lets to homeless applicants (Charter)	59.7%	54.2%	N/A	N/A

Measure	2020/21	YTD 2021/22		
	Value	Value	Target	Status
GHA	63.1%	56.2%	N/A	N/A
Loretto	38.5%	46.6%	N/A	N/A
Dunedin Canmore	61.6%	54.7%	N/A	N/A
WLHP	65.0%	34.6%	N/A	N/A
DGHP	50.3%	49.9%	N/A	N/A
Number of lets to homeless applicants (10,000 for Group by 2025/26)	2,419	1,977	1,500	
GHA	1,561	1,392	N/A	N/A
Loretto	42	55	N/A	N/A
Dunedin Canmore	226	145	N/A	N/A
WLHP	26	18	N/A	N/A
DGHP	396	348	N/A	N/A
4,000 jobs, training places or apprenticeships opportunities delivered	188	624	500	
GHA	80	281	230	
Loretto	0	5	5	
Dunedin Canmore	7	36	28	
WLHP	1	3	3	
DGHP	N/A	56	54	
Care	0	0	0	
[redacted]	[redacted]	[redacted]	[redacted]	
Other	84	212	150	
10,000 vulnerable children benefit from targeted Foundation programmes (Group total)	New	2,128	1,500	
60% of tenants with online accounts are using the My Savings rewards gateway	New	11.8%	20.0% in year 1	

The following Strategic Results under this strategic theme will be reported annually or are still being developed:

- Achieve 85% satisfaction with Wheatley Environmental Services (being developed as part of new survey approach/platform for customer value measures)
- 250 customers have been supported to attend higher education and university through Wheatley bursaries
- 10% reduction in the cost of running a home by 2026 (being developed with Fraser of Allander).

Developing our Shared Capability

Measure	2019/20	YTD 2021/22		
	Value	Value	Target	Status
Staff absence is maintained at 5% for Care services and 3% for all other parts of the business	3.47%	4.10%	3%	
GHA	3.03%	2.34%	3%	
Loretto	5.53%	3.03%	3%	
Dunedin Canmore	2.85%	3.43%	3%	
WLHP	0.27%	0.68%	3%	
DGHP	4.47%	2.11%	3%	
[redacted]	[redacted]	[redacted]	[redacted]	
Care	5.26%	6.91%	5%	
Solutions	2.34%	2.09%	3%	
Wheatley 360	3.22%	4.41%	3%	

The following Strategic Results under this strategic theme will be reported annually or are still to be developed:

- Over 90% of staff say they feel appreciated for the work they do (annual)
- Over 80% of RSL customers self-report positive distance travelled towards “self-reliance” (approach to be implemented and measure to be developed)
- 250 young people provided with structured opportunities to build their skills within the business (annual)
- 50 graduates provided with opportunities to work and gain experience in our sectors (annual)
- Our workforce’s demographic more closely resembles that of the communities in which we operate (measure to be developed by year 3)
- 40% of promoted posts are filled with internal candidates (annual)
- Staff voluntary turnover (i.e. resignations) remains at less than 7% (annual).

Enabling our Ambitions

Measure	2020/21	YTD 2021/22		
	Value	Value	Target	Status
Reduce gross rent arrears down to 4% by 2026 (Group average)	4.48%	4.92%	5.03%	
GHA A	4.78%	5.31%	N/A	N/A
GHA B	N/A	5.37%	N/A	N/A
GHA Combined	N/A	5.31%	5.35%	
Loretto A	3.05%	3.46%	N/A	N/A
Loretto B	N/A	4.12%	N/A	N/A
Loretto Combined	N/A	3.78%	4.03%	
Dunedin Canmore	3.84%	4.29%	4.29%	
WLHP	2.62%	3.29%	3.12%	
DGHP	3.86%	4.06%	4.57%	
[redacted]	[redacted]	[redacted]	[redacted]	
Average time to re-let properties (Group average)	40.87	20.62	20.0	
GHA	40.96	22.46	20.7	
Loretto	35.18	16.43	19.0	
Dunedin Canmore	52.60	17.67	20.0	
WLHP	19.78	5.95	15.0	
DGHP	37.26	17.11	20.0	
Proportion of Care services breaking even (after management fee)	83.87%	97%	80%	
Proportion of Care services breaking even (before management fee)	96.77%	100%	100%	
Number of Care Services in deficit for more than two years	NEW	0	0	
[redacted]	[redacted]	[redacted]	[redacted]	

The following Strategic Results will be reported annually or are still in development:

- Limit annual RSL rent increases to 2.9% throughout the life of the strategy (annual)
- Maintain a strong investment credit rating of A+ stable (annual)
- £15m generated in Gift Aid to Wheatley Foundation and reinvested in communities (annual)
- Achieve management costs per unit that remain in the lower quartile among an independently selected UK and international benchmarking group (being developed with Housemark)
- Achieve a £10m real terms reduction in management costs (annual)
- Over 50% of our customers actively use their online account to make transactions with us (being developed, determination of active status in our systems required)
- Achieve our targets across the 7 domains of our digital maturity assessment (annual)

Appendix 2
Group Housing Board Other KPIs 2021/22 (includes Compliance)

Measure	2020/21	2021/22		
	Value	Value	Target	Status
Percentage of stage 1 complaints responded to within 5 working days (Group average)	96.18%	89.92%	100%	
Percentage of stage 2 complaints responded to within 20 working days (Group average)	99.64%	80.50%	100%	
Average time for full response to all complaints (Group RSL average, Charter)				
GHA	5.58	5.79	8	
Loretto	4.55	5.37	8	
Dunedin Canmore	4.8	5.72	8	
WLHP	2.94	4.18	8	
DGHP	4.86	5.44	8	
Percentage of new tenancies sustained for more than a year – overall (Group RSL average)	89.13%	90.59%	90%	
GHA	89.73%	91.45%	90%	
Loretto	90.27%	89.67%	90%	
Dunedin Canmore	92.51%	93.40%	90%	
WLHP	92.65%	95.38%	90%	
DGHP	84.98%	86.16%	87%	

Measure	2020/21	2021/22		
	Value	Value	Target	Status
Average time taken to complete emergency repairs (hours) – make safe (Group RSL average)	2.76	2.95	3	
GHA	2.96	3.09	3	
Loretto	2.95	3.18	3	
Dunedin Canmore	2.65	3.16	3	
WLHP	2.52	3.07	3	
DGHP	1.9	2.2	3	
Average time taken to complete non-emergency repairs (working days) (Group RSL average)	4.2	7.86	5.5	
GHA	4.09	7.82	5.5	
Loretto	4.60	6.38	5.5	
Dunedin Canmore	3.14	6.2	5.5	
WLHP	4.00	6.34	5.5	
DGHP	5.63	9.96	5.5	
Average time to complete approved applications for medical adaptations (calendar days) (Group RSL average)	52.20	47.94	35.0	
GHA	66.7	44.94	35	
Loretto	119.39	67.34	35	
Dunedin Canmore	10.48	10.15	35	
WLHP	40.25	23.71	35	
DGHP	43.3	58.85	35	

Measure	2020/21	2021/22		
	Value	Value	Target	Status
Percentage of reactive repairs completed right first time	95.90%	91.19%	95%	
GHA	96.28%	92.54%	97%	
Loretto	94.94%	97.1%	97%	
Dunedin Canmore	96.69%	94.28%	95%	
WLHP	97.16%	94.25%	95%	
DGHP	93.46%	82.65%	92%	
Number of times in the reporting year the RSL did not meet the statutory obligation to complete a gas safety check within 12 months of a gas appliance being fitted or its last check (Group RSL total)	2,149	0	0	
GHA	1,536	0	0	
Loretto	114	0	0	
Dunedin Canmore	122	0	0	
WLHP	8	0	0	
DGHP	298	0	0	
Percentage of ASB incidents resolved (Group RSL average)	99.99%	96.43%	98%	
GHA	100%	96.88%	98%	
Loretto	100%	100%	98%	
Dunedin Canmore	100%	97.01%	98%	
WLHP	100%	100%	98%	

