WHEATLEY HOUSING GROUP LIMITED

BOARD MEETING

26 August 2021
10.00am at Wheatley House

AGENDA

1. Apologies for Absence

2. Declarations of Interest

3. Minutes of meeting held on 21 June 2021 and matters arising

4. Group CEO Update

5. Committee Chair bi-annual updates (Oral):
   - Alastair MacNish, Group RAAG Committee
   - Martin Kelso, Group Audit Committee
   - Jo Armstrong, Group Development Committee

Main Business Items

6. Business update

7. New operating and engagement model update

8. Bellgrove update (Presentation)

9. a) 2020/21 Group Statutory Accounts
   b) Internal Audit Annual Report and Opinion 2020/21

10. Risk management update

Other Business Items

11. Group Performance Update Quarter 1 2021/22

12. Finance report

13. Treasury update

14. Governance update

15. Renewal of DGHP’s Grounds Maintenance Contract

16. AOCB

Date of next meeting – Wednesday 29 September (post AGM)

Report

To:	**Wheatley Housing Group Board**
By:	**Olga Clayton, Group Director of Housing and Care**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**Business update**
Date of Meeting:	**26 August 2021**

1. Purpose

1.1 To provide an update on the current business and remobilisation position across the Group.

2. Authorising and strategic context

2.1 The Group CEO has responsibility for business operations across the Group. The pandemic has had a significant effect on these operations and to reflect this the Board last agreed in April 2021 our approach to remobilisation. This approach remained subject to the rate at which Scotland moved through the phases of the Scottish Government's route map.

3. Risk appetite and assessment

3.1 The Group's risk appetite relating to laws and regulations is "averse"; defined as avoidance of risk and uncertainty as a key organisational objective. The Group strategic risk register identifies the particular risk associated with non-compliance with health and safety requirements.

3.2 Our priority throughout the pandemic has been protecting the health and safety of our customers, our staff and the other people they come into contact with. We continue to mitigate this risk by undertaking rigorous health and safety risk assessments as part of our remobilisation, including compliance with all relevant Scottish Government guidance.

4. Background

4.1 The Scottish Government has continued to progress through its strategic routemap to ease restrictions. On 2 August 2021, the First Minister announced that Scotland would move "beyond level 0" on 9 August. This will mean that all venues can open and that limits on gatherings will be removed.

4.2 The legal requirement for facemasks in indoor public settings will continue as it currently applies. Self-isolation will no longer be required for those who are close contacts of Covid cases if they have been double vaccinated more than 2 weeks previously and return a negative PCR test.

4.3 This, together with reducing cases, will assist in ensuring we have resources available. While we have been able to deliver all our services over the last two months, the recent high levels of Covid and the resulting self-isolation have made this more challenging in some areas. Most social distancing requirements will also be lifted.

5. Customer engagement

5.1 Whilst ensuring that face-to-face engagement remains an important part of our engagement and our service provision, a key theme in the Stronger Voices engagement framework was to take advantage of the opportunities that a more digital environment can bring to our engagement approach in terms of accessibility and flexibility. In July a Group Stronger Voices Manager was appointed to lead on developing this digital engagement approach as well as ensuring that across Group our customers are involved in shaping the strategic agenda.

5.2 During August a group of customers drawn from the different subsidiaries in Group will be working in a co-creation group with officers to test and improve our repairs Web Self Service ("WSS") customer journey. Repairs WSS was switched off at the beginning of the pandemic in March 2020 as we moved to an emergency repairs service. As we prepare to re-introduce this we want to make sure that our customer voice is influential in ensuring this service provides an excellent experience for our customers.

5.3 Customers will also be involved in a number of other strategic projects from the 2021/22 Group delivery plan in the next few months. These include:

- working with us to co-design what a Wheatley MyCommunity app would look like – this initially involves customers in communities in the South East of Glasgow;
- customer journey mapping for rental income management;
- customer journey mapping for allocations; and
- customer research on review of Choice Based lettings systems.

5.4 Customers will also be involved in an independent review of our repairs service, we have commissioned TPAS to carry this out.

6. Discussion

6.1 We have continued to undertake the remobilisation plans originally outlined to the Board in April and the aim is still to fully remobilise by the end of September. As restrictions have eased, we have been able to remobilise on the same basis across all areas of our operation. Although the situation has improved considerably from earlier in the summer we will continue to regularly review our plans and adapt as required. It is still possible that the situation could change relatively rapidly or that different circumstances might apply in certain local areas.

6.2 The table below outlines the progress and proposals set out in our June report.

	End April	End May	June-September	30 September onwards
Repairs	Fully remobilised Customer comms plan launched		End June - backlog cleared	Fully remobilised
Investment	Non-complex internal investment commences		Internal investment scales up to full remobilisation	Fully remobilised
Compliance		Standalone electrical inspections, TMV maintenance and M&E works recommenced	Fully remobilised	Fully remobilised
Housing Officer	Increased patch-based activity, doorstep visits	In home visits where required	Fully remobilised	Fully remobilised
Income collection	Doorstep visits	In home visits where required	Fully remobilised	Fully remobilised
Allocations/ Homelessness	Mutual exchanges resumed		Fully remobilised	Fully remobilised
Stair cleaning		Phased reintroduction	Fully remobilised	Fully remobilised
Environmental	Fully remobilised			
Anti-social Behaviour, Group Protection	Doorstep visits	In home visits, where required	Fully remobilised	Fully remobilised
Fire Safety Visits	Fully remobilised			
Care			Services remobilised with a blended model for some outreach services	Fully remobilised
New Build	Fully remobilised			
[redacted]				
Foundation	Phased reintroduction of Wheatley Works Emergency response Fund closed	Bursary programme launched Environmental apprentice recruitment Barony Support Fund launched	Fully remobilised	Fully remobilised

A more detailed update on the current position and future remobilisation for our services is set out below:

6.3 <u>Repairs, Investment and Compliance</u>

6.3.1 Our repairs service was fully remobilised on 26 April 2021. A safe and cautious approach has continued for customers and staff in line with the Scottish Government restrictions that remained in place throughout July and into August at Tier Zero. All repair requests have been accepted and are being progressed. Repairs are no longer placed on any postponed list.

6.3.2 In GHA, approximately 75% of the backlog of 5080 repairs has been completed. The remainder, mainly larger programmed jobs, have all been assessed, with all customers contacted, and are predominately awaiting materials or manufactured items. We still remain on track to have all remaining postponed repairs in the system completed by the end of August/first week in September.

6.3.3 In the east of Scotland, the backlog has been completed by our in-house trades teams. In DGHP, all the remaining backlog repairs have been actioned and dates arranged for customer appointments. Since resuming the full repairs service DGHP has observed significant pent-up demand in new repairs reported. Between the resumption of a full service on 26 April and 18 July, DGHP completed 10,579 reactive repairs, compared to 8,553 in the equivalent period in 2019 pre pandemic.

6.3.4 Despite the expected easing of restrictions, our in-house DLO staff and delivery partner City Building Glasgow will continue to follow method statements for working post pandemic, while vaccination programmes continue with all necessary Personal Protective Equipment (“PPE”) being used to ensure staff and customer safety at all times. Our call handler staff will continue to seek up to date covid information from all customers submitting a repair request.

Investment

6.3.5 Our investment programme was tailored to suit our remobilisation plans, Scottish Government guidance and tiered restrictions. It has incrementally and safely increased in capacity and volume since the end of the second full lockdown on 26 April 2021. Our cautious “soft start” internal work programme such as boiler replacements and windows and doors from mid-May allowed us to test customer reaction and confidence for upscaling the programme.

6.3.6 We have continued to utilise our 5 step engagement approach, which looks to improve communication with our customers, specifically around our robust health & safety approach. This approach has included calls to every customer due to receive internal investment by a member of our project/asset teams to discuss the work and to seek their commitment to provide access for the work to take place.

6.3.7 Feedback so far has been extremely positive with only 10% of customers contacted expressing any apprehension. This is similar to the level we would expect in normal operations. Going forward, this approach will continue to be used for all planned internal investment work, with the expected benefit of driving down waste in terms of no access and refusals.

6.3.8 Subject to the continuing easing of restrictions, more complex tasks such as rewires, kitchen and bathroom replacements have now commenced.

Compliance

6.3.9 Our compliance works include programs to meet our legal and regulatory obligations, as well as works we undertake as part of keeping our customers and assets safe. All programs to meet our legal and regulatory obligations are operational despite current restrictions including gas safety, legionella prevention and smoke and heat detector installations. The current status of each is as follows:

- **Gas safety –** we continue to remain 100% compliant in this area.

- **Legionella testing/water management** – work is continuing as planned with inspection and testing works taking place being completed in line with the programme.

- **Smoke and Heat Detector Installation** – Smoke and heat LD2 upgrade works have continued throughout the pandemic as these works have been deemed essential. The current Scottish Government deadline for this work stream is February 2022. We continue to aim for this target date across our RSLs. While access for this work can be challenging, we have developed a revised process including local and CSC customer contacts up to and including force access to help to address this and achieve target date.

- **Periodic electrical inspections** – work is continuing as planned with inspection and testing works taking place being completed in line with the programme.

- **Emergency lighting** – our programme for upgrading the lighting in our MSF stock within GHA has continued and we are currently over 60% complete.

6.4 Housing Services

6.4.1 During the pandemic we have continued to deliver the vast majority of our services with staff largely home based. Contact with customers has been primarily through digital channels. The gradual easing of restrictions by the Scottish Government now allows us to step up mobilisation into our new service model.

6.4.2 Our new model helps to implement our strategic vision of stronger customer engagement, increased digital service and a way of working which is based primarily among our customers and neighbourhoods rather than in offices.

Housing Officer role

6.4.3 For most of 2020 and all of 2021 housing officers have been based at home. We have provided invaluable support and contact to customers, primarily through the use of telephone and digital means. In line with restrictions, we have visited customers only where there has been an exceptional need until the easing of restrictions in May and June. At this point we commenced neighbourhood walkabouts and more general doorstep visits.

6.4.4 Our neighbourhood walkabouts continue and are working well to increase our visibility and to identify issues. These walkabouts generally include the housing officer for the patch, relevant Neighbourhood Environmental Team (“NET”) officer and an investment officer. They consider the external condition of buildings, stairs and other communal areas and the general environment. It also provides an informal opportunity for customers to approach our staff out of doors and have a general discussion about issues that matter to them.

6.4.5 In line with our strategy, our new model will mean that customers do not need to come to an office. In most circumstances they will either use digital contact, or housing officers can come to them and meet them on their doorstep. As our digital services are now so well embedded we envisage continuing most contact this way or on a doorstep. We will continue to visit in people’s homes where this is essential and cannot be delivered digitally. PPE and social distancing requirements are in place in line with operating safety manuals already used by our repairs staff.

6.4.6 Housing officers and other staff have continued to "think yes" and provide additional support and services to help both communities and individual households. Some of the recent examples include:

- Litter picks by housing officers in local patches in DGHP to help tidy the area but also to increase visibility and get to know customers in their new patches;
- Creation of a wildflower meadow in Stranraer on open ground adjacent to some of our homes in partnership with Dumfries and Galloway Council and local schools;
- Upgrades to backcourts in Drumchapel as part of the phased re-introduction of capital investment;
- Installation of additional washing poles for some customers in WLHP following discussions on neighbourhood walkabouts;
- Ad hoc help from NETs for some elderly customers who previously maintained their own gardens but are now struggling – including a 92 year old who had been able to manage her hedge till now.

6.4.7 Our ability to work together as teams has provided some fantastic outcomes for customers who have been struggling recently. As an example, one tenant who recently had a stroke was struggling to seek medical attention. He had initially been referred to one of our welfare benefits advisors for assistance with a Personal Independence Payment appeal. The advisor was able to help with that appeal without the need for a formal appeal. This resulted in a backdated payment of over £4,000 and 4 weekly payments of over £300 plus access to free glasses and dental treatment. This contact revealed the extent of the customer's issues. The housing officer, benefits advisor and Wheatley Care staff worked together to:

- Obtain a washing machine, cooker and hoover via home comforts as the existing ones were not working;
- Organise adaptations which were required;
- Arrange for connection of the new white goods and removal of the old ones;
- Help the customer engage with his doctor;
- Refer the customer to the falls clinic;
- Arrange personal care services
- Arrange a Covid-19 vaccination
- Obtain Scottish Welfare Fund grant for carpets and a mattress;
- Set up a bank account; and
- Carry out a revised benefits check.

6.4.8 The customer has since contacted the Customer Service Centre ("CSC") to thank all those who were involved, stating he has "*a whole new load of confidence*".

6.4.9 Another customer was discovered in his property by our housing officer extremely unwell. The housing officer waited with the customer until the ambulance arrived and kept in touch through a three week stay in hospital. While the customer was in hospital the housing officer was able to arrange for the property to be cleaned out (as the customer was a hoarder), buy some new bedding and household essentials. He was there to greet the customer when they arrived home. Appropriate support has now been put in place with external agencies and the customer is very grateful for the support and believes it will make a huge difference to his life.

Income collection

6.4.10 Maintaining our rental income to fund our services and supporting our customers to pay their rent have been key priorities through the pandemic. All RSLs are performing better than target for this point of the year and continue on track to achieve the overall year end target of 5.03% for the Group.

6.4.11 Housing officers continue to successfully operate our virtual model of support through telephone and digital contact. This has enabled us to provide support and advice to customers at the point they need it most. It has been backed up by easy digital methods to pay which avoid unnecessary contact, with housing officers again providing support to help customers through the process.

6.4.12 Since the start of this financial year we have continued to deploy further improvements in our processes. We have completed the onerous task of Universal Credit (“UC”) uprating for all customers in receipt of UC. In addition, our payments plan development has moved to the next phase with housing officers actively encouraging customers to transition to our preferred payment methods. This work is supported by easy to view reporting which allows officers to quickly identify those who are a priority to contact.

6.4.13 In order to ensure our customers continue to feel supported, we are refreshing our “Talk to us” campaign. Work is also being undertaken with Skills Development Scotland to enhance our ability to support customers facing redundancy. These actions will help customers who may be affected by the end of furlough at the end of September, the end of the £20 a week uplift on universal credit also in September and other issues they may face.

6.4.14 The 6-month notice period for Notice of Proceedings and evictions has been extended by the Scottish Government until 31 March 2022. The new escalation processes which we have developed to take account of this are now well embedded. This includes the potential to escalate to Notice of Proceedings where we are satisfied that the household ‘won’t pay’ rather than ‘can’t pay’. This will only be done following a review of individual cases, including an assessment of any covid-19 impact and any potential vulnerabilities. The move to level 0 restrictions in July means evictions can take place where decrees have been granted.

6.4.15 We are continuing our process of upgrading payment methods. We are currently testing improvements to our web self service payment option using “Walk Me” prior to full roll out. This provides online help and support as customers move through the system. We continue to expand our reporting and recording to ensure housing officers and CSC staff can easily see payment methods used by customers to help them support customers to use the best options for them.

Allocations and Homelessness

6.4.16 Allocations have been remobilised since August 2020 and are operating in ‘business as usual’ mode with additional safe working procedures. Providing homes for homeless households and other priority households continues to be the focus. Mutual exchanges resumed from 26 April having been halted during the lockdown.

6.4.17 We are currently undertaking a review of all our allocations systems to ensure that they are fit for purpose to meet and deliver our new strategic objectives. In Dumfries and Galloway we are undertaking the work on behalf of our partners in the Homes4D&G common housing register. All partners recognise that the system needs to be updated from the current heavily manual approach which provides limited choice to customers. This review is due to be concluded by the end of the financial year.

6.4.18 Work is underway to develop pilot schemes to further develop our blended model. Virtual tours are being developed for some of our homes to assess the effectiveness of this in helping our customers to decide whether it is the right home for them. The initial focus will be on our LivingWell properties where it also gives us the opportunity to highlight the additional services available to customers. We are also developing a pilot approach to allow tenancy agreements to be signed digitally, in line with legal requirements. This will be piloted initially in four patches. If successful, these developments will mean that our entire allocations journey can be undertaken digitally. However, new tenants will still have a meeting with the housing officer at hand over and a follow up new tenant visit. In addition, accompanied viewings and paper signatures will still be available where these are the appropriate approach for the customer.

6.4.19 The Board previously agreed that 65% of homes in Glasgow and 50% of homes in DGHP and DC should go to homeless households. In the year to date 62% of relevant lets have gone to homeless households. This has provided a major contribution to supporting local authorities in reducing the number of homeless households in temporary accommodation. 148 homes have been flipped from temporary to permanent accommodation against our target of 150.

6.4.20 As approved in April, we are continuing our successful matching approach in Glasgow and Dumfries and Galloway. This directly matches homeless households to suitable alternative accommodation. It has had a significant impact on speeding up the time for households to get a home and has also reduced the number of offers we make which are refused by households.

6.4.21 Housing First will launch in DGHP in August. Additional training sessions have been arranged to help provide the DGHP staff with the benefit of the experience of staff elsewhere in Group.

Stair cleaning

6.4.22 Stair cleaning was reintroduced on a phased basis from the first week in May in line with the easing of national restrictions. Full normal service was resumed across the business in June and the backlog in cleaning has now been fully addressed. Keep Scotland Beautiful Awards have also recently been received for GHA (East End Community Homes), Dunedin Canmore and West Lothian Housing Partnership. A further report will be brought to the Board later this year on proposals to enhance communication with customers through technology in relation to our environmental maintenance and cleaning work.

6.4.23 Wider environmental services continue as normal. These include our concierge and cleaning services within multi-storey flats and any bulk uplifts of rubbish that are a fire risk. The new NETs service in DGHP has proved highly successful with positive feedback coming from customers and staff. It has helped to increase the visibility of our staff as we move towards our new operating model.

Fire Safety

6.4.24 Across the Group, the number of accidental dwelling fires remains lower than levels last year. This is despite the fact that lockdowns and restrictions mean many people are spending more time at home.

6.4.25 Fire safety visits for vulnerable households were recommenced last summer and have continued through the current lockdown. In addition, fire risk assessments have taken place for multi-storey flats, care and LivingWell properties throughout lockdown. These were impacted by restrictions during lockdowns but the team expects to be able to increase output to reach our target of 100% coverage by 22/23.

6.4.26 Our Home Safety, Anti Social Behaviour and Group Protection Teams are now well established in their new, primarily digital model. Contact with relevant agencies is almost entirely digital and has worked well throughout the pandemic. As with housing officers, officers have been able to undertake essential in-home visits since June. These are used where digital methods are not appropriate or have not worked.

6.4.27 There continues to be a particular concern for the victims of domestic abuse during this period – they may have had less opportunity to seek out support. We remain alert for increased reporting of abuse as restrictions ease. Our staff are well trained on domestic abuse and this provides them with the knowledge, skills and experience to best support victims, connecting them to our services or bespoke domestic abuse support. The Group Protection Team provide specialist knowledge and can guide staff dealing with complex cases.

6.4.28 We have enhanced our ability to support victims through our participation in the Revive project. This project allows victims to more easily move between local authorities in Scotland so that they can find a home in a location that they feel safe.

Handyperson service

6.4.29 The handyperson service was due to resume in May 2021. This was delayed for a number of reasons including continuing restrictions and the pressure on repairs services from the backlog of non-emergency repairs. The service is now due to recommence in August.

6.5 <u>Care Services</u>

6.5.1 Wheatley Care staff have continued to provide support to individuals across 10 local authority areas including Dumfries and Galloway Council. Redesigned service delivery models and support continue to operate to ensure each person we work for receives a tailored approach based on their individual needs. Our staff have continued to engage with all the people we work for to ensure that we are meeting their needs while responding to the changing landscape of the pandemic. Feedback to date has been very positive.

6.5.2 We have maintained a close relationship with our partners and no points of concern have been received. Many have commented positively on our ability to flex and respond to the changing situation.

6.5.3 The Strategic Framework for Scotland sets out the sectors that should continue to operate within current restrictions as set out on the Critical National Infrastructure. Care remains a critical service.

6.5.4 In the last 3 months, 11 people we work for have been diagnosed with Covid-19, with a total of 59 diagnosed since March 2020, equating to 0.74% of the people we have supported throughout this period. This is relatively low compared to the Scottish national figure for positive cases which sits at 6.51% of the population (Public Health Scotland). Of these individuals, only one has been diagnosed who lives in an environment that we have responsibility for, with none of our Care Homes or Housing of Multiple Occupations having any Covid-19 breakouts during this period. 16 staff were diagnosed with Covid between May to July; 9 were partially or fully vaccinated.

Care Settings

6.5.5 Services that operate within a building base continue to ensure a reduced staff footfall where possible and all service provision remains virtual where this is viable and conducive to safety, positive wellbeing and achievement of specific outcomes. In line with Government guidance, our shared spaces and common areas have remained closed throughout the pandemic. We are now beginning a gradual remobilisation of these areas following the easing of restrictions after the move to level 0 on 19 July. Our Care Homes continue to operate robust procedures in relation to admissions, including Covid testing prior to admission and a mandatory 14-day period of self isolation.

6.5.6 For outreach and core and cluster services, staff continue to work from home where they can with a gradual increase of face to face support via a phased remobilisation plan which takes cognisance of the current restrictions, advice and guidance.

6.5.7 The Livingwell Services are partially remobilised to provide face to face contact. 17% of our unregulated customers received face to face support in July and this level is increasing weekly.

6.5.8 Our Contact points in Fife and Edinburgh have now been open since the 24th of May for in person visiting with specific operating procedures in place in line with guidance.

Remobilisation Planning

6.5.9 As part of our remobilisation, we have assessed whether any care staff can continue to work from home on a full time basis. Initial scoping of all roles across Care has identified very few roles which could do this 5 days a week. 14 central support staff and senior staff are expected to move to permanent home working.

6.5.10 A full project plan has been established for organisational remobilisation which reflects the way we operate, the changes to service delivery models within RSLs and Wheatley Solutions and the reimagined corporate estate footprint. This includes, for example the changes in process and systems to enable a move to paperless offices, management of mail and how we come together to collaborate. It also covers how we will review our Care hubs and the investment which may be required in these buildings together with the roll out of the new branding which was postponed due to the Pandemic. This should see all our offices appropriately branded by March 2022.

6.5.11 The Scottish Government has intimated that they will announce that Health and Social Care Workers will be added to the critical workers exemption list meaning that they will not need to self isolate. The wider reduction in self isolation requirements for those fully vaccinated which has subsequently been announced will also assist in ensuring staffing resource. Over the course of June and July, several staff were contacted to self isolate but following in depth discussion with service managers, tracers agreed that this was not required. Senior staff are familiar with the mitigation we use including negative PCR, 7 day lateral flow testing and continued use of full PPE and distancing where possible.

Vaccination and Testing

6.5.12 As reported previously testing has been rolled out across all our services with staff testing at least twice per week. Senior Management have commenced twice weekly testing as we start to remobilise and establish more on-site contact with services.

6.5.13 The vaccination programme continues to be a focus for service and senior leadership teams. Our performance remains relatively static with 691 staff having received the first vaccination equating to 88% of staff and 544 staff having received both parts of the vaccine equating to 69% by 23 July. Comparatively 61% of the Scottish population have received their first vaccine and 39% have received their second vaccine. Seventy staff continue to decline the vaccination of which 28 are for medical reasons and 42 for personal reasons. These figures have also remained relatively static.

6.5.14 Staff morale continues to be reported as high with Service Development Leads on site weekly at services. The Managing Director and Heads of Care have recommenced service visits at some services and dialogue with staff has been positive. Specific positive comments have been made at June visits about the support from service and senior management of staff throughout the pandemic and in general, with specific examples of that support given.

6.5.15 In the last 12 months staff have been awarded a 3.3% pay increase, a recognition payment from the organisation of £450 and a ‘thank you ‘payment from the Scottish Government of £500.

6.5.16 A pay uplift of 2.2% has been offered to care staff for 21/22 in addition to an increase in the amount of Wheatley benefits available to each staff member of £50 annually. This has been rejected by Unite union members and further discussions are planned for the 9th of August.

6.5.17 The total uplifts paid to Wheatley Care from purchasers is significantly less than is being offered to Care colleagues.

Health and Safety

6.5.18 There continues to be weekly Health and Safety colleagues meetings to consider any alterations required to processes, changes in guidance and any other priority areas for development. There have been a number of updates to guidance by the Scottish Government, which we have reflected on our own guidance, since June. These include visiting, use of communal space in differing settings and the use of PPE.

6.5.18 The most notable change was the guidance around PPE that noted staff sitting at desks could remove masks. We remain cautious in this area and as such have retained our current infection control procedures. We continue to monitor changes to guidance and determine our approach based on instances of infection and our own risk assessment. We have at all times, demonstrated a more prudent approach to infection control than some guidance has asked.