Measure	2020/21	2021/22		
	Value	Value	Target	Status
DGHP	99.90%	92.71%	98%	
Percentage of court actions initiated which resulted in eviction	25%	72.22%	25%	
GHA	33%	64%	25%	
Loretto	No court actions, no evictions	500% (1 court action, 5 evictions)	25%	
Dunedin Canmore	0%	0% (5 court actions and no evictions	33%	
WLHP	No court actions, no evictions	No court actions and no evictions	33%	N/A
DGHP	No court actions, no evictions	100%	25%	
Percentage of lettable homes that became vacant (Group RSL average)	7.31%	8.20%	8%	
GHA	7.21%	8.33%	8%	
Loretto	8.28%	6.96%	8%	
Dunedin Canmore	6.73%	6.62%	7.3%	
WLHP	5.10%	7.03%	5.6%	
DGHP	7.83%	8.88%	8%	
Number of accidental fires in workplace	New measure	1	0	
Number of RIDDOR incidents reported	7	6	22	
Number of Health and Safety Executive or local authority environmental team interventions	New measure	0	0	

Measure	2020/21	2021/22		
	Value	Value	Target	Status
Number of new employee liability claims received	New measure	1	0	✔
Number of open employee liability claims	New measure	9	N/A	N/A
Number of days lost due to work related accidents	New measure	178	N/A	N/A

Compliance Programme Delivery

Quarter 3 year to date	GHA	Loretto	DC	WLHP	DGHP
Fire Safety (smoke, heat, CO detectors / LD2) - percentage of properties on applicable servicing completed	100%	100%	100%	100%	100%
Fire Safety (smoke, heat, CO detectors / LD2) - percentage of properties on applicable installation/replacement programmes completed	96.2%	97.6%	98.2%	99.3%	99.8%
Legionella - percentage of applicable properties with a valid risk assessment in place	100%	100%	100%	100%	100%
Number of domestic stair and through floor lifts with a completed annual inspection and test against the number due to be completed	100%	100%	100%	100%	100%
Number of passenger lifts with a completed six-month inspection and test against the number due to be completed	100%	100%	100%	100%	100%
Percentage of electrical installation inspections completed toward annual programme	87.5%	69%	46.5%	40.3%	98.7%
Percentage of properties with an EICR certificate up to 5 years old	71.5%	72.6%	80.5%	95.8%	98.7%

Wheatley Group

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: **23 February 2022**

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1. Purpose

1.1 The purpose of the paper is to:

- provide an update on the Group's financial performance for the period to 31 December 2021; and
- seek approval for submission of the RSL Borrower Group's management accounts to 31 December 2021 to our bank lenders as part of our usual quarterly covenant returns.

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 December 2021

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

	Year to Date (Period 9)		
	Actual £m	**Budget £m**	**Variance £m**
Turnover	288.4	293.6	(5.2)
Operating expenditure	(222.2)	(224.0)	1.8
Operating surplus	**66.2**	**69.6**	**(3.4)**
Operating margin	*23.0%*	*23.7%*	
Net interest payable	(50.2)	(53.7)	3.5
Surplus	**16.0**	**15.9**	**0.1**
Net Capital Expenditure	(124.6)	(139.3)	14.8

5.2 The Group is reporting a statutory surplus of £16.0m, £0.1m higher than budget for the year to date. The key driver is the timing of recognition of new build grant, higher reactive repairs costs with lower bad debt costs reported across all Group RSLs.

5.3 Key variances against budget include:

- Within turnover, grant income recognised on new build completions is £6.0m lower than budget. 201 units (164 social rent and 37 MMR) have been completed by end of December compared to 346 budgeted. Completions have been delayed at Watson, Sighthill, South Gilmerton Jarvey Street and Almondvale. The DGHP units at Sanquhar were budgeted for 2021/22 completion but completed early in March 2021;
- Other income is £0.8m favourable to budget; this is principally due to unbudgeted furnished let income in GHA and unbudgeted income in DGHP for temporary accommodation and the young persons project as well as aids and adaptations the work for which was carried in the previous financial year, the policy is to recognise amounts when claims are agreed with the Local Authority; and
- In expenditure, total costs are £1.8m lower than budget, mainly driven by the lower expenditure across the majority of budget lines with the exception of repairs.
  - In repairs and maintenance costs of £43.6m are £1.4m higher than budget as the service is meeting higher demand levels from customers following the easing of pandemic restrictions.

  - Year to date staff costs are £0.5m lower than budget primarily due to vacancies and changes to the budgeted staffing structures. Spend includes the additional unbudgeted posts which have been put in place in the Customer First Centre through the fourth quarter.

- Running costs are £0.1m lower as our new ways of working have enabled us to make operational cost savings offset by costs linked to other income streams.
- Bad debt costs are £2.2m 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 (UC). At the end of December, there has been a cumulative total of 19,632 customers who have been on UC. We previously expected a total of 24,327 customers cumulatively on UC by the end of 2021/22. Figures are likely however to continue to fluctuate as customers move on and off UC.

5.4 Interest costs are £3.5m lower than budget, 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 2021.

5.5 Net capital expenditure is £14.8m lower than budget. Within this, new build spend is £25.3m lower which links through to grant income claimed which is £25.6m lower than budget at the end of December. Spend reflects delays in planning approvals and slow progress on sites due to supply issues. Greater spend had been anticipated across a number of GHA, DC and WLHP sites including Calton Village, Hurlford Avenue, Sighthill, Sibbalds Brae and Rowanbank. In DGHP faster progress was made at Lincluden in Q4 20/21 which has reduced spend in 2021/22.

5.6 The core investment programme spent £67.7m in the year to date which is £12.4m lower than budget as the service moved towards full mobilisation. A number of factors are impacting the delivery of the planned programmes include 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 delivery of investment projects in DGHP and we anticipate progress to accelerate in all Group RSLs through the last quarter of the year. There has also been lower spend in GHA of £2.2m from the VAT Shelter arrangement.

Q3 Forecast

	Q3 Forecast		
	Budget £m	**Forecast £m**	**Variance £m**
Turnover	409.1	409.3	0.2
Operating expenditure	(300.3)	(302.3)	(2.0)
Operating surplus	**108.8**	**107.0**	**(1.8)**
Operating margin	*26.6%*	*26.1%*	
Net interest payable	(69.6)	(65.2)	4.4
Statutory surplus	**39.2**	**41.7**	**2.6**
Net Capital Expenditure	(185.1)	(181.5)	3.5

5.7 The full year forecast for the group statutory surplus is £41.7m in £2.6m favourable to the budgeted surplus. The key drivers for the variance to budget are lower interest costs which offset higher full year reactive repairs spend.

Key variances against budget include:

- Within turnover, grant income is expected to be £0.2m lower reflecting the reprofiled social rent new build completions for the year. The forecast is based on the updated profile for 2021/22 completions. Other income is £0.8m higher than budget and includes unbudgeted furnished lets income in GHA and temporary accommodation and young persons' project income in DGHP.

- Total expenditure is expected to be £2.0m higher with unfavourable variances across staff, running costs and repairs.

    - Higher staff costs are driven by the additional staffing provided for the re-launch of the Customer First Centre which will help resolve customer enquiries at the first point of contact. All new posts are now recruited and the CFC will operate with a full staff compliment for the fourth quarter.
    - Running costs, are expected to be £0.6m higher than budget, reflecting the savings year-to-date offset by costs to provide the unbudgeted furnished lets service and the DGHP project services.
    - The repairs service shows full year spend to be £1.7m higher than budget with additional provision set aside this year to help meet higher expected demand.
    - Demolition costs are lower with works at Gallowgate and Wyndford to take place in 2022/23.

- Net interest costs are forecast £4.4m lower for the full year following the fixed rate loan restructuring in March 2021.

5.8 Net capital investment is expected to be £3.5m lower than budgeted with a reduction in grant income claimed of £32.1m in the year which is linked to the lower levels of new build investment spend, forecast £28.6m lower than budget. Variations in the timing of spend on individual sites will defer costs into 2022/23.

5.9 The core investment programme is expected to be £5.4m lower than budget following the £3m reprofiling of the capital investment programme specifically across the RSL borrower group and £2.2m favourable variance due to works falling under the VAT shelter arrangement.

Key financial metrics – interest cover and debt per unit

5.10 Loan covenants are monitored monthly out-with the required quarterly submission of calculations and Board-approved management accounts of the RSL Borrower Group to funders. All loan covenants with respect to the RSL Borrower Group, WFL2 and DGHP were met as at 31 December 2021.

5.11 Excluding the variance on grant income recognised on the completion of new build properties and depreciation, but including capital expenditure in our existing properties, the underlying results for the RSL Borrowing Group are £13.7m favourable to budget as shown in slide 5 in appendix 1. Lowther is £[redacted] to budget and DGHP is £1.1m favourable to budget.

5.12 The favourable performance against budget has improved the covenant position at 31 December 2021 outperforming the key measures in the financial projections as shown in the tables in appendix 1.

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 December 2021 is £0.1m favourable to budget with a full year forecast out-turn £2.6m 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 December 2021 were favourable to budget ensuring that these efficiency targets are met.

8. Legal, regulatory and charitable implications

8.1 No direct implications.

9. Equalities impact

9.1 No direct implications.

10. Environmental and sustainability implications

10.1 No direct implications.

11. Recommendation

11.1 The Board are requested to:

1) note the Group management accounts for the period ended 31 December 2021 at Appendix 1; and
2) approve the RSL Borrower Group accounts at appendix 2 for submission to the Group's lenders.

List of Appendices

Appendix 1 - Wheatley Group Financial Report to 31 December 2021
Appendix 2 - RSL Borrower Group Financial Report to 31 December 2021

Appendix 1: Wheatley Group Financial Report To 31 December 2021 (Period 9)

1a) Wheatley Group – Year to date

	Year to 31 December 2021			Full Year Budget £'000	
	Actual £'000	Budget £'000	Variance £'000		Forecast £'000
INCOME					
Net Rental Income	231,011	231,137	(126)	306,646	306,171
Grant income	16,049	22,000	(5,951)	49,933	49,717
Other Income	41,315	40,507	808	52,567	53,151
Total Income	**288,375**	**293,643**	**(5,268)**	**409,146**	**409,039**
EXPENDITURE					
Employee Costs	64,037	64,584	547	84,758	85,515
ER/VR	1,471	1,327	(144)	3,046	3,190
Running Costs	34,435	34,485	50	47,099	47,911
Repairs & Maintenance	43,643	42,194	(1,449)	57,000	59,179
Bad debts	2,488	4,640	2,152	6,065	6,142
Depreciation	75,696	75,696	-	100,928	100,928
Demolition Programme	399	1,054	655	1,449	549
Total Expenditure	**222,170**	**223,979**	**1,809**	**300,345**	**303,414**
NET OPERATING SURPLUS	**66,205**	**69,664**	**(3,459)**	**108,801**	**105,625**
	23.0%	23.7%		26.6%	25.8%
Gain/(loss) on sale of fixed assets	(5)	-	(5)	-	(5)
Net interest payable	(50,181)	(53,751)	3,570	(69,624)	(65,228)
STATUTORY SURPLUS/(DEFICIT)	**16,019**	**15,913**	**106**	**39,177**	**40,392**
INVESTMENT					
Total Capital Investment Income	24,940	50,575	(25,635)	65,693	33,568
Core Investment Programme	67,687	80,090	12,403	106,328	100,882
New Build Programme	69,565	94,885	25,320	125,310	96,745
Other fixed assets	12,286	14,960	2,674	19,130	16,180
Total Capital Investment Expenditure	**149,538**	**189,936**	**40,398**	**250,768**	**213,807**
NET CAPITAL INVESTMENT SPEND	**(124,598)**	**(139,361)**	**14,763**	**(185,075)**	**(180,239)**

Key highlights year to date:

The Group operating surplus for the period ended 31 December was £66,205k , £3,459k unfavourable to budget. At the statutory surplus level, a surplus of £16,019k is reported showing an unfavourable variance of £106k. The variance to budget is driven by lower grant income due to the delay on new build completions and higher repairs costs.

Total income of £288,375k is £5,268k unfavourable to budget.

- Net rental income is £126k unfavourable with budget due the timing of new build completions most notably MMR properties let by Lowther. Rent loss on voids is running higher than budget at 1% due to longer letting times in GHA earlier in the year.
- Grant income recognised to date relates to the total of 201 units completed against a budget target of 346 units. The adverse variance is driven by budget phasing and delayed completions of properties at Watson, Sighthill, South Gilmerton, Jarvey Street and Almondvale.
- Other income is £808k higher than budget and includes unbudgeted income for furnished lets and income in DGHP for the Young Persons Project and temporary accommodation services. 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 £222,170k is £1,809k favourable to budget:

- Staff costs are £547k favourable than budget mainly driven by vacancies and changes to the budgeted staffing structures. Spend includes additional posts being put in place as part of our new operating model, supporting the launch of the new Customer First Centre and the resolution of customer enquiries at the first point of contact.
- Running costs are £50k favourable to budget. While home based working has resulted in reduced activity in certain Solutions areas, we are also seeing lower property and office running costs. This is offset by unbudgeted running costs linked to furnished lets and DGHP services both generating additional income.
- Revenue repairs and maintenance spend is £1,449k unfavourable to budget with 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 £2,152k favourable to budget across the Group with a prudent provision set aside for increases in arrears.
- Interest costs are £3,570k lower than budget with interest rates on WLF 1 borrowings lower following the loan restructuring in March 2021.

Net capital investment spend of £124,598k is £14,763k favourable budget.

- Capital investment income relates to the cash receipt of new build grant 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 £12,403k. 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 last quarter of the year..
- In 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 GHA, DC and WLHP sites including Calton Village, Hurlford Avenue, Sighthill, Sibbalds Brae and Rowanbank. 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 December 2021 (Period 9)

RSL Borrower Group

2a) RSL Borrower Group – Year to date

	RSL Borrower Group			
	Year to 31 December 2021			Full Year Budget £'000
	ACT £'000	BUD £'000	VAR £'000	
INCOME				
Net Rental Income	185,876	186,048	(172)	246,490
Grant income	12,634	21,043	(8,409)	44,683
Other Income	19,732	19,240	492	22,277
Total Income	**218,242**	**226,330**	**(8,088)**	**313,450**
EXPENDITURE				
Employee Costs	42,067	42,527	460	56,698
ER/VR	1,022	1,022	-	2,700
Running Costs	20,512	20,314	(198)	28,076
Repairs & Maintenance	35,305	34,197	(1,108)	44,381
Bad debts	1,831	3,599	1,768	4,799
Depreciation	67,062	67,062	-	89,379
Demolition Programme	231	886	655	1,200
Total Expenditure	**168,030**	**169,606**	**1,576**	**227,233**
NET OPERATING SURPLUS	**50,212**	**56,725**	**(6,513)**	**86,217**
	23.0%	25.1%		27.5%
Gain/(loss) on sale of fixed assets	-	-	-	-
Net interest payable	(43,188)	(46,951)	3,763	(60,575)
STATUTORY SURPLUS/(DEFICIT)	**7,024**	**9,774**	**(2,750)**	**25,642**
INVESTMENT				
Total Capital Investment Income	23,518	45,795	(22,277)	57,978
Core Investment Programme	45,593	53,651	8,058	72,767
New Build Programme	61,769	81,849	20,080	107,049
Other fixed assets	10,726	11,802	1,076	14,919
Total Capital Investment Expenditure	118,088	147,302	29,214	194,735
NET CAPITAL INVESTMENT SPEND	**(94,570)**	**(101,507)**	**6,937**	**(136,757)**

Key highlights year to date:

The RSL Borrower group operating surplus to 31 December is £50,212k, £6,513k unfavourable to budget. At the statutory surplus level, a surplus of £7,024k is reported showing an unfavourable variance of £2,750k compared to the budget. The variance to budget is driven by lower grant income on new build completions, higher repair costs with the remobilisation of repairs services as full service resumed offset by other expenditure savings.

Total income of £218,242k is £8,088k unfavourable to budget:

- Net rental income is £172k unfavourable to budget across the RSLs. Rent loss on voids is higher in GHA with longer re-let times as the service was remobilised during the summer and running with voids of 1% compared to budget of 0.7%.
- Grant income recognised is £8,409k unfavourable to budget. Grants recognised to date relates to 170 units (budget 329 units) completed at Bellrock, Auchinlea, Kennishead and Baillieston for GHA developments, New Mills Road and Longniddry for DC and Jarvey Street for WLHP. The adverse variance is driven by budget phasing and delayed completions of properties at Watson, Sighthill, South Gilmerton, Jarvey Street and Almondvale.
- Other income is £492k higher than budget and includes unbudgeted income for furnished lets with associated costs for furnished lets packages provided in running costs.

Total expenditure of £168,030k is £1,576k favourable to budget:

- Employee costs are £460k 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. Spend includes additional unbudgeted posts being put in place to launch the new Customer First Centre.
- Running costs are £198k unfavourable to budget. Our new ways of working have enabled us to make YTD operational group services recharge savings and we are also seeing lower property and office running costs. This is offset by unbudgeted furnished lets costs funded by additional income.
- Revenue repairs and maintenance spend is £1,108k unfavourable to budget with higher than budgeted levels of responsive repairs primarily driven by higher customer demand as pandemic restrictions have been removed.
- Interest payable represents the interest due on the loans due to Wheatley Funding Ltd 1 and is £3,763k favourable to budget following re-structuring of WFL1 loans in March 2021.