Regulation

6.5.19 The Care Inspectorate continue to make contact with services proactively to discuss our response although this has reduced as the pandemic has continued. Feedback from the Care Inspectorate continues to be very positive.

6.5.20 In preparation for the resumption of inspections we have established a project to ensure high levels of confidence in quality of care and service provision as remobilise. It will include revisiting policy and service protocols and a focus on service improvements.

6.6 <u>Development</u>

6.6.1 The Scottish Government has committed £3.5bn in the five year period from 2021/22 to the delivery of affordable housing. This was one of the main pillars within the Scottish Government Housing to 2040 strategy launch.

6.6.2 Linked to this we have been participating, as one of the Scottish Federation of Housing Association representatives, as members in the Scottish Government's Affordable Housing Investment working group. We are represented by the Director of Development. This working group is tasked with bringing back recommendations to both the Cabinet Secretary for Social Justice, Housing and Local Government and to the Convention of Scottish Local Authorities ("COSLA") Leadership on affordable housing grant benchmarks for 2021/22 and beyond. The working group, which is jointly Chaired by Scottish Government and COSLA, had intended to conclude its recommendations in June 2021, however this has been delayed and is now expected in September 2021.

6.6.3 We also continue to participate in the Scottish Government's Building Standards Resilience Group and are engaging with the group to support a proposed remote verification pilot. Contractors and developers we are in contract with across our programme continue to adhere to construction industry guidance for Covid-19. Monitoring and reporting regimes are in place to continue to test Covid-19 compliance. This remains a standing item at all development site meetings.

6.6.4 We are in dialogue with our contractors to assess the impact of material cost and supply issues now increasingly affecting the construction industry. A survey has now been completed, which broadly indicates issues with both supply and cost of materials across the supply chain. The supply issues are reported to be a combination of pressure on product availability in the UK market, driven by high demand and wider global issues with product availability. This has been caused primarily by Covid and to an extent Brexit (linked to the availability of labour).

6.6.5 Materials that our contractors are reporting significant supply issues with include: steel, cement, timber, plasterboard, doors and plumbing materials. The detailed findings of the survey and next steps will be reported to the Group Development Committee.

6.6.6 At the 1st August 2021, 135 units had been handed over. We currently have 26 sites live with 1,213 units under construction across our development programme.

6.7 **[redacted]**

6.8 Wheatley Foundation

6.8.1 The Foundation has been the vehicle through which we have provided a significant element of our support to customers throughout the pandemic, particularly through Eatwell and the Emergency Response Fund. As we move out of crisis stage, the Foundation is now resuming full services with Foundation programmes operational from Q1 onwards:

- EatWell transitioned from W360 to the Foundation on 29 March 2021 and continues to support customers across Group. The service has now moved to digital supermarket vouchers as a speedy solution to emergency food provision. In Q1 the service issued 1158 vouchers supporting 956 households across Group to purchase food; to a value of £42k.

- The Foundation's Covid Emergency Response fund, which supported people with essential purchases during the pandemic, has now closed. Over the Fund's 4-week period of operation in Q1, 27 households received items such as mobile phones, household items and white goods.

- The Foundation launched a new Barony Support Fund in June 2021, available to customers across Group to support one-off essential purchases. Wheatley staff are encouraged to exhaust other support sources before referring customers to the Fund.

- Foundation Education Bursaries opened for a new round of customer applications in Quarter 1. These were assessed in July and first payments will be made to 50 successful applicants across Group as they begin the academic year in Q2/3.

- Wheatley Works re-commenced in April and has supported 211 jobs and training opportunities in Quarter 1. This includes Apprenticeship Programme recruitment, Wheatley Pledge opportunities, recruitment for Environmental Roots and Changing Lives trainee places; East youth employability projects, and community benefits opportunities. A new Glasgow City Council ESF employability contract, Way Ahead, commenced set-up in quarter 1. This will support Glasgow residents aged 29-plus who have specific complex barriers to work, including addictions, previous convictions, and experience of homelessness.

- A new Creative Scotland Small Grants Youth Arts Programme, supporting independent artists and young people living in Wheatley communities, commenced in Quarter 1. Ten projects will engage approximately 150 young people in activities including music, dance, creative writing and storytelling.
- The Dolly Parton Imagination Library is currently providing 600 children living in Wheatley households with free monthly books direct to their home. In Quarter one, 1675 books were delivered to children aged 0-5. The Children's University Scotland also supported outdoor learning during the summer break, providing children with access to fun activities at home over the holidays.

6.9 Conclusion

6.9.1 The move to "beyond level zero" on 9 August provides us with greater flexibility in service delivery than we have had at any time since the start of the pandemic. This gives us greater confidence that we will be able to complete full remobilisation by September. However, we retain flexibility to amend plans as required by the situation.

7. Digital transformation alignment

7.1 Our remobilisation process takes the best learning from home working through the pandemic to increase digital services wherever possible. In addition to remobilisation of existing services, there are a number of strategic projects underway to progress our digital transformation.

8. Financial and value for money implications

8.1 The cost of remobilising is contained within our existing business plans. As we remobilise we are developing more efficient methods of delivery which will promote increased value for money.

9. Legal, regulatory and charitable implications

9.1 A key focus will continue to be complying with the prevailing legal and regulatory restrictions at all stages of our remobilisation. We continue to update the Scottish Housing Regulator and Care Inspectorate as appropriate on our remobilisation activities.

10. Equalities impact

10.1 We will continue to take special account of those who might suffer particular disadvantage through protected characteristics or have underlying health conditions.

11. Environmental and sustainability implications

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

12. Recommendations

12.1 The Board is asked to note this report.

Report

To:	**Wheatley Housing Group Board**
By:	**Steven Henderson, Group Director of Finance**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**New operating and engagement model update**
Date of Meeting:	**26 August 2021**

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1. Purpose

1.1 This report seeks the Board's agreement to formally consult RSL customers on our proposed new operating and engagement models.

1.2 In a Glasgow context, this consultation will also incorporate proposals for rebranding the combined GHA/Cube following the successful ballot of Cube tenants earlier this year. The report also provides the Board with an update on progress with establishing this single Glasgow vehicle.

2. Authorising and strategic context

2.1 Under the Group Authorise/Manage/Monitor Matrix, the Group Board has responsibility for determining the Group's structure and approving the overall Group and individual subsidiary strategies and business plans.

2.2 Our partner RSL Boards have considered their respective consultation proposals and all have provided their agreement and support in advance of this report coming to the Group Board for approval.

2.3 The development of a new model of engagement is a key element of our new five year strategy. At the same time, the creation of a single housing vehicle in the city of Glasgow creates a platform that will facilitate regeneration, increased investment and jobs in communities across the city.

3. Risk appetite and assessment

3.1 Our new operating and engagement model is covered by the 'operating model (modernising services etc)' category in the Group's risk appetite framework. Risk appetite in this area is ***"Hungry".*** This level of risk tolerance is defined as "eager to be innovative and choose options offering potentially higher business rewards (despite greater inherent business risk)".

3.2 The proposals set out in this report to consult tenants are designed to mitigate the risk that customers do not understand or support proposed changes, and to ensure tenant feedback is taken account of in any decision to proceed to full implementation.

4. Background

4.1 The Board has previously considered and agreed the key principles of our new operating model. These reflect our experiences from the pandemic and what tenants have told us about how we should deliver services. The key elements of our service model and offer are:

A new *Customer First Centre* **–** We will launch a new and improved 24 hours a day, seven days a week, centre which will resolve customer enquiries at the first point of contact. Up to 95% of customer queries will be resolved at the point of contact by basing housing experts in an expanded *Customer First Centre*. This will free up Housing Officers to spend more time in their patches and community to deal with complex cases, support the most vulnerable, and manage their estate.

More services in your home – We will enhance the presence of Housing Officers in communities with a clear message that you do not need to come to us, we will come to you.

Do more online - Improved online self-services will allow customers to do more for themselves at a time and place to suit them. Our new Customer First Centre will also allow more digital engagement with customers able to contact us using web chat and WhatsApp messenger.

Centres of Excellence - If customers don't want to meet us at home, they can choose to meet us at a convenient location, including our network of Centres of Excellence. They will be available for customers to use the internet and for wider community activities and as learning centres.

4.2 Alongside the new operating model, we also propose to consult tenants in each RSL on a new, enhanced approach to engagement. This will increase the number and diversity of tenants involved in influencing how we work, through a wider variety of mechanisms. This is a key objective of the Group Engagement Framework, which the Board approved in December 2020.

4.3 In a Glasgow context, these developments are taking place alongside work to establish a single RSL, following the Cube ballot earlier in the year. The Cube stock in Glasgow transferred to GHA in April, and the remaining properties outside Glasgow moved to Loretto in July.

4.4 Good progress has been made on operational integration, with the new staff teams in place (including a new team called "Kelvin Wynd" covering the majority of former Cube properties in Glasgow). Design work is underway on new concierge stations for Wyndford and Broomhill that better reflect customer needs and the 24/7 service enjoyed by GHA tenants. Draft designs, once developed more fully, will be shared with the local communities over the autumn to ensure their views inform the final design and as an early indication of progress in delivering this key transfer commitment. Regeneration proposals are discussed further below.

5. Customer engagement

5.1 Under the Housing Act, our RSLs have a statutory duty to formally consult all tenants given the significance of the new operating model and tenant participation strategy. A multi-channel approach to consultation is proposed. We have produced a traditional print booklet to be sent to all customers (the Glasgow booklet is included in **Appendix 1** and the others will be circulated before the meeting). We will also utilise email, GIFs through WhatsApp and social media to promote this consultation and encourage customers to participate.

5.2 The key dates for all RSLs in the consultation process are:

- Consultation runs from 30 August -11 October
- Initiated through digital channels on August 30
- Letter and consultation pack mailed to all tenants w/c 30 August
- Dedicated website area and promotion via Online Services
- Heavy promotion through digital channels throughout consultation periodProactive calls to customers via the Customers First Centre and local housing staff.
- Consultation closes 11 October
- Consultation results presented to Group Board 27 October 2021, and partner RSL Boards during November
- Subject to tenant feedback, potential launch of new model on 1 December 2021

5.3 The consultation will set out how we propose to work with customers to make sure their voice is at the very heart of decisions, our strategy, priorities, and services. Our engagement framework '*Stronger Voices, Stronger Communities*' stated that we will build co-creation into the heart of all that we do, widen participation, improve diversity, empower customers and commit resources for communities and customers to decide upon spend within their neighbourhoods.

6. Discussion

6.1 Reflecting the different context of change, customer bases and geographies of our partner RSLs, bespoke approaches are proposed to the tenant consultation in each organisation.

6.2 The most significant set of changes will be for GHA and former Cube customers in Glasgow, where the booklet and consultation content will go out under the new brand of *Wheatley Homes Glasgow*, the name that was supported in principle at the last Group and GHA Board meetings. The theme of the consultation will be that Wheatley Homes Glasgow will allow us to deliver more for customers and communities across Glasgow. We will do this by transforming and improving engagement, enhancing housing officer presence in the community, and providing greater choice and control through an enhanced digital offer.

6.3 Wheatley Homes Glasgow will involve **1,000** tenants, of all ages and backgrounds, in its new engagement framework. This will be structured as follows:

Glasgow 500 / 600 **-** Citywide online panel focusing on the bigger picture – our strategy. The panel will be made up of around 600 tenants using the latest technology, such as webinars and online chat, to gather views and feedback.

Glasgow 300 / 400 **–** 4 geographical panels aligned with the Centres of Excellence. A tenant group, of up to 400 people, will represent the four geographical areas and focus on the topics highlighted by the citywide panel and other key issues in their areas.

Glasgow 100 - Additionally, around 100 tenants will be asked to get involved in a new-look Wheatley Group Scrutiny Panel; our environmental inspection teams, and a newly introduced Glasgow Focus group, which will explore new ideas and services.

4x Engagement Panels (transitional & time limited) - We will also introduce Engagement Panels for tenants to have their say around repairs, investment and performance. Membership will be sourced through the existing fifteen Local Housing Committees and will also be open to those previously not involved in the LHCs.

6.4 Over the next five years, Wheatley Homes Glasgow will commit £5 million for customers to decide on spend through the above structures. We are committing £1 million each year for the next five years towards this aim. Customers will decide through our website, social media channels or using a new community smartphone app we are developing.

6.5 Customers can also become involved deciding how investment is spent by joining one of our four Engagement Panels. Over and above the £1 million each year, we will also commit between £250,000-£500,000 each year towards community initiatives through our Better Lives Fund. This will also be decided by the Wheatley Homes Glasgow Board or through the Engagement Panels.

6.6 The Glasgow consultation will also explain the new operating model – based on the key principles at paragraph 4.1 – including the proposals for four new centres of excellence, one of which will be Wheatley House. These will be made available for tenant groups and communities to use for a much wider range of activity than was previously possible.

6.7 Proposals will be included in the Glasgow consultation for three new Community Action Areas. These would see community-led regeneration proposals being developed using a similar approach to that successfully used in our other Transformational Regeneration Areas. The Board has already agreed in principle that Wyndford should be one of these. A further update will be provided to the Group and GHA Boards in October/November.

6.8 The consultation material for our other RSLs follows similar principles to Glasgow in many aspects of the operating model and engagement approach. The Customer First Centre will provide a consistent standard of service to customers of all of our partner organisations. The plans for our housing staff to spend more time in communities and improved digital services are also common across our RSLs. The *You Choose Challenge*, where customers suggest ideas digitally for community investment, was successfully piloted in Whitburn by Dunedin Canmore, and will also be introduced and expanded in all of our RSLs.

6.9 In Dumfries & Galloway, we are building on the ballot commitments and engagement structures put in place when DGHP joined the Group in 2019. The consultation sets out plans for 250 tenants to become part of our new engagement groups. A regionwide online panel would be made up of around 150 tenants using the latest technology, such as webinars and online chat, to gather views and feedback on topical issues. We will continue to work closely with the Independent Dumfries and Galloway Federation of Tenants and Residents to consider all housing issues across the region and we will establish a new Tenants Voice Panel made up of DGHP customers that will focus on DGHP services and help us to co-create services using views from customers across the region. New community hubs in Dumfries and Stranraer will provide facilities for tenants and community groups as well as flexible work and meeting space for our staff.

6.10 In Dunedin Canmore, we want to involve 200 tenants, of all ages and backgrounds. This would include an online Customer Voice Forum that would be made up of around 50 tenants using the very latest technology, such as webinars and online chat, to gather views on services and performance. Others would join an expanded Group Scrutiny Panel. Similar approaches are proposed in West Lothian Housing Partnership and Loretto Housing, with 50 tenants in each case becoming involved, including through RSL-specific Customer Voice Forums.

6.11 Specific proposals for customer-controlled budgets are also included in each RSL's consultation material, based on the allocations included in their business plans.

7. Digital transformation alignment

7.1 The consultation process will allow customers to respond using a range of digital methods. Our new engagement approach will maintain this strong focus on digital engagement to make it more convenient for customers to give us their views without always having to travel to meetings.

8. Financial and value for money implications

8.1 The proposals in this report, including the impact of the transfers from Cube and tenant-controlled budgets, have been incorporated in all relevant business plans.

9. Legal, regulatory and charitable implications

9.1 No further implications.

10. Equalities implications

10.1 We have undertaken an initial Equalities Impact Assessment ("EIA") in relation to tenants for our new operating model and engagement approach. The assessment did not identify any adverse implications for our tenants. Rather, the approach to enhancing our accessibility is expected to have a positive impact. In terms of diversity, the widening of our engagement structure will have a positive impact and broaden the range of customers segments who engage with us.

11. Environmental and sustainability implications

11.1 Environmental aspects of the investment in former Cube stock that transferred to GHA is included alongside those relating to GHA in the investment plan agreed by the GHA Board.

12. Recommendation

12.1 The Board is asked to agree the consultation proposals and timescales for our RSLs, including the materials in appendix 1.

Appendix 1 – GHA example consultation booklet

https://www.gha.org.uk/__data/assets/pdf_file/0019/130708/GHA_Our_new_future__bringing_it_home_to_you1.pdf

Report

To: **Wheatley Housing Group Board**

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

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

Subject: **2020/21 Group Statutory Accounts**

Date of Meeting: **26 August 2021**

---

1 Purpose

1.1 This report seeks the Board's approval for

- the 2020/21 Wheatley Housing Group Limited financial statements;
- Member approval for the City Building (Glasgow) LLP accounts;
- delegated authority to sign the City Building (Glasgow) LLP accounts; and
- the 2020/21 Environmental, Social and Governance ("ESG") report.

2. Authorising and strategic context

2.1 Under the Group Standing Orders, the Group Board must approve the financial statements for the year to 31 March 2021.

2.2 The Group and all subsidiary accounts and related reports from the external auditors were considered at the Group Audit Committee meeting on 4 August 2020. The Committee approved the Group financial statements for presentation to the Group Board.

2.3 This report also includes a reconciliation of the final out-turn to period 12 management accounts which were presented to the Board in April.

3. Risk appetite and assessment

3.1 Our agreed Group risk appetite in relation to Governance is "cautious", meaning that tolerance for risk taking is limited to events where there is little chance of any significant repercussion should there be a failure.

4. Background

4.1 The preparation of annual audited accounts is a statutory requirement. This year the results for the Group include, for the first time, a full twelve months for DGHP having joined the Group in December 2019 part way through the 2019/20 financial year.

5. Customer engagement

5.1 No implications.

6. Summary of results

6.1 The headline results for the year are:

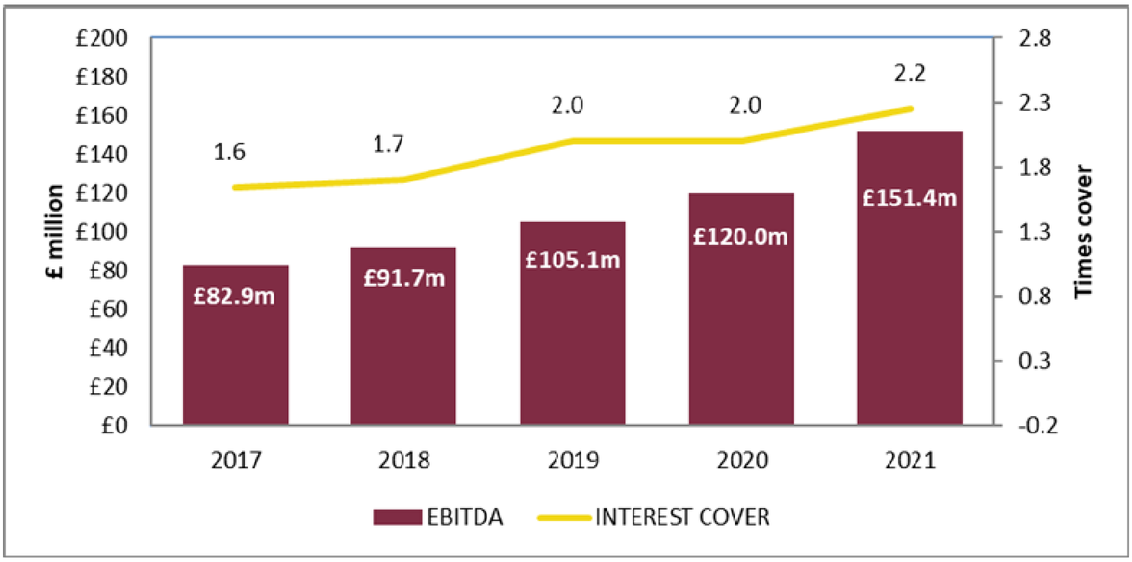
Income & Expenditure:

- Total Comprehensive Income (including pension scheme and property revaluations) was £77.9m;

- Operating surplus of £76.7m has been generated which includes grant income on new build completions of £28.9m, impairment of GBG goodwill of £0.6m, a loss of £7.4m on investment property revaluations, amounts claimed under the Coronavirus Job Retention Scheme and overhead support provided to City Building as previously agreed by the Board;

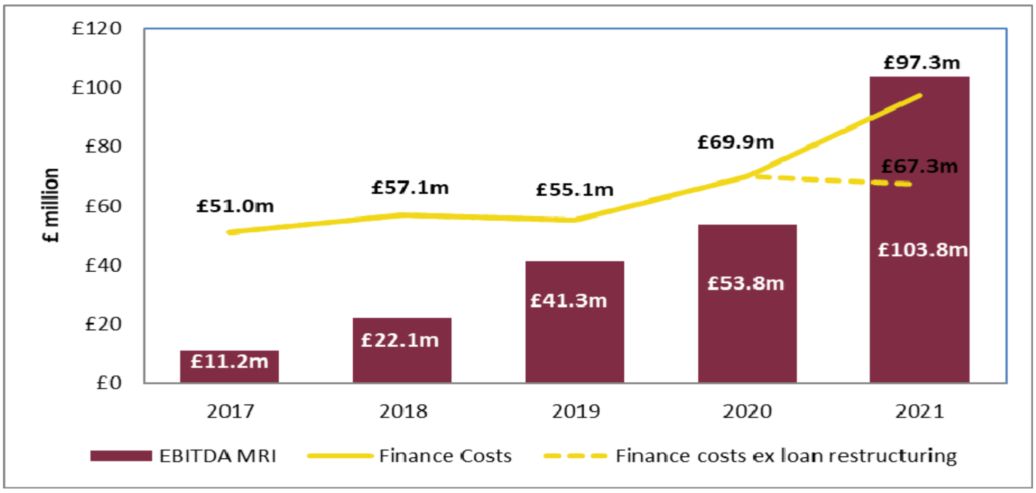
- Stripping out FRS 102 adjustments for new build grant, pensions and investment property valuations shows underlying Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA") of £151.4m; up from £120.0m in 2019/20. EBITDA is a measure of underlying surplus generated from our core operating activities. It excludes accounting adjustments such as depreciation, asset revaluations and non-cash pension adjustments;

- The EBITDA measure is used in the calculation of our loan covenants. The chart below shows the trend in EBITDA over a five year period and the relationship of EBITDA to interest costs, otherwise known as interest cover.



- EBITDA after deducting all fixed asset capital investment spend in existing social housing or EBITDA MRI is £103.8m. When compared to interest costs (excluding fair value accounting adjustments) of £97.3m an underlying surplus of £6.5m is reported, the first time earnings have exceeded capital investment and interest costs. This measure has moved from an underlying deficit of £9.8m in 2019/20 and shows 107% EBITDA MRI interest cover. Capital investment has been lower this year due to the disruption to the programme during the pandemic which has helped achieve this milestone a year earlier than planned, however our financial projections show that an underlying surplus position is sustainable going forward

- Interest costs in 2020/21 include one off loan restructuring costs of £30.0m. Excluding these non recurring costs, EBITDA MRI of £103.8m compared to interest costs of £67.3m shows 155% interest cover.



Statement of Financial Position:

- Net assets of £1,218.7m, which includes the increase in valuation of £110.0m on social housing properties;

- Net pension liability increased by £14.0m to £8.6m;

- Capital investment in new build completions totalled £63.8m;

- Gearing remained prudent at 50%, reducing from 53% last year, while gross debt per unit was £23,192; both measures again below comparably sized UK housing groups

Cash flow:

- Net cash flow from operations was £158.8m;

- Grant income received was £44.7m, of which £42.0m related to our new build programme

- £47.6m was invested to improve our existing housing properties and £72.6m in building new homes

- Significant committed bank funding lines remain in place, with £314.1m available to be drawn as required (2020: £345.6m)

6.2 The adjustments made between the period 12 management accounts and the final audited accounts are summarised below.

	Income & Expenditure £m	Net Assets £m
P12 Management Accounts	**(9.1)**	**1,131.7**
Revaluation of investment properties	(7.4)	(7.4)
Revaluation of housing properties	110.0	110.0
Revaluation of office properties	0.8	0.8
Pension Adjustments	(14.0)	(14.0)
Fair value of interest on Scottish Government Loan	(2.2)	(2.2)
GBG Goodwill impairment	(0.6)	(0.6)
Provision for deferred tax on investment properties	-	-
Taxation	-	-
Other	0.4	0.4
Group Statutory Accounts	**77.9**	**1,218.7**

6.3 The statutory results are updated annually for the outcome of the housing stock valuation by JLL and the inclusion of the updated defined benefit pension scheme actuarial valuations for SHAPS as well as the Strathclyde Pension Fund and Dumfries and Galloway Council Pension Fund.

Audit summary

6.4 KPMG have completed their work and provided an unqualified audit opinion.

6.5 There were five audit adjustments >£10k identified during the course of KPMG's audit work and these have been updated in the financial statements. All accounting polices remain unchanged.