Net capital expenditure is £6,937k lower than budget.

- Capital investment income relates to the cash receipt of new build grants and is £22,277k below budget. The lower levels of grants claimed are linked to the lower level of new build spend as noted below.
- Core programme spend is £8,058k lower than budget. While lower spend is recorded across all active RSLs in the borrower group it is anticipated that spend will continue to accelerate during Q4. Spend in the month of December was £1.1m higher than budget.
- 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 Shandwick Street, Calton Village, Hurlford Avenue, Sighthill and Watson however there are also lower levels of spend at WLHP sites including Blackness Road and Sibbalds Brae, offset by an increase in spend at Winchburgh O. At DC, spend at Macmerry and Penicuik is lower than budget due to slow progress on site and spend is lower at Rowanbank due to the revised date for the approved Golden Brick arrangement.

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 31 December 2021, an underlying surplus of £15,859k has been generated using this measure which is £13,717k 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 - December 2021

	YTD Actual £ks	YTD Budget £ks	YTD Variance £ks	FY Budget £ks
Net operating surplus	50,212	56,725	(6,513)	86,217
add back:				
Depreciation	67,062	67,062	0	89,379
less:				
Grant income	(12,634)	(21,043)	8,409	(44,683)
Net interest payable	(43,188)	(46,951)	3,763	(60,575)
Total expenditure on Core Programme	(45,593)	(53,651)	8,058	(72,767)
Underlying surplus	**15,859**	**2,142**	**13,717**	**(2,429)**

2c) GHA – Year to date

	Year To December 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Rental Income	£150,204	£150,043	£161	£198,828
Void Losses	(£1,437)	(£1,059)	(£377)	(£1,410)
Net Rental Income	**£148,768**	**£148,983**	**(£216)**	**£197,419**
Other Income	£17,373	£16,734	£639	£18,750
Grant Income	£9,557	£14,927	(£5,370)	£28,859
Total Income	**£175,697**	**£180,644**	**(£4,947)**	**£245,028**
EXPENDITURE				
Employee Costs - Direct	£25,574	£26,136	£562	£35,234
Employee Costs - Group Services	£9,275	£9,192	(£83)	£11,162
ER / VR	£1,022	£1,022	(£0)	£2,741
Direct Running Costs	£9,893	£9,008	(£885)	£12,341
Running Costs - Group Services	£5,408	£5,890	£481	£8,054
Revenue Repairs and Maintenance	£28,895	£28,548	(£347)	£36,921
Bad debts	£1,549	£3,024	£1,475	£4,042
Depreciation	£51,606	£51,606	£0	£68,939
Demolition and Tenants Compensation	£231	£886	£656	£1,205
TOTAL EXPENDITURE	**£133,454**	**£135,312**	**£1,858**	**£180,639**
NET OPERATING SURPLUS / (DEFICIT)	**£42,243**	**£45,332**	**(£3,089)**	**£64,389**
Net operating margin	24.0%	25.1%	-1.1%	
RTB Income	£0	£0	£0	£0
Interest payable & similar charges	(£34,934)	(£37,808)	£2,874	(£50,123)
STATUTORY SURPLUS / (DEFICIT)	**£7,309**	**£7,524**	**(£215)**	**£14,266**

INVESTMENT	Year To December 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
Total Capital Investment Income	**£10,734**	**£24,177**	**(£13,443)**	**£28,458**
Investment Programme Expenditure	£38,419	£45,611	£7,191	£61,806
New Build Expenditure	£29,042	£44,552	£15,510	£55,725
Other Capital Expenditure	£9,736	£10,753	£1,017	£12,438
TOTAL CAPITAL EXPENDITURE	**£77,198**	**£100,916**	**£23,718**	**£129,968**
NET CAPITAL EXPENDITURE	**£66,464**	**£76,740**	**£10,276**	**£101,511**

Key highlights year to date:

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

- Net operating surplus £42,103k is £3,229k unfavourable to budget. Statutory surplus for the period to 31 December is £7,169k, £355k unfavourable to budget. The main driver of the variance continues to be recognition of a lower level of grant income recognised, offset in part by expenditure savings.
- Net rental income of £148,768k is £216k lower than budget at the end of Q3. Void losses are £377k higher than budget and represent a 0.96% void loss rate compared to budget of 0.7%.
- Grant income recognised to date relates to 121 units completed at Bellrock, Auchinlea, Kennishead and Baillieston. The budget assumed the completion of 46 MMR properties at Watson in Q2, which are delayed until Q1 2022/23 due to the ongoing construction and supply issues. In addition, we had budgeted for 86 MMR units for Sighthill, however only 30 units are now forecast to complete in Q4 with the reminder due for completion in 2022/23.
- Total employee costs (direct and group services) are £479k favourable budget, noting that the underspend is reduced by an increased group services recharge following the strengthening of the new Customer First Centre.
- Total running costs (direct and group services) are £404k unfavourable to budget. Higher direct running costs driven by the increase in the group Insurance recharge premium, other property costs, vehicles and costs linked to unbudgeted income from the furnished lets services are offset by a lower group services recharge, resulting from the continuation of home working.
- Revenue repairs and maintenance is £487k unfavourable to budget. Excluding irrecoverable VAT, total spend is £223k unfavourable to budget. Favourable variances to budget are seen across compliance revenue repairs offset by responsive repairs due to the timing of spend and budget phasing.
- Demolition and Tenants Compensation costs report a favourable variance to budget of £656k mainly as a result of the consultation and approval process for Wyndford.
- Gross interest payable of £34,934k represents interest due on the loans due to Wheatley Funding Ltd. YTD costs are £2,874k lower than budget, following the re-arrangement of WFL1's loans in March.
- Net capital expenditure of £66,464k is £10,276k lower than budget. The variance is driven by the lower level of spend in the new build programme and the accelerated grant claim in 20/21 for Sighthill.
- Investment programme spend is £7,191k lower than budget, driven by the core programme, with increased spend expected in Q4. £3,359k of this relates to Capitalised VAT. Voids and capitalised repairs spend is broadly in line with budget.
- New build spend is £14,709k lower than budget due to reduced spend at P9 across a number of sites including Shandwick Street, Calton Village, Hurlford Avenue, Sighthill and Watson. Progress on Sighthill, Calton and Hurlford has been slower to date under the restrictions and a delay at Sighthill in handover of the site to the developer by GCC had also delayed progress.
- Other capital expenditure of £9,736k is £1,017k 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 December 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Rental Income	2,811	2,867	(56)	3,920
Void Losses	(9)	(38)	29	(51)
Net Rental Income	**2,802**	**2,829**	**(27)**	**3,869**
Other Income	2	0	2	32
Grant Income Recognised in the Year	836	2,927	(2,091)	12,467
TOTAL INCOME	**3,640**	**5,756**	**(2,116)**	**16,368**
EXPENDITURE				
Employee Costs - Direct	376	421	45	581
Employee Costs - Group Services	54	54	(0)	69
Direct Running Costs	156	225	69	296
Running Costs - Group Services	39	39	(0)	49
Revenue Repairs and Maintenance	445	480	35	647
Bad Debts	7	38	31	51
Depreciation	1,549	1,549	0	2,065
TOTAL EXPENDITURE	**2,626**	**2,806**	**180**	**3,758**
NET OPERATING SURPLUS / (DEFICIT)	**1,014**	**2,950**	**(1,937)**	**12,610**
Net Operating Margin	*28%*	*51%*	*-23%*	*77%*
Interest receivable	0	0	(0)	1
Interest payable	(817)	(982)	165	(991)
STATUTORY SURPLUS / (DEFICIT)	**197**	**1,968**	**(1,772)**	**11,619**

	Year to 31 December 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INVESTMENT				
Total Capital Investment Income	**2,100**	**5,748**	**(3,648)**	**7,274**
Total Expenditure on Core Programme	600	701	101	828
New Build & Other Investment	7,065	11,709	4,644	15,975
Other Capital Expenditure	54	50	(5)	67
TOTAL CAPITAL EXPENDITURE	**7,719**	**12,459**	**4,740**	**16,869**
NET CAPITAL EXPENDITURE	**5,619**	**6,711**	**1,092**	**9,595**

Key highlights year to date:

Net operating surplus of £1,014k is £1,937k adverse to budget. Statutory surplus for the period to 31 December is £197k, £1,772k adverse to budget. The main driver of the variance is a lower level of grant income recognised, offset in part by expenditure savings.