6.6 The Group statutory accounts include provision for auditors to be re-appointed at the forthcoming Annual General Meeting.

6.7 As a standard part of their audit process, and in line with previous years, KPMG require the Group Chair to sign a "letter of representation" on behalf of the Group Board which confirms certain matters in terms of disclosure and record-keeping. As in previous years, a letter from the Chief Executive has been provided to provide comfort that the officers have complied with the matters stated in this letter. Both these documents are provided along with this paper (Appendix 2 and 3 respectively).

6.8 The Board are asked to confirm in the letter of representation that the financial statements are prepared on a going concern basis as in prior years. The assessment that the Group continues in business is based on the preparation and approval of the 30-year business plan which includes cashflow forecasts, the certainty of revenue streams from rental income in the RSLs and the assessment of the availability of funding provided to the Group by lenders.

6.9 For City Building (Glasgow) LLP, this was the second year of appointment for Grant Thornton and they also provided an unqualified audit opinion and there were seven audit adjustments identified. The CBG financial statements require approval by the members and as designated member, the CBG financial statements are presented to the Wheatley Board for approval.

Key issues and conclusions

6.10 The results show that financial performance continues to improve in line with our business plan; with the continuation of the trend of improving EBITDA and the achievement for the first time this year of EBITDA MRI being sufficient to cover interest costs. The annual report also highlights some key performance indicators for the Group.

7. Digital transformation alignment

7.1 There are no digital transformation alignment implications.

8. Financial and value for money implications

8.1 Ensuring financial performance remains in line with approved budget and financial projections is a key element of continuing to demonstrate value for money.

9. Legal, regulatory and charitable implications

9.1 The Board is asked to approve the 2020/21 Group financial statements. Each Board within the Group will be required by their constitution or under section 485 of the Companies Act, to appoint an auditor for each financial year. Under the Intra-Group Agreement with Wheatley Housing Group the subsidiaries are required to use the Group Auditors subject to the Group confirming KPMG's reappointment at its Annual General Meeting.

9.2 Following approval and signing of the financial statements they require to be submitted to Companies House and the annual return made to the Scottish Housing Regulator for the parent company.

10. Equalities implications

10.1 There are no direct equalities implications arising from this report.

11. Environmental and sustainability implications

11.1 Included at Appendix 5 is the Group Report on the Environmental, Social and Governance ("ESG") metrics we consider vital for the long-term operational, financial and strategic performance of Wheatley Group. The importance of information to our banks and investors beyond financial performance continues to grow and this report articulates the green and social outcomes from the Group's activities and the alignment with our strategic goals.

11.2 We published our first ESG report in 2018/19, and this year the report follows the new Sustainability Reporting Standard for Social Housing which covers over 40 specific areas of importance to the sector including rent affordability, fire safety and the target of net zero carbon emissions. In a related matter, S&P have recently been appointed to provide external accreditation on our Sustainability Framework. This will further enhance our reputation with the investor community, providing them with assurance that an investment into Wheatley will result in the delivery of sustainable goals.

12. Recommendations

12.1 The Board is asked to:

1) Approve the 2020/21 Group financial statements;
2) Confirm the preparation of the financial statements using the going concern basis;
3) Approve the Letter of Representation and note the related letter of comfort from the Group CEO to Group Chair;
4) Approve the 2020/21 City Building (Glasgow) LLP financial statements as a designated member and delegate authority to the Group Director of Finance to sign the financial statements on behalf of Wheatley Housing Group Limited as a designated member;
5) Approve the appointment of KPMG LLP as auditors for the 2021/22 financial year; and
6) Approve the 2020/21 Environmental, Social and Governance report.

LIST OF APPENDICES

1) Wheatley Housing Group Financial Statements 2020/21 [see: https://www.wheatley-group.com/__data/assets/pdf_file/0011/131213/Wheatley-Group-Annual-Report-and-Consolidated-Financial-Statements-2020-2021.pdf]
2) Letter of representation to KPMG [redacted]
3) Letter of representation from management [redacted]
4) City Building (Glasgow) LLP Financial Statements 2020/21[redacted]
5) Wheatley Group ESG Report 2020/21 [see: https://www.wheatley-group.com/__data/assets/pdf_file/0014/131216/Environmental-Social-and-Governance-statement-2020-2021final.pdf]

Wheatley Group

Making homes and lives better
wheatley-group.com

Internal Audit Annual Report and Opinion 2020/21

Approved by Group Audit Committee on 5 May 2021

1. Introduction

The purpose of this report is to provide our view on the adequacy and effectiveness of the Wheatley Group's ('the Group') system of governance, risk management and internal control, as assessed through delivery of our 2020/21 Annual Assurance Plan.

The 2020/21 Annual Assurance Approach and Plan was approved by the Group Audit Committee and progress against this plan has been reported to the Group Audit Committee throughout the financial year.

Our detailed findings from specific reviews have been reported to Management during the year, with a summary of these findings reported to the Group Audit Committee throughout 2020/21. Reporting to Subsidiary Boards and the Group Board has taken place where appropriate.

This Annual Report summarises the Internal Audit activity and therefore does not include all matters which came to our attention during the year. Such matters have been included within our detailed reports to Management and the Group Audit Committee during the year.

"Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

- *Section 3 – Definition of Auditing; Chartered Institute of Internal Auditors' International Professional Practices Framework*

Group Assurance Mission Statement

To enhance and protect the Wheatley Group by providing independent, risk based and objective, assurance, advice and insight

2. Annual Internal Audit Opinion

Scope

In line with the International Standards for the Professional Practice of Internal Auditing ("the Standards"), Internal Audit provides the Group Board, Audit Committee and Subsidiary Boards with an Annual Internal Audit Opinion, as a result of the work completed during 2020/21.

Our opinion is subject to the inherent limitations of Internal Audit (covering both the control environment and the assurance over controls) as set out in Appendix 1 (Limitations and Responsibilities).

In arriving at our Annual Internal Audit Opinion, we have taken the following matters into account:

- the results of all Internal Audit work undertaken (including any upheld instances of fraud or whistleblowing) during the year ended 31 March 2021;
- in accordance with the Wheatley Group City Building Glasgow Assurance approach, we have placed reliance on the internal audit work done by the Glasgow City Council's Chief Internal Auditor in relation to City Building Glasgow;
- due to the COVID-19 pandemic, the Group followed UK Government advice and implemented virtual working arrangements while moving to an emergency service delivery model;
- the effects of any material changes in the Group's objectives, activities or regulatory environment; and
- whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the Group's Internal Audit needs.

Basis of Opinion

Sufficient work has been undertaken to enable us to provide an opinion on the adequacy and effectiveness of the internal control environment in operation during 2020/21. In giving this opinion, it should be noted that assurance can never be absolute.

During the delivery of our Internal Audit plan, we identified no critical weaknesses in the governance, risk management, or internal control arrangements which would put the achievement of Group objectives at risk.

As reported to the Group Audit Committee, Management has acted promptly to address the findings we reported during the year and thereby strengthen the controls in place. Implementing agreed actions is a priority and progress is regularly reported to the Directorate Management Teams, Executive Team, Subsidiary Boards, City Building Glasgow, Group Board and the Group Audit Committee.

Internal Audit Opinion 2020/21

Based on our Group-wide work undertaken in 2020/21 a **substantial level of assurance** can be given that there is a sound system of internal control, designed to support achievement of relevant organisational objectives. However, some weaknesses in the design and or consistent application of controls exist (See **Appendix 2** for Assurance Opinion Definitions). Management has agreed to the improvements to the control environment and the progress of implementing these additional controls will be reported to the Group Audit Committee.

3. Summary of Findings

Wheatley Group

This section summarises the results of Internal Audit advisory reviews completed during 2020/21. Each of these reviews included an assessment of the extent to which the control objectives set out in the Terms of Reference were achieved, as reflected in the charts below.

- GHA
- DC
- DGHP
- WLHP
- Cube
- Loretto Housing
- Lowther
- Wheatley Solutions

Gas Safety

- Wheatley Solutions
- Wheatley Care
- GHA
- DC
- DGHP
- WLHP
- Cube
- Loretto Housing
- Lowther

PPE Health & Safety

- Wheatley Solutions
- Wheatley Care
- GHA
- DC
- DGHP
- WLHP
- Cube
- Loretto Housing
- Lowther

Fire Safety

- GHA
- DC
- DGHP
- WLHP
- Cube
- Loretto Housing

Arrears Management

- Wheatley Solutions
- GHA
- DC
- DGHP
- WLHP
- Cube
- Loretto Housing

Nets PPE

- Wheatley Foundation
- GHA
- DC
- DGHP
- WLHP
- Cube
- Loretto Housing

Wheatley Foundation Expenditure

- Wheatley Solutions
- GHA
- DC
- DGHP
- WLHP
- Cube
- Loretto Housing

Allocations

- Wheatley Solutions
- Wheatley Care
- GHA
- DC
- DGHP
- WLHP
- Cube
- Loretto Housing
- Lowther
- Wheatley Foundation

Business Continuity Planning

- Wheatley Solutions
- DGHP

DGHP Transformation Programme

4. Summary of other work performed

The Internal Audit team has also completed the following advisory and consultancy reviews, which did not include an assessment of the achievement of control objectives, due to the nature of the work performed.

Cybersecurity healthcheck – IT operations	Cybersecurity healthcheck – SaaS systems	Working from Home interim review	Wheatley Care Quality Assurance self-assessment	Digital Strategy Interim Report	Payroll Data Analytics
Wheatley Solutions Wheatley Care GHA DC DGHP WLHP Cube Loretto Housing Lowther Wheatley Foundation	Wheatley Solutions Wheatley Care GHA DC DGHP WLHP Cube Loretto Housing Lowther Wheatley Foundation	Wheatley Solutions Wheatley Care GHA DC DGHP WLHP Cube Loretto Housing Lowther Wheatley Foundation	Wheatley Care	Wheatley Solutions Wheatley Care GHA DC DGHP WLHP Cube Loretto Housing Lowther Wheatley Foundation	Wheatley Solutions Wheatley Care GHA DC DGHP WLHP Cube Loretto Housing Lowther Wheatley Foundation

Summaries of the findings of all the reviews conducted during 2020/21 have previously been reported to the Group Audit Committee and to Subsidiary Boards.

5. Follow Up of Management Actions

Internal Audit completes follow up activity to verify that management have implemented actions as agreed in our internal audit reports. During 2020/21, the Group Audit Committee approved a decision to pause routine follow up activity during 2020/21.

In order to resume follow up activity for 2021/22, we have completed an annual assessment of the status of all open actions.

These comprise Wheatley Group actions brought forward from 2019/20, DGHP actions brought forward from 2019/20, and actions reported during 2020/21. Our assessment has included review of each action to determine whether:

a) The action has been completed during 2020/21; or

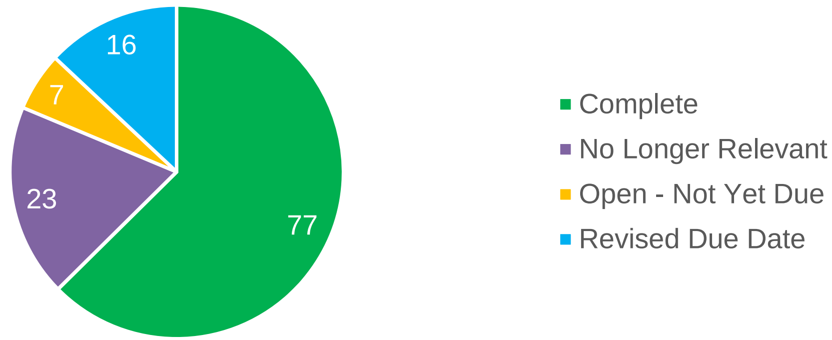
b) The action is no longer relevant or has been superseded by revised plans for the Group's new operating model.

c) For those actions that remain open and relevant, we have discussed the current status with management and identified revised timescales for completion of the original actions.

Status	Actions
Actions brought forward from 29 Feb 2020	22
Q4 2019/20 actions added	16
Legacy DGHP actions added	52
New actions agreed during 2020/21	33
Total Actions followed up	123

The chart below summarises our assessment of the status of the 123 actions carried forward to 2021/22.