- Total income is £2,116k adverse to budget. Grant income recognised to date relates to 12 units completed at Jarvey Street. The budget assumed the completion of 42 properties at Jarvey Street and 30 properties at Almondvale by the end of December which are delayed until later in the year. Net rental income is £27k adverse to budget, also due to delayed handovers at Jarvey St and Almondvale resulting in lower than budgeted rental income.
- Total expenditure of £2,626k is £180k favourable to budget. Employee costs of £376k are £45k favourable to budget, due to a Housing Officer vacancy and staff recharges for one FTE to a different group subsidiary 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 £817k is £165k favourable to budget following the re-structuring of WFL 1 fixed rate loans in March.
- Core investment expenditure of £600k is £101k lower budget, it is expected that spend will be in line with budget by year end as works fully resume.
- New Build expenditure of £7,065k is reported at the end of period 9 with the variance of £4,644k driven by delayed spend at several sites including Blackness Road (£0.7m), Winchburgh BB (£0.7m) and Sibbalds Brae (£2.8m) where planning approval has been delayed. This site is now likely to progress as a golden brick development with minimal spend now expected this year. The overall underspend is offset by Winchburgh O where progress has been quicker.
- Grant income of £2.1m has been received in the year to date for Winchburgh O (£1.6m) and Blackness Rd (£0.5m). The budget of £5,748k included expected grant receipts for Winchburgh O, Sibbalds Brae and Blackness Road.

2f) Loretto Housing – Year to date

	Period To 31 December 2021 Actual £k	Budget £k	Variance £k	Full Year Budget £k
INCOME				
Rental Income	8,663	8,663	(0)	12,188
Void Losses	(173)	(280)	106	(393)
Net Rental Income	**8,490**	**8,384**	**106**	**11,795**
Other Income	**223**	**219**	**4**	**295**
Grant Income	**98**	**114**	**(16)**	**167**
Total Income	**8,811**	**8,716**	**95**	**12,257**
EXPENDITURE				
Employee Costs - Direct	1,516	1,490	(25)	2,120
Employee Costs - Group Services	298	280	(18)	398
ER / VR	0	0	0	0
Direct Running Costs	1,252	1,293	41	1,752
Running Costs - Group Services	172	202	30	287
Revenue Repairs and Maintenance	1,785	1,483	(303)	1,941
Bad debts	65	233	168	328
Depreciation	4,224	4,224	0	6,003
TOTAL EXPENDITURE	**9,312**	**9,205**	**(107)**	**12,828**
OPERATING SURPLUS / (DEFICIT)	**(502)**	**(489)**	**(13)**	**(571)**
Interest Payable	(1,722)	(1,845)	123	(2,514)
STATUTORY SURPLUS / (DEFICIT)	**(2,223)**	**(2,334)**	**111**	**(3,085)**

	Period To 31 December 2021 Actual £k	Budget £k	Variance £k	Full Year Budget £k
INVESTMENT				
Total Capital Investment Income	**2,700**	**5,137**	**(2,437)**	**6,260**
Investment Works	1,229	1,531	302	2,834
New Build	10,762	8,990	(1,772)	11,956
Other Capital Expenditure	200	245	45	351
TOTAL CAPITAL EXPENDITURE	**12,191**	**10,766**	**(1,425)**	**15,142**
NET CAPITAL EXPENDITURE	**9,491**	**5,629**	**(3,861)**	**8,881**

Key highlights year to date:

The Loretto Housing budget includes the Cube stock and transfer of engagements from 28 July 2021.

- Net operating deficit of £502k is £13k unfavourable to budget. Statutory deficit for the year to date is £2,223k, £111k favourable to budget. The main driver of the favourable variance is lower voids, bad debts and interest payable. The results at December include the activities transferred from Cube Housing Association from 28th July.
- Gross rental income of £8,663k is in line with budget.
- Void losses in the year to date are 2% 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 3 temporary accommodation sites.
- Grant income relates to medical adaptations.
- Employee costs are £25k 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. The recharge has increased following the strengthening of the new Customer First Centre.
- Direct running costs are £41k favourable to budget, with a number of budget lines showing underspends, which offset higher property costs. Group Services Running Costs of £172k represents Loretto's share of Wheatley Solutions running costs. The lower charge results from the continuation of home working.
- Revenue repairs and maintenance expenditure is £303k unfavourable to budget as a result of higher compliance costs (mainly M&E), an increase in the property cyclical programme and costs related to the transition of utility accounts to the Group framework.
- Bad debts are £168k favourable to budget. A prudent approach was taken when setting the budget.
- Gross interest payable of £1,722k represents interest due on the loans due to Wheatley Funding Ltd. YTD costs are £123k lower than budget, following the re-arrangement of WFL1's loans in March.
- The net capital position of £9,491k is £3,861k higher than budget. This is due to the timing of new build spend and grant received. Grant income has now been fully drawn down against Queens Quay, Cobblebrae and Hallrule, the variance will continue to increase until year end.
- Investment works expenditure of £1,229k mainly relates to core programme works, including central heating and windows & doors.
- New build expenditure of £10,762k, is £1,772k higher than budget and relates mainly to 4 ongoing sites – Hallrule, Dargavel, Cobblebrae Farm and Queens Quay, with Dargavel, Hallrule and Queens Quay driving the higher spend year to date.
- Other capital expenditure of £200k relates to the Loretto contribution to Wheatley Group IT and office refurbs. The full year budget includes £108k for office refurb and conversion of housing properties previously used as offices by Wheatley Care. This budget has been brought forward from 2020/21and year to date spend is £5k.

2g) Dunedin Canmore – Year to date

	Year to 31 December 2021 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INCOME				
Rental Income	£23,104	£23,217	(£113)	£30,985
Void Losses	(£281)	(£282)	£1	(£376)
Net Rental Income	**£22,823**	**£22,935**	**(£112)**	**£30,609**
Grant Income	£2,099	£3,028	(£929)	£4,909
Other Income	£2,284	£2,311	(£27)	£3,158
TOTAL INCOME	**£27,206**	**£28,274**	**(£1,068)**	**£38,676**
EXPENDITURE				
Employee Costs - Direct	£3,046	£3,042	(£4)	£4,862
Employee Costs - Group Services	£1,247	£1,206	(£41)	£1,562
ER / VR	£0	£0	£0	£0
Direct Running Costs	£2,569	£2,507	(£62)	£3,210
Running Costs - Group Services	£718	£807	£89	£1,123
Revenue Repairs and Maintenance	£3,792	£3,317	(£475)	£4,438
Bad debts	£193	£222	£29	£296
Depreciation	£8,181	£8,181	£0	£10,908
TOTAL EXPENDITURE	**£19,746**	**£19,282**	**(£464)**	**£26,399**
NET OPERATING SURPLUS	**£7,460**	**£8,992**	**(£1,532)**	**£12,277**
Net operating margin	*27.4%*	*31.8%*	*-4.4%*	*31.7%*
Gain/(loss) on property disposals	-	-	-	£0
Interest receivable		5	(5)	**6**
Net Interest payable & similar charges	(£5,039)	(£5,571)	£532	(£7,280)
STATUTORY (DEFICIT)/SURPLUS	**£2,421**	**£3,426**	**(£1,005)**	**£5,003**
INVESTMENT				
TOTAL CAPITAL INVESTMENT INCOME	**£6,443**	**£9,062**	**(£2,619)**	**£14,315**
Total Expenditure on Core Programme	£4,904	£5,450	£546	£6,944
New Build & other investment expenditure	£13,514	£14,781	£1,267	£21,576
Other Capital Expenditure	£691	£688	(£3)	£1,008
TOTAL CAPITAL EXPENDITURE	**£19,109**	**£20,919**	**£1,810**	**£29,528**
NET CAPITAL EXPENDITURE	**£12,666**	**£11,857**	**(£809)**	**£15,213**

Key highlights year to date:

Net operating surplus of £7,460k is £1,532k adverse to budget. Statutory surplus for the period to 31 December is £2,421k, £1,005k adverse to budget. The main drivers of the variance continue to be lower levels of grant income, net rental income due to delayed completions and higher spend across a number of expenditure lines.