Status of Actions at 31 March 2021



6. IA Key Performance Indicators

The Internal Audit team's performance against its agreed KPIs for 2020/21 is set out below:

Green	Overall Customer Satisfaction rating	Target Average score: 8 out of 10	Achieved average score: 9 out of 10
Green	Audits are delivered in line with agreed timescales	Target: 100% of audits	Achieved for 100% of audits
Green	Annual Plan agreed before start of financial year to which it relates	Target: February Group Audit Committee	Achieved – 2020/21 plan approved in February 2020 (1)
Green	Annual Report issued in line with consideration of Annual Accounts	Target: August Group Audit Committee	Achieved – 2019/20 Annual Report available for August Boards
Green	Annual Plan completed in line with agreed timescale and budget	Target: 100% of audits	Achieved for 100% of audits
Green	Percentage of time utilised on IA Plan delivery (based on 200 days)	Target: 100% utilisation	100% utilisation from September 2020 (2)

Key:

Red	More than 15% away from target
Amber	Within 15% of target
Green	Target met / on track for year

Notes:

1. The 2020/21 Annual Plan was superseded following lockdown. The revised plan has been approved by the Group Audit Committee on a quarterly basis and delivered in line with proposed timescales.
2. The Internal Audit team was furloughed between April 2020 and September 2020. The team's utilisation has therefore been measured based on 100 days for 2020/21, reflecting the period they were working.

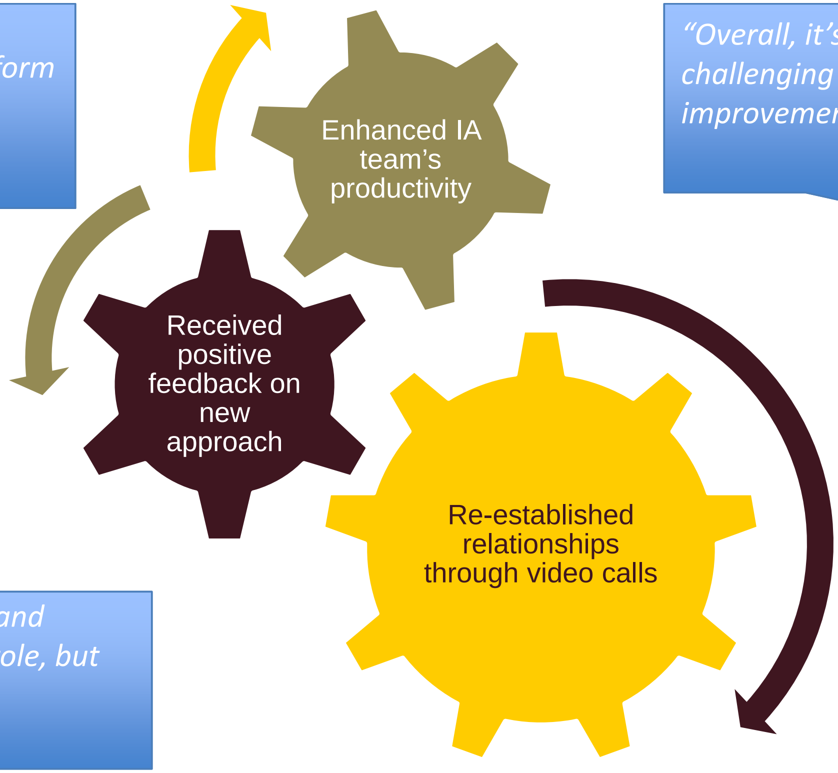
7. IA 2020/21 Feedback

The Internal Audit team has received the following feedback since returning from furlough in September 2020/21 and changing the audit approach. The quotes are taken from 2020/21 review feedback forms received from Subsidiary Directors.

"Challenges on process have helped to inform further improvements for this year's programme."

"Consultation during the reporting of review outcomes is a really strong part of the recent audit process."

"The team has been excellent. Engaging and analytical in what is not always an easy role, but their approach has been appreciated."



"Overall, it's been a thorough process that has been challenging (as it should be) and has helped us identify improvements for the next phase of our journey."

"Noticed real difference in recent audits regarding the amount of pre work undertaken by the team. This is extremely helpful and is welcomed."

"All audits undertaken resulted in improvements being identified and this was as a direct result of the auditors' recommendations."

8. IA Compliance with Standards

Internal Audit compliance with professional standards

The Internal Audit team employs a risk-based approach to determine the audit needs of the Group at the start of each year, which is reviewed on a rolling three-month basis throughout the year. The team uses a risk-based methodology to plan and conduct our work, and all Internal Audit activity is performed in line with the International Standards for the Professional Practice of Internal Auditing and the Code of Professional Conduct (including Code of Ethics) promoted by the Chartered Institute of Internal Auditors.

Internal Audit independence

Each member of the Internal Audit team is required to confirm their independence annually. The Independence Statements were last collected in September 2020 and the exercise will be repeated in September 2021.

Conflicts of Interest

The Internal Audit team is led by the Director of Assurance, who reports directly to the Group Chief Executive and meets regularly with the Chair of the Group Audit Committee.

The Director of Assurance has other operational responsibilities. Consequently, the Group Audit Committee assesses the controls in place to maintain the Director's independence on an annual basis.

There have been no conflicts of interest during the year which have impacted on our independence or our ability to report our findings.

9. IA Quality Assurance and Improvement Programme

As part of the IA Team's Quality Assurance and Improvement Programme, we completed our internal quality assurance during 2020/21, comprising:

Ongoing monitoring

- Day-to-day supervision and review of IA team's work
- Key Performance Indicators (KPIs) monitoring and reporting

Annual CPE Completion

- Each IA team member completes training to meet the annual CPE requirement of their professional institute.

Annual self-assessment

- Completed using guidance issued by the CIIA
- Results reported within the Annual Report and Opinion

Annual Self-Assessment

The Internal Audit team completed the quality assessment template produced by the Chartered Institute of Internal Auditors (CIIA) and rated performance as:

Generally Conforms

- The evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects.

The results of the assessment, including identified improvement opportunities were reported separately to the Group Audit Committee.

Appendix 1: Limitations and responsibilities

Limitations Inherent to the Internal Auditor's Work

We have prepared the Internal Audit Annual Report and undertaken the agreed programme of work as set out in the Annual Assurance Plan, subject to the limitations outlined below.

Opinion

The Annual Internal Audit Statement is based solely on the work undertaken as part of the agreed Annual Assurance Plan. The work addressed the control objectives agreed for each individual assignment as set out in our individual Terms of Reference. The matters raised in this report are only those which came to our attention during our Internal Audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of the individual review, or were not brought to our attention. Our audit plan is based on risk to capture the higher risk areas within the Group. As a consequence, Management and the Group Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal Control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Responsibilities of Management and Internal Audit

It is Management's responsibility to develop and maintain sound systems of risk management, internal control and governance to ensure the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for Management's responsibilities for the design and operation of these systems.

Internal Audit endeavour to plan work so that we have a reasonable expectation of detecting significant control weaknesses and if detected, we shall carry out additional work directed towards the identification of consequent fraud or other irregularities. Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as Internal Auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Appendix 2: Assurance Opinion definitions

Annual Assurance Opinion Definitions

The table below details the different types of Internal Audit opinion which may be given:

No Assurance

- There are **business critical control weaknesses** identified from Group wide Internal Audit reviews undertaken in year. If not addressed as a priority, these weaknesses could affect the going concern status of one or more Group Subsidiaries.

Limited Assurance

- There are **significant control weaknesses** identified from Group wide Internal Audit reviews undertaken in year, leaving scope for considerable improvement and concern is expressed about the adequacy of controls in mitigating risk to the Group

Substantial Assurance

- There are **control weaknesses** identified from Group wide Internal Audit reviews undertaken in year. The majority of existing controls and processes accord with accepted good practice and are operating effectively although some deficiencies do exist, which could result in increased risk of loss/failure affecting the achievement of strategic objectives

Full Assurance

- There are **no identified control weaknesses** identified from any of the Group wide Internal Audit reviews undertaken in year. Operating practices are considered optimised and industry leading, with no identified areas for improvement

Control Objective Classification

Each control objective is assigned a classification based on an assessment of the impact of individual findings within the report, as follows:

Red

- Control objective not achieved. Control weaknesses identified would have a significant and immediate impact on the risks to achievement of the organisation’s objectives

Amber

- Control objective not achieved. Control weaknesses identified would have a significant impact on the risks to achievement of the organisation’s objectives

Yellow

- Control objective achieved. Control weaknesses identified would have some impact on the risks to the achievement of the organisation’s objectives

Green

- Control objective achieved. Any control weaknesses identified would have limited impact on the risks to the achievement of the organisation’s objectives

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:	**26 August 2021**

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1. Purpose

1.1. This report requests Board approval of the updated Strategic Risk Register and to provide an update on the planned risk workshops across the wider Group.

2. Authorising and strategic context

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

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

3. Risk appetite and assessment

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

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

4. Strategic risk register update

4.1. The Strategic Risk Register was reviewed by the Group Audit Committee on 4 August 2021. The following table summarises the more significant proposed changes. The full Strategic Risk Register is attached to this paper at Appendix 1.

Risk reference	Proposed change
SRR08: Compliance with funders' requirements	Risk description and controls updated following Treasury team risk workshop.
SRR10: Group Credit Rating	Risk description updated following Treasury team risk workshop, to include default within the sector as another potential external factor impacting on the Group's credit rating.
SRR11: Securing new funding and adverse market changes	Risk description and controls updated following Treasury team risk workshop to reflect default in the sector and focus on ESG credentials as potential external factors impacting on the Group's ability to secure new funding.
SRR18: ~~Brexit trade deal~~ Supply chain disruption	Risk title, risk description, risk scores and controls amended to reflect availability of supplies in the supply chain for new build and repairs teams.

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

Risk reference	Proposed change
SRR02: Ongoing threat of future waves of COVID-19 and / or another pandemic	Amended to expand on the range of mitigating measures we would draw on in the event of further restrictions or another pandemic situation.
SRR04: New operating model implementation	Amended to show that there will now be ongoing consultation with Trade Unions.
SRR07: Rent arrears including Universal Credit	Amended to show that Gross Rent Arrears reported to every Board meeting as part of monitoring the risk.
SRR19: Cyber Security	Amended to show that cyber security updates to be reported to Group Audit Committee biannually as part of monitoring the risk.
SRR20: Implementation of DGHP partnership promises	Amended to show that implementation has now been mainstreamed in into the DGHP strategy and the Group's Performance Framework.

Risk Workshops

4.3 We had planned to hold a series of Board risk workshops to consider our risk profile and appetite in Spring 2020. They had to be deferred due to the pandemic. With the launch of the new Group Strategies for 2021 – 2026, it is intended that each Board will have a risk workshop to cover new strategic risks and revisit our risk appetite within that context. The Group Audit Committee on 5 November will be asked to consider and approve the approach and format for these workshops in Spring 2022.

5. Customer engagement

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

6. Digital transformation alignment

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

7. Financial and value for money implications

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

8. Legal, regulatory and charitable implications

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

9. Equalities implications

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

10. Environmental and sustainability implications

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

11. Recommendation

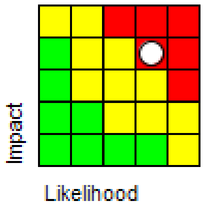
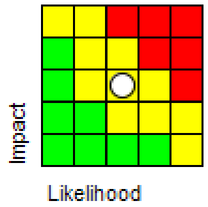
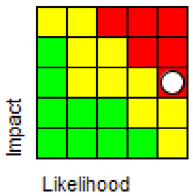
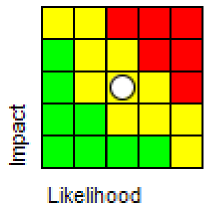
11.1. The Board is asked to:

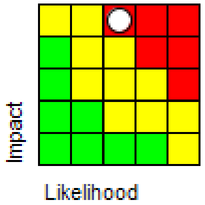
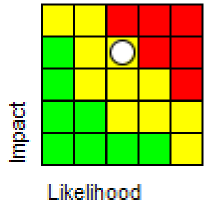
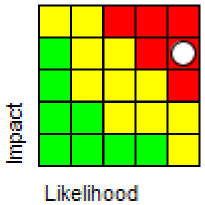
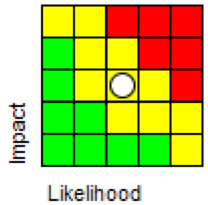
1) Approve the proposed changes to the Strategic Risk Register; and
2) Note the status of the planned Groupwide risk workshops.