Net rental income is £112k adverse to budget. Gross rent is £113k adverse to budget driven by the delays in completions at South Gilmerton. Void losses are £1k favourable to budget. Other Income is £27k adverse to budget due to adaption grant income expected to be received by P9 being £35k less than budgeted. The workshop is reporting a profit of £189k, which is £124k favourable to budget.

New build grant income of £2,099k recognised in the year (12 SR & 15 MMR units at Newmill Ph2 and 10 MMR units at Longniddry) is £929k below budget. Units at South Gilmerton were expected to be completed by September but are now due to complete in Q4.

Total expenditure is £464k adverse to budget. Revenue repairs and maintenance costs are £475k adverse to budget driven by reactive repairs which are higher than budget as a result of increased demand after covid restrictions have been eased. Cyclical repairs including compliance work are favourable to budget.

Employee costs are £4k adverse variance to budget, largely due to overtime in DCPS, necessary to meet customer demand on reactive repairs and over budget environmental team costs. Employee costs for group services includes the recharge for the additional resources in the new Customer First Centre.

Total running costs (Direct and Group Recharge) are £27k favourable to budget. Direct running costs include costs for Edindex membership which was not budgeted (£57k)

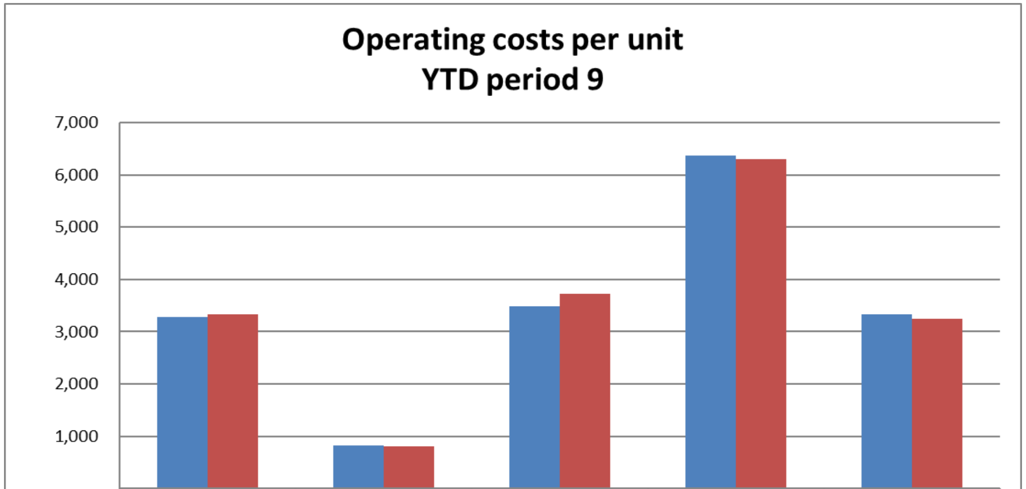
Interest expenditure of £5,039k is £532K favourable to budget with lower interest rates on borrowings following the fixed rate loan restructuring in March 2021.

Capital investment income of £6,443k has been received in relation to claims for the Wisp 3C, Roslin, Roslin Ph2, Penicuik, South Gilmerton, Rowanbank and Westcraigs.

Investment expenditure on existing properties is £546k lower than budget. This is largely as a result of the rephasing of budget, planned underspend on customer priorities budget and slower progress in the pre 1919 tenemental programme.

New build spend of £13,514k is £1,267k lower than budget mainly as a result of slower progress and delays on a number of site including Macmerry, Penicuik and Rowanbank.

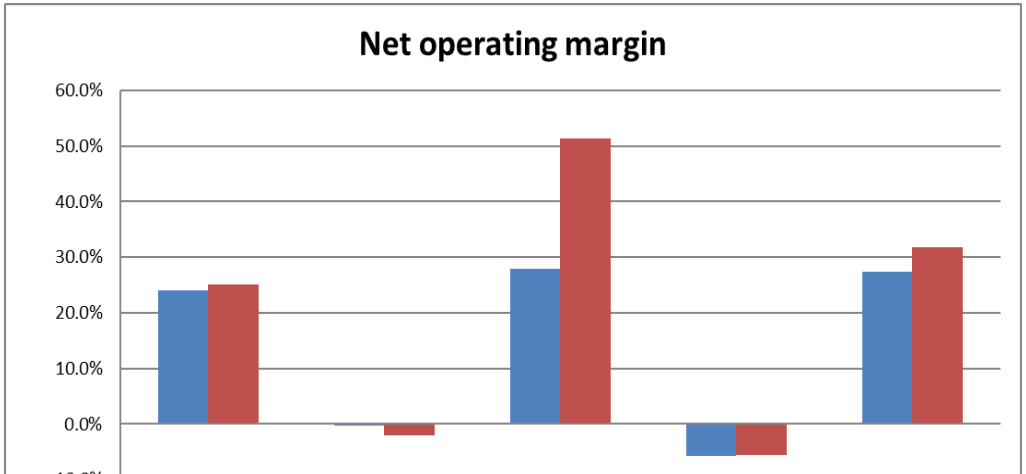
3) Summary of RSL operating costs and margin v budget



	GHA	Cube	WLHP	LHA	DCH
Actual	3,281	819	3,483	6,369	3,329
Budget	3,327	815	3,721	6,296	3,251

Operating costs per unit:

- At period 9, GHA and WLHP are reporting favourable positions to budgeted operating costs per unit for the year to date.
- In Loretto and 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	24.0%	-0.2%	27.9%	-5.7%	27.4%
Budget	25.1%	-2.1%	51.3%	-5.6%	31.8%

Net operating margin:

- Net operating margin is unfavourable to budget across the RSLs for the year to date manly driven by lower levels of grant income reported compared to budget.

Wheatley Group Financial Report
To 31 December 2021 (Period 9)

Dumfries & Galloway Housing Partnership (DGHP)

4) Dumfries and Galloway Housing Partnership – Year to date

	Year to 31 December 2021			Full Year
	YTD Actual £000s	YTD Budget £000s	YTD Variance £000s	Budget £ks
INCOME				
Rental Income	£34,215	£33,753	£462	£44,772
Void Losses	(£285)	(£258)	(£27)	(£344)
Net Rental Income	**£33,930**	**£33,495**	**£435**	**£44,428**
Grant Income	£3,415	£957	£2,458	£5,291
Other Income	£2,319	£2,057	£262	£2,655
Total Income	**£39,664**	**£36,509**	**£3,155**	**£52,374**
EXPENDITURE				
Employee Costs - Direct	£3,265	£3,258	(£7)	£4,344
Employee Costs - Group Services	£1,630	£1,506	(£124)	£1,918
ER / VR	£449	£305	(£144)	£305
Direct Running Costs	£2,037	£2,156	£119	£2,785
Running Costs - Group Services	£1,482	£1,683	£201	£2,231
Revenue Repairs and Maintenance	£7,641	£7,726	£85	£9,909
Bad debts	£281	£789	£508	£1,052
Depreciation	£8,633	£8,633	£0	£11,510
Demolition and Tenants Compensation	£168	£168	£0	£244
TOTAL EXPENDITURE	**£25,586**	**£26,224**	**£638**	**£34,298**
NET OPERATING SURPLUS / (DEFICIT)	**£14,078**	**£10,285**	**£3,793**	**£18,076**
Net operating margin	*35.5%*	*28.2%*	*7.3%*	*34.5%*
Interest received	£4	£106	(£102)	£141
Net Interest payable & similar charges	(£4,823)	(£4,734)	(£89)	(£6,249)
STATUTORY SURPLUS / (DEFICIT)	**£9,259**	**£5,657**	**£3,602**	**£11,968**

INVESTMENT	Year to 31 December 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
Total Capital Investment Income	**£1,422**	**£4,796**	**(£3,374)**	**£6,855**
Total Expenditure on Core Programme	£21,647	£25,924	£4,277	£32,816
New Build & other investment expendi	£7,796	£13,036	£5,240	£16,970
Other Capital Expenditure	£1,560	£3,158	£1,598	£4,211
TOTAL CAPITAL EXPENDITURE	**£31,003**	**£42,118**	**£11,115**	**£53,997**
NET CAPITAL EXPENDITURE	**£29,581**	**£37,322**	**£7,741**	**£47,142**

Key highlights year to date :