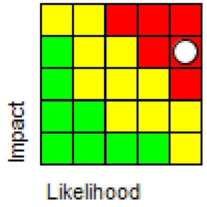
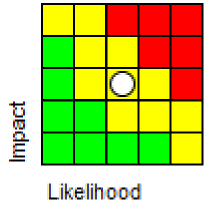
List of Appendices
Appendix 1 - Wheatley Group Strategic Risk Register
Appendix 2 - Risk Scoring Definitions
Appendix 3 - Risk Appetite Definitions

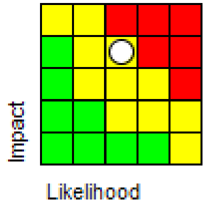
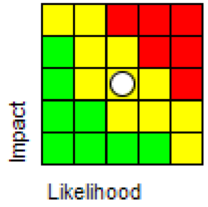
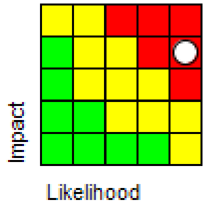
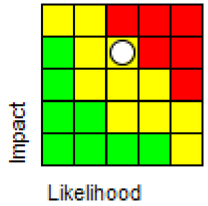
Appendix 1

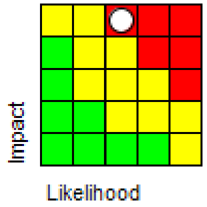
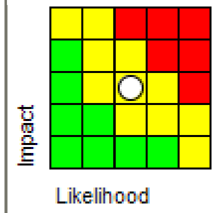
Wheatley Group Strategic Risk Register as approved by the WHG Board on 28 April 2021 (*proposed changes in red font*)

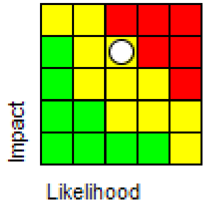
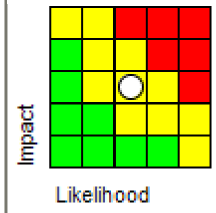
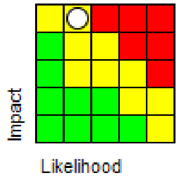
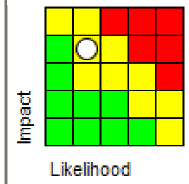
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
SRR01 Service remobilisation post COVID-19 Risk Owner: Group CEO (Martin Armstrong)	A lack of clear planning, coherence and communication with staff and customers in our service remobilisation planning as we move through the Scottish Government's COVID-19 recovery phases could lead to: • poor or inconsistent service outcomes • customer and staff confusion and frustration, including an increase in complaints • risks to customer and staff health and safety (for example if PPE requirements are not properly understood and delivered) • deterioration in trade union and stakeholder relationships		Service remobilisation plans must meet strict criteria and be approved by the Exec Team. Governance oversight is provided by all Boards. Services cannot move between different stages of remobilisation without a full review of lessons learned from the previous stage and a further gateway approval from the Exec Team. The following are key components of each service's remobilisation plans and must be approved by the Exec Team at each stage: • Health and safety implications/forecast requirements of PPE can be met • Furloughing implications are agreed and understood • Customer views from the previous stage service model have been assessed and any lessons learned understood • Trade union partners have endorsed the proposals for remobilisation		Cautious
SRR02 Ongoing threat of future waves of COVID-19 and / or another pandemic Risk Owner:	The risk of future waves of Covid-19 and / or another pandemic along with the risk of further periods of lockdown (either Scotland wide or by geographical area) may result in previously remobilised services being paused.		Through lessons learnt from previous lockdown and remobilisation, services now have contingency plans (both Group wide and at a local level in place) for future waves and / or another pandemic. These include protocols for different grades of service model depending on the level of government restrictions (according with the levels		Cautious

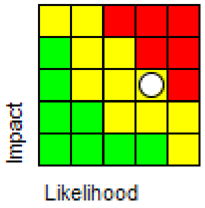
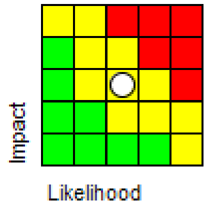
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
Group CEO (Martin Armstrong)			system), Operational Safety Manual amendments which can be reinstated at short notice depending on the situation and 16-week PPE forward supply 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.		
SRR03 Building safety Risk Owner: Group Director of Property and Development (Tom Barclay)	The risk that the health and safety of our customers and staff is put at risk through failure to comply with all relevant building health and safety rules. The continuously changing nature of regulations and guidance in this area, for example in relation to fire safety, elevates the risks in relation to continuing compliance.		External review, commissioned by the Assurance Team, of our Fire Safety arrangements every 2 years. Community Improvement Partnership focused on fire prevention and education. Business Continuity Plans. Fire Prevention and Mitigation Framework, including our approach to high rise block inspections and Fire Risk Assessments.		Averse
SRR04 New operating model implementation Risk Owner: Group CEO (Martin Armstrong)	The implementation of a new operating model as we emerge from the COVID-19 crisis, including changing staff patterns/places of work, reducing the number of offices and placing greater reliance on technology could be poorly implemented and communicated, leading to staff disengagement and lack of support from our trade union partners.		A clear strategy is in place for ongoing consultation with all relevant staff, including through our Trade Union partners, who are supportive of the new model. Detailed guidance has been provided to all staff on the health & safety aspects of home working. There will be clear communication of the protocols for accessing new staff hubs and what they should be used for once Scottish Government guidance allows use of non-essential offices again.		Open

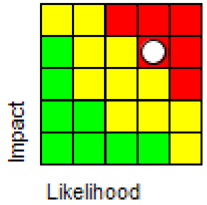
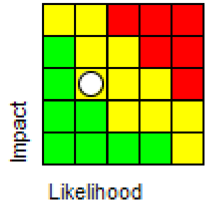
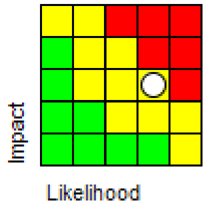
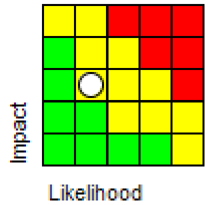
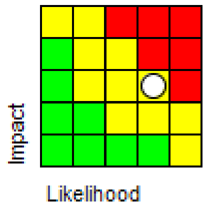
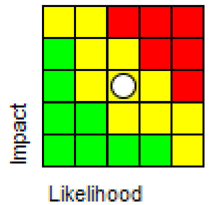
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
SRR05 Care and support Services <u>Risk Owner</u>: Group Director of Housing and Care (Olga Clayton)	A failure in the care of an individual could result in serious personal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

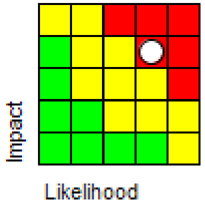
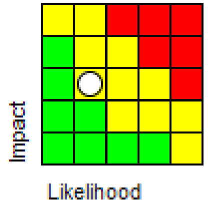
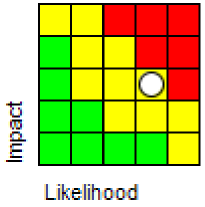
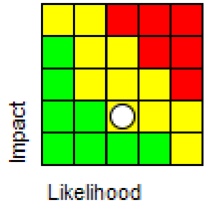
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
SRR06 Customer satisfaction <u>Risk Owner</u>: Group Director of Housing & Care (Olga Clayton)	Customers do not feel our homes and services meet their needs and/or the standards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

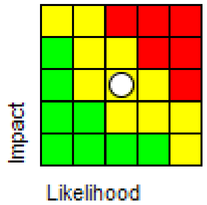
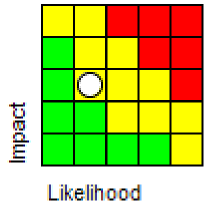
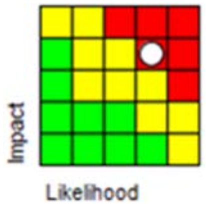
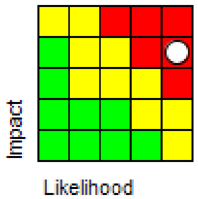
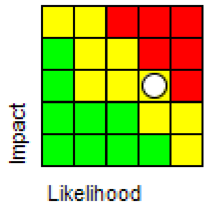
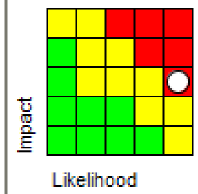
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
			unmanageable, drawing in Wheatley 360 support services such as welfare benefits advice, as required. The Group business plan also contains a significant buffer within its assumptions for risk in relation to bad debts and rent arrears. In addition, arrears performance is reviewed by Boards at every meeting.		
SRR08 Compliance with funders' requirements Risk Owner: Group Director of Finance (Steven Henderson)	~~Failure to meet/maintain the requirements of funders and investors could have a range of impacts, from default on loan agreements (i.e. covenants) to general loss of confidence. This could adversely impact on our ability to raise new funding to deliver strategic objectives.~~ There is a risk of defaulting on loan agreements caused by a failure to meet or maintain compliance with loan agreements resulting in withdrawal of the funding and potential difficulty in obtaining future funding from other funders.		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 and important dates. Financial performance is monitored on an ongoing basis through monthly reporting cycle and Group/subsidiary Board review of management accounts. Subsidiary and Group Business Plans are subject to annual updates and review by respective Boards. In addition, ongoing dialogue is maintained with relevant credit rating agencies in order to mitigate the risks of unexpected rating changes.		Cautious

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

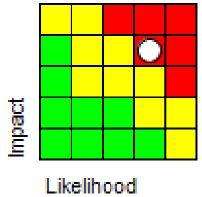
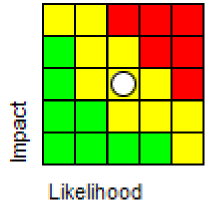
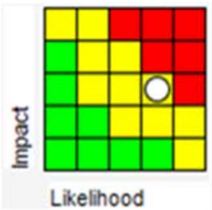
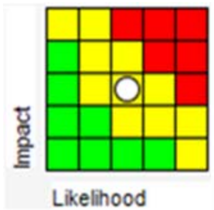
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
	Investment Bank loans, a reduction in the availability of future borrowing, and/ or an increase in the cost of current debt.		*Standby funders to replace EIB if necessary* - A strong relationship is maintained with EIB to mitigate future risk from external factors causing a credit rating downgrade. Strong investor/lender relationships are maintained with a number of other organisations at all times in case of unanticipated funding need.		
SRR11 Securing new funding and adverse market changes Risk Owner: Group Director of Finance (Steven Henderson)	~~Wider economic and/or political conditions could cause deterioration in the funding market, for example another banking crisis or constitutional changes causing investor uncertainty. This could limit our ability to raise borrowing at cost-effective rates or raise the required funds to meet our liquidity Golden Rules, thereby increasing the risk that we do not have enough available cash to meet our commitments or achieve our business plan objectives.~~ 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, default in the sector, increasing focus on ESG credentials or constitutional changes; resulting in an inability to hold enough cash to meet our commitments or achieve our business objectives.		Our strategy is to diversify funding sources and relationships, providing a range of options for future funding in the event of adverse funding market changes. Our liquidity Golden Rules are designed to ensure that we have sufficient cash available for two years + 25% contingency, and this rule is re-assessed annually by the Group Board. Compliance with these is reported to the Group and WFL Boards quarterly. We do not borrow in currencies other than sterling to reduce exchange rate risks, including in the event of a potential future change in currency, nor do we borrow from non-UK domiciled investors (with the exception of the EIB). The Group's Internal Rate of Return (for appraising and approving projects) will be revised when finance costs increase to ensure new build projects do not become loss-making. Annual ESG reporting in place. The Treasury team will appoint a 3rd party to provide accreditation of the report during 2021.		Open

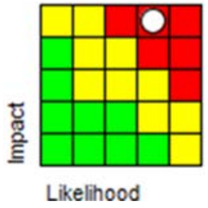
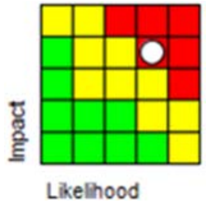
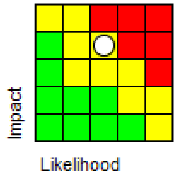
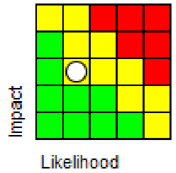
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
SRR12 Business Continuity / Disaster Recovery Risk Owner: Group Director of Property & Development (Tom Barclay)	The Wheatley Housing Group does not have adequate or tested Business Continuity / Disaster Recovery Plans in place for key business activities (for example: repairs service, care provision/staff cover, customer payment systems/technology) including those with significant contractors, resulting in significant disruption to service and avoidable reputational damage.		A business continuity implementation group is responsible for collating, reviewing and designing the Group's Disaster Recovery and Business Continuity Plans. A programme to annually test these plans has been developed. Group Assurance continue to monitor progress and robustness of plans.		Minimal
SRR13 Commercial Operations Risk Owner: Group Director of Property & Development (Tom Barclay)	Failure to achieve financial growth returns in our commercial operations. This results in reduced surpluses available to support the Group's charitable activity, in particular through the Wheatley Foundation.		Robust monitoring arrangements in place to appraise the operational performance and delivery of strategic objectives; and Levels of performance are monitored by Divisional Management Teams (DMTs), Executive Team (ET) and the relevant Boards as well as Group Board.		Open
SRR14 Political and Policy Changes Risk Owner: Martin Armstrong (Group Chief Executive Officer)	The risk that political and policy changes (within Scotland and the UK) affect the ability of Wheatley Housing Group to deliver strategic objectives resulting in significant adverse reputational impact.		The current policy and national political environment brings a degree of uncertainty. The Group has an established stakeholder management framework in place and relevant Managers will be focussed on responding to changes in policy and administration as they arise. The Group's policy of not building homes for sale also mitigates potential property market risk.		Cautious

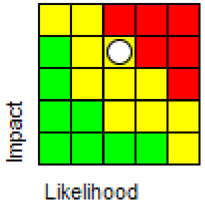
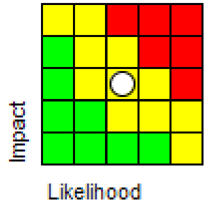
Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
SRR15 Failure to recruit, develop, retain, and succession plan Risk Owner: Group CEO (Martin Armstrong)	Failure to recruit, develop, retain and succession plan for high quality / qualified staff, resulting in reduced levels of service provision, staff not competent to perform their job to expected standard and achieve strategic objectives.		MyContribution process for all staff / training logs for all staff / training courses at the Academy and online / leadership development programme / succession planning and talent management programme / HR policies on recruitment and selection / employee satisfaction surveys.		Open
SRR16 Laws and Regulations Risk Owner: Group Director of Finance (Steven Henderson)	Non-compliance with statutory laws and regulations, including but not limited to: (i) Scottish Housing Regulator and Care Inspectorate regulations, (ii) Financial Conduct Authority (FCA) regulations, (iii) compliance with Health and Safety Building Regulations (iv) Freedom of Information (Scotland) Act, and (v) General Data Protection Regulations resulting in adverse feedback and loss in confidence from Regulator, the Scottish Information Commissioner, funders, customers and potential partners, as well as potential fines and penalties.		A Group wide Scottish Housing Charter Assurance process is supported by the Tenant Scrutiny Panel reviewing outcomes. FCA regulations are considered when new products and services are developed. Qualified personnel undertaking capital improvement works as well as suitable sign off and compliance checks of new installations (e.g. external wall coverings), to ensure these meet relevant building standards. New product offerings follow a clear route to governance, with approval required from the Executive Team before formal approval is requested from the Group Board. Legal and financial advice is obtained for all financial offerings to customers. Compliance Plan monitored on an on-going basis and any issues raised to Executive Team and Audit Committee on an exceptions basis. The Group has on-going relationship management with Regulator.		Averse

Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
			Group wide approach to how the Group manages information. Privacy Impact Statements to be implemented across the Group. Changes to existing legislation are identified and implemented by identified responsible officers across the Group.		
SRR17 Pension contributions Risk Owner: Group Director of Finance (Steven Henderson)	Increases in the required pension contributions for all Group pension funds may lead to potential cost pressures for the Group.		The Group's Pensions Policy sets out a range of measures to manage pension costs. We have established a Wheatley Group defined contribution scheme which is the default arrangement for new joiners and auto-enrolment for most subsidiaries. We are also consolidating SHAPS and LGPS schemes where possible to reduce the risk of cessation liabilities being triggered.		Averse
SRR18 ~~Brexit trade deal~~ Supply chain disruption Risk Owner: Group Director of Property & Development (Tom Barclay)	~~The impact of the post-Brexit trade deal, along with manufacturing productivity challenges linked to Covid and global purchasing behaviours, especially US/Asia mega-purchasing may mean some delays in sourcing materials and goods, whether directly or indirectly via our supply chain. Wheatley Care may also face workforce challenges.~~ ~~This could result in increased costs and/or delays for new build and property investment and repair works, or negatively impact on the wellbeing and satisfaction of People We Work For.~~ There is a risk of delays in the sourcing of goods and materials, or of Wheatley Care workforce challenges arising from the impact of	Revised: 	**General** Procurement procedures include assessment of suppliers' financial health. Proactive monitoring of supply chains by Operational leads with regular contract management meetings. Regular engagement with Scottish Government on cost or delay impact as potential issues emerge. In the event of supplier insolvency, procurement frameworks / approved supplier listings would be used to identify alternative suppliers. **Repairs Service**	Revised: 	Cautious

Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
	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.		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.		

Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
SRR19 Cyber Security Risk Owner: Group Director of Finance (Steven Henderson)	The Group's approach to Cyber Security is not robust and staff are not actively engaged due to culture or poor staff understanding; or knowledge of the subject, the Group's response to it or their individual role. This is particularly important with increased home working across the Group. A lack of compliance with the approach and arrangements made could lead to greater opportunity for cyber-attack, resulting in unplanned system downtime, data loss, reputational damage, customer dissatisfaction and potential legislative or regulatory breach.		IT cyber security live tests undertaken and results reported to ET and Group Board. Group IT has an information and cyber security approach that covers i) overall Information Security Policy for Group, and ii) staff engagement and training across 5 key learning themes. Established processes across key risk areas: Information Security Response / Access Controls / Secure Disposal / Group Data Protection Policy /IT Cloud Services Policy / Vendor Security Assessments. Group IT is externally assessed annually on information security and IT general controls via 3rd party auditors. A Bi-Annual cyber security assessment is conducted by NCC across 20 key control areas. An internal Information Security Working Group has been established within technical teams across Group IT. Biannual cyber security update reported to the Group Audit Committee.		Minimal
SRR20 Implementation of DGHP partnership promises Risk Owner: Group CEO (Martin Armstrong)	We may fail to deliver the tenant promises made in the DGHP partnership ballot, 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.		~~A DGHP implementation plan is in place and is subject to ongoing review and monitoring at both Wheatley and DGHP Board level.~~ The DGHP implementation plan has now been mainstreamed into the Group's strategy and now included with the Group's performance framework.		Open

Risk Code & Title	Description	Inherent Risk Score	Risk Existing Controls / Monitoring & Check	Residual Risk Score	Risk Appetite
SRR21 Post-2021 Housing Policy and Grant availability Risk Owner: Group Director of Finance (Steven Henderson)	There is a risk that without sufficient Scottish Government financial support we may be unable to deliver some of the objectives in our 2021 – 2026 Strategy in relation to energy efficiency.		Wheatley Group staff are meeting with Scottish Government representatives regularly to proactively present the case for housing investment to Ministers and senior officials directly and through our representative bodies SFHA and CIH. A Green Investment Plan proposal has been developed and will form the basis of direct discussions with the Scottish Government. Financial scenario planning in place to understand potential impact on our investment programme under a variety of grant scenarios.		Cautious
SRR22 Covid-19 vaccination roll-out Risk Owner: Group CEO (Martin Armstrong)	There is a risk that a lack of clarity over employers' responsibilities in relation to the Covid-19 vaccine, including employment law and data protection implications of requiring staff to notify their employer and / or the vaccine being made mandatory for certain roles, results in reputational damage and / or potential breach of employment law or data protection regulations.		The Employee Relations team continues to consult with employment law advisers to obtain ongoing legal advice. The Group continues to liaise closely with trades unions and staff to develop its approach. Data privacy notices for Care staff have been updated to allow the Group to keep a record of which staff have received the vaccine, and work to updated privacy notices for all Group staff continues. Where Care staff have not received a vaccine, or unable to wear full PPE, the Group's interim approach is to reassign employees to non-customer facing roles, to safeguard both customers and the employee.		Averse

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

Risk Scoring Definitions

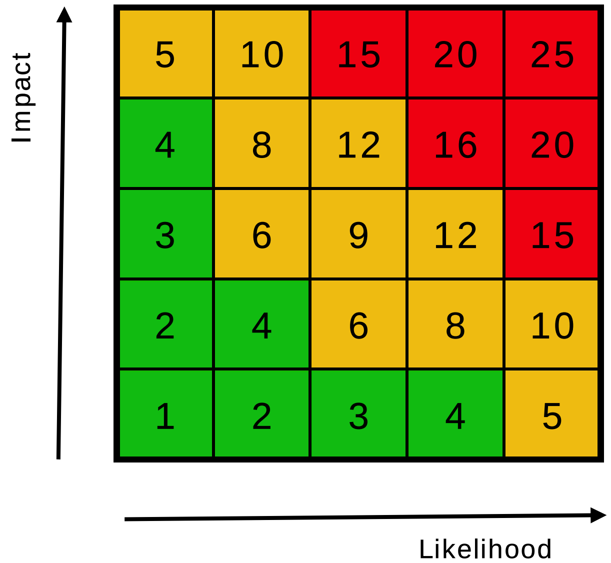
Appendix 2

Impact scoring for strategic risks

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

Likelihood scoring

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



Risk Appetite Definitions

Appendix 3

	1 Averse	2 Minimal	3 Cautious	4 Open	5 Hungry
	Avoidance of risk and uncertainty is a key Organisational objective.	Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward.	Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.	Willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc.).	Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk).
Risk Category	**Example behaviours when taking key decisions….**				
Reputation and credibility	• Minimal tolerance for any decisions that could lead to external scrutiny.	• Tolerance for risk taking limited to those events where there is no chance of significant repercussion.	• Tolerance for risk taking limited those events where there is little chance of any significant repercussion should there be a failure.	• Appetite to take decisions with potential to expose us to additional scrutiny but only when appropriate steps have been taken to minimise any exposure.	• Appetite to take decisions that are likely to bring external scrutiny but where potential benefits outweigh the risks.
Operational and Policy delivery	• Defensive approach to objectives – aim to maintain or protect, rather than to create or innovate. • Priority for tight management controls and oversight with limited devolved decision making authority. • General avoidance of systems / technology developments.	• Innovations always avoided unless essential. • Decision making authority held by senior management. • Only essential systems /technology developments to protect current operations.	• Tendency to stick to the status quo, innovations generally avoided unless necessary. • Decision making authority generally held by senior management. • Systems / technology developments limited to improvements to protection of current operations.	• Innovation supported, with demonstration of commensurate improvements in management control. • Systems / technology developments considered to enable operational delivery. • Responsibility for non-critical decisions may be devolved.	• Innovation pursued – desire to 'break the mould' and challenge current working practices. • New technologies viewed as a key enabler of operational activity.
Financial / VFM	• Avoidance of financial loss is a key objective. • Only willing to accept the low cost option. • Resources withdrawn from non-essential activities.	• Only prepared to accept the possibility of very limited financial loss if essential. • VFM is primary concern.	• Prepared to accept the possibility of some limited financial loss. • VFM still the primary concern but willing to also consider the benefits. • Resources generally restricted to core operational targets.	• Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level. • Value and benefits considered (not just cheapest price). • Resources allocated in order to capitalise on potential opportunities.	• Prepared to invest for the best possible reward and accept the possibility of financial loss (although controls may be in place). • Resources allocated without firm guarantee of return – 'investment capital' type approach.
Compliance – legal / Regulatory	• Avoid anything which could be challenged, even unsuccessfully. • Play safe.	• Want to be very sure we would win any challenge.	• Limited tolerance for "sticking our neck out". Want to be reasonably sure we would win any challenge.	• Challenge will be problematic but we are likely to win it and the gain will outweigh the adverse consequences.	• Chances or losing are high and consequences serious. But a win would be seen as a great coup.

Report

To:	**Wheatley Housing Group Board**
Report by:	**Steven Henderson, Group Director of Finance**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**Group Performance Update Quarter 1 2021/22**
Date of Meeting:	**26 August 2021**

1. Purpose

1.1 This report presents the Board with an update on quarter one performance delivering the targets in the Group Performance Framework and strategic projects for 2021/22.

1.2 The report is structured on our five strategic themes. Under each theme there are three sub-sections:

- Strategic Results (Appendix 1)
- a note on progress developing the supporting customer and business value approach
- performance against any other relevant KPIs, including key Charter measures, compliance