- Net operating surplus of £14,078k is £3,793k favourable to budget. Statutory surplus for the period is £9,259k, £3,602k favourable to budget. The key driver of the variance is higher grant income due to timing v budget together with lower expenditure, most notably in bad debts and direct running costs.
- Net Rental income is £435k favourable to budget, benefitting from the earlier completions at Sanquhar in March 2021. YTD Void losses represent 0.83% 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 the 5 units at Monreith which were delayed from the prior year and Phase 1 (26 of 32 units) at Lincluden handed over in September.
- Other income is £262k favourable to budget driven by the Aids and Adaptations claim which has now been received for both Q1 and Q2. Also included is unbudgeted income for temporary accommodation services and the Young Persons Project.
- Employee costs are £131k higher than budget between direct and group services noting that this includes an increased group services recharge following the strengthening of the new Customer First Centre.
- Transformation costs relate to ERVR expenses and are £144k ahead of budget, these will generate efficiencies in future months.
- Running costs are £320k favourable to budget between direct and group services costs.
- Repairs costs of £7,641k are £85k favourable with the timing of spend on FIT and other compliance activity offset by higher spend on reactive repairs as the backlog is addressed.
- £1,422k of Grant 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 £4,276k lower than budget across all lines of expenditure. However, mitigating actions have been agreed to return spend to budgeted levels. Spend in the month of December was £1.8m higher than budget.
- New Build expenditure is £5,241k lower than budget, driven by lower levels of spend versus budget at Lincluden (£4.2m) and Nursery Avenue (£0.96m). Sanquhar was completed in 2021 and Lincluden had accelerated spend in Q4 of 2020/21.

Wheatley Group Financial Report
To 31 December 2021 (Period 9)

Care and Commercial

5a) Wheatley Care – Year to date

WHEATLEY CARE - COMPANY	Year to 31 December 2021 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INCOME				
Care Projects	14,989	15,051	(62)	20,035
COVID 19 PPE Reclaim Income	64	-	64	-
Head Office	78	75	3	101
TOTAL INCOME	**15,131**	**15,126**	**5**	**20,136**
CARE CONTRACT COSTS				
Employee Costs - Care Contracts	11,245	11,864	619	15,818
Running Costs - Care Contracts	1,781	1,720	(61)	2,294
TOTAL CARE CONTRACT COSTS	**13,026**	**13,584**	**558**	**18,112**
EXPENDITURE				
Employee Costs - Head Office	1,231	939	(292)	1,250
Employee Costs - Group Services	125	117	(8)	154
ER/VR	-	-	-	-
Head Office Running Costs	253	132	(121)	181
Running Costs - Group Services	63	74	11	97
Group recharges - PPE	125	-	(125)	-
Management fee payable to LHA	173	173	-	231
TOTAL EXPENDITURE	**1,970**	**1,434**	**(535)**	**1,913**
SURPLUS/(DEFICIT)	**135**	**108**	**27**	**111**

Key highlights year to date:

- Total income is £5k above budget. Unbudgeted PPE costs of £125k are reported, as well as a reclaim of £64k received for PPE costs.

- Total **Care Project income** of £14,989k is £62k 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 £90k higher than budget but there are notable variances for specific services:
    - Glasgow Mental Health and Glasgow SDS year to date are reporting fewer hours and lower occupancy levels against budget (£81k and £110k less income than budgeted respectively), F
    - ife Supported Accommodation reported £76k lower income than budgeted following a number of voids and West Lothian contracts are reporting an adverse variance of £84k with full year 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 £196k.
    - Uplifts of 2.2% have been applied to income in the Glasgow services, Renfrewshire SDS, 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.
    - In December further uplifts were applied and accrued to cover the winter preparedness payment of £10.02/hr for staff. This uplift has been accrued in the above services as well as in North Lanarkshire and South Lanarkshire SDS.

- **Employee Costs – Care Contracts** expenditure of £11,245k is £619k favourable to budget. 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 £247k, £100k and £177k respectively.

- **Running Costs – Care Contract** costs of £1,781k are £61k adverse to budget with overspends on telephone and mobile costs, gas and electricity, and staff travel and cleaning costs in some services with the advanced cleaning regime.

- **Employee Costs – Head Office** expenditure of £1,231k is £292k adverse to budget, with the current structure different to budget for the year to date, and the one-off payment made to staff in all services in December reported here. 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. The key driver of the overspend are linked to higher employer's liability insurance costs and additional provisioning for utilities costs.

- **Group recharges – PPE** unbudgeted costs total £125k. 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 Dec 2021 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
Employee costs				
Executive Team	1,051	1,079	28	1,411
Employee Relations and WFP	1,670	1,638	(32)	2,170
Marketing and Communications	510	574	64	760
Assurance	536	535	(2)	693
Academy	391	349	(42)	461
Finance	2,674	2,660	(14)	3,477
Company Secretary	689	711	22	943
Information Technology	1,129	1,126	(2)	1,490
Business Growth	507	631	124	836
Customer First Centre	3,813	3,291	(523)	4,346
Property	816	862	46	1,156
Wheatley 360	248	295	47	390
Additional IT capitalisation	(129)	(129)	0	(172)
In-year savings	64	(146)	(210)	(195)
Furlough income	(76)	0	76	0
Total employee costs	13,893	13,475	(417)	17,766
Running costs				
Executive Team	50	240	190	346
Employee Relations and WFP	402	599	198	791
Marketing and Communications	313	365	52	487
Assurance	14	73	59	97
Academy	312	589	277	785
Finance	557	522	(35)	696
Company Secretary	398	554	156	739
Information Technology	3,985	3,988	3	5,430
Business Growth	110	230	120	306
Customer First Centre	40	49	10	66
Property	1,154	1,097	(58)	1,459
Wheatley 360	12	15	2	20
Irrecoverable VAT & Other costs	524	524	(0)	699
In-year savings	0	0	0	0
Total running costs	7,872	8,846	973	11,921
Regulated insurance activities	2,624	2,707	82	3,609
Head office costs	1,109	1,109	0	1,479
TOTAL EXPENDITURE	**25,499**	**26,137**	**638**	**34,776**

Key highlights year to date:

The table presents the financial performance of Wheatley Solutions for the 9 month period ended 31 December 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 £25,499k at the end of period 9, 2021/22. This is £638k lower than budget for the period with reduced running costs helping to offset additional employee costs.

Employee costs of £13,893k are £417k higher than budget for the period:

- The departments reporting larger favourable variances to budget relate to budgeted vacancies.
- 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 and the expectation is that these departments will continue to overspend for rest of year. Most notably, the Customer First Centre has re-launched and additional headcount recruited and will now offer a new one point of contact for resolution of customer queries. Finance is higher as a result of maternity leave cover.

- Running costs of £7,872k are favourable to budget by £973k for the period. The key variances within this are:
  - A number of the departments report lower costs 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 £1,154k which is £58k higher than budget. This relates to external legal advice with regards to two contractor claims, with spend of £273k 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
  - Finance expenditure of £557k is £35k higher than budget as a result of additional legal and professional advice in relation to group restructuring.
  - Executive Team is where the Group wide consultancy budget sits and due to lower activity in the current year is reporting £190k below budget.
- Regulated insurance activities are lower than budget for the period with lower uptake of contents insurance. Reduced insurance premium costs are also lower than budget for the period.

7) Wheatley Foundation – Year to date

	YTD Dec 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Donations from Wheatley subsidiaries	2,248	2,248	0	4,000
Employability Grants	93	30	63	40
External income	432	544	(113)	973
Total Income	**2,772**	**2,822**	**(50)**	**5,013**
EXPENDITURE				
Overheads	786	825	39	1,103
Tackling Poverty & Social Inclusion	621	556	(65)	792
Education	113	130	17	251
Digital Inclusion	45	64	19	64
Employability	364	680	315	1,406
Sports / Arts	38	20	(18)	20
Money/Welfare Benefits advice	1,213	1,178	(35)	1,561
TOTAL EXPENDITURE	**3,181**	**3,454**	**273**	**5,198**
NET OPERATING SURPLUS / (DEFICIT)	**(409)**	**(631)**	**223**	**(185)**

Key highlights to date:

The table presents the financial performance of Wheatley Foundation for the nine months of 2021/22 financial year. The Wheatley Foundation reports a deficit of £409k for the period. This is better than budget by £223k. Overall, this leaves the Wheatley Foundation with closing reserves of £1,163k.

Income of £2,772k is slightly lower than budget by £50k for the period.

- Donations from Wheatley Group subsidiaries total £2,248k, 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 9, £432k had been recognised which is £113k lower than the year to date budget profiling. Notable grants and donations received include:
  - GCC grant of £34k to support emergency fuel top ups for the period.
  - Creative Scotland grant of £38k to support artists deliver projects during the year.
  - Community benefit donations to the value of £209k; the majority raised through clauses written into the Group new build framework.
- The Foundation team have been successful in claiming employability grants of £93k for the period, which is £63k higher than budget.

Expenditure of £3,181k is £273k lower than budgeted.

- Overhead costs of £786k 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 £621k is reported against a budget of £556k. 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 £34k, funded by GCC grant, and homelessness project spend of £38k, funded by SFHA.
  - Barony Response Fund payments of £112k. This is higher than budget by £97k and this additional spend, approved at Feb 21 Board, has been reflected in the forecast for the current year.
  - Eat Well spend of £261k. This covers the costs of providing supermarket vouchers to those referred by Wheatley Group subsidiaries.
- Employability expenditure of £364k is £315k lower than budget due to reduced modern apprenticeship costs and lower Wheatley Works costs. Initial project costs of £110k have been incurred in relation to the European Social Fund employability project awarded by GCC. Activity on this project is anticipated to increase during Q4 of this year.
- Money advice team costs of £1,213k are higher than budget by £35k 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.
- Digital Inclusion spend reports a saving of £19k against YTD budget.

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

[redacted]

9) Wheatley Group – Consolidated Balance Sheet

	Current Month As at 31 December 2021 £ks	Previous yr end As at 31 March 2021 £ks
Fixed Assets		
Social Housing Properties	2,409,180	2,380,102
Properties under construction	133,048	94,637
Other tangible fixed assets	66,206	59,358
Investment properties	236,303	235,896
Investments -other	116	116
Fixed Assets	**2,844,853**	**2,770,109**
Debtors Due More Than One Year		
Development Agreement	0	12,201
Inter Company Loan	0	0
Pension Asset	5,843	5,843
Current Assets		
Stock	1,545	1,919
Trade debtors	117	0
Rent & Service charge arrears	15,806	21,697
less: Provision for rent arrears	(8,697)	(8,019)
Prepayments and accrued income	9,286	14,617
Intercompany debtors	(0)	0
Other debtors	15,075	14,180
	33,132	**44,394**
Bank & Cash	107,089	132,417
Current Assets	**140,221**	**176,811**
Current Liabilities		
Trade Liabilities	(7,321)	(9,330)
Accruals	(51,331)	(66,347)
Deferred income	(56,718)	(50,964)
Rents & service charges in advance	(12,438)	(10,992)
Intercompany creditors	0	0
Other creditors	(13,956)	(13,367)
	(141,764)	**(151,000)**
Net Current Assets	**(1,543)**	**38,012**
Long Term Liabilities		
Contingent efficiencies grant	(40,704)	(40,704)
Bank finance	(1,219,457)	(1,190,631)
Bond finance	(296,735)	(296,735)
Development Agreement	0	(12,201)
Provisions	(5,567)	(5,897)
Deferred income	(41,119)	(38,244)
Intercompany creditors	0	0
Loan arrangement fees	0	0
Other creditors	0	0
Pension liability	(11,228)	(11,228)
Long Term Liabilities	**(1,614,810)**	**(1,595,640)**
Net Assets	**1,234,343**	**1,218,324**
Funding Employed		
Capital & Reserves		
Share Capital	0	0
Retained Income b/fwd	670,828	670,828
Income & Expenditure	16,019	0
Movement in Pensions Provision	0	0
Designated Reserves/gain on business	0	0
Revaluation Reserves	547,496	547,496
Funding Employed	**1,234,343**	**1,218,324**

Key highlights:

- Group net assets are £1,234.3m at 31 December 2021.
- The Balance Sheet as at 31 March 2021 is in line with the audited 20120/21 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 £11.3m lower than the year end position mainly driven by the lower rent arrears net of provision which fluctuate throughout the year depending on the timing of invoices. Rent arrears net of provision are £7.1m compared to the £13.7m at 31 March 2021.
- Current liabilities are £9.2m lower than the year end position. The main reduction in accruals relates to the payment of break fees in relation to the rearrangement of WFL1s financing arrangement in Mach 2021. The fees were accrued at the financial year end and paid in April 2021.
- Long term liabilities are £19.2m 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 £16.0m relates to the group surplus for the year to date.

10) Wheatley Group – Q3 Forecast

Group - £k	FULL YEAR		
	Budget	Q3 Forecast	Variance
INCOME			
Net Rental Income	306,646	306,171	(475)
Grant Income	49,933	49,717	(216)
Other Income	52,567	53,431	864
Total Group Income	**409,146**	**409,319**	**173**
EXPENDITURE			
Employee Costs	84,758	85,365	(607)
ER/VR	3,046	3,046	-
Running Costs	47,099	47,661	(562)
Repairs & Maintenance	57,000	58,729	(1,729)
Bad debts	6,065	6,065	-
Depreciation	100,928	100,928	-
Demolition	1,449	549	900
Total Group Expenditure	**300,345**	**302,343**	**(1,998)**
NET OPERATING SURPLUS	**108,801**	**106,976**	**(1,825)**
Net operating margin	26.6%	26.1%	-0.5%
Gain/(loss) on sale of fixed assets	-	(5)	(5)
Net Interest Payable	(69,624)	(65,228)	4,396
STATUTORY SURPLUS	**39,177**	**41,743**	**2,566**

INVESTMENT			
Total Capital Investment Income	(65,693)	(33,568)	(32,125)
Core Investment Programme	106,328	100,882	5,446
New Build Programme	125,310	96,745	28,565
Other fixed assets	19,130	17,470	1,660
NET CAPITAL INVESTMENT SPEND	**185,075**	**181,529**	**3,546**

Key highlights:

The Group forecast full year out-turn at the end of Quarter 3 shows a net operating surplus of £106,976k, which is £1,825k unfavourable to budget and a statutory surplus of £41,743k which is £2,566k favourable to budget.

Adjusted EBITDA after excluding grant income on new build completions of £158,187k is forecast compared to an EBITDA of £159,796 budgeted, £1,609k unfavourable.

Total income is forecast to be £173k favourable to budget:

- Net rental income is expected to be £475k unfavourable to budget and includes and lower rental income in the RSLs and Lowther following the reprofiled new build completions..
- Grant income is expected to be £216k lower than budget. The forecast is based on the updated profile for 2021/22 completions and includes the recognition of grant income relating to social rent new build units in Loretto, at Cobblebrae and Dargavel, and in WLHP at Winchburgh O completing ahead of schedule offset in part by offset by the DGHP units at Sanquhar that were budgeted for 2021/22 completion but completed early in March 2021.
- Other Income is forecast to be £864k favourable to budget. Additional income in GHA relating to unfurnished lets and higher levels of income in DGHP for temporary accommodation and the young persons project are offset by a reduction in factoring income in Lowther. Costs associated with the delivery of the services is reported in running costs.

Total expenditure is forecast to be £1,998kk unfavourable to budget.

- Employee costs are £757k unfavourable reflecting the savings achieved to date offset by the forecast increase in Solutions staff for additional posts in the Customer First Centre.
- Running costs are expected to be £562k unfavourable to budget, reflecting the savings year to date offset by costs relating to unbudgeted unfurnished lets and additional services in DGHP both funded by unbudgeted income.
- Repairs and maintenance costs are forecast to be £1,729k higher than budget, which includes an additional provision to help meet expected higher levels of demand.
- Demolition spend reflects the reprofiled programme with works at Gallowgate and Wyndford moving forward into 2022/23.
- Interest payments are forecast to be £4,396k lower than budget following the restructure of WFL1 fixed rate loans in March 2021 providing additional financial capacity to the business plan.

Net capital expenditure is forecast to be £3,546k lower than budget.

- New build grant projected for the year has been reprofiled to match with the most recent new build forecast and has reduced by £32,125k.
- The Core programme spend is forecast to be £5,446k lower than budget reflecting the £3,000k reprofiling of the capital investment programme specifically across the RSL borrower group and £2,200k favourable variance due to works falling under the VAT shelter arrangement.
- The new build development spend is expected to be £28,565k lower than budget, deferring costs into 2022/23. Spend levels are forecast to be lower across a number of sites including Calton Village and Sighthill in GHA. In DC, Macmerry and Penicuik are forecasting lower spend and with Rowanbank is now a golden brick site this pushes spend out into 2022/23. In WLHP there is lower spend at Sibbalds Brae and Winchburgh 2 and in DGHP Lincluden spend was accelerated in Q4 21/22 so there are lower costs in the current financial year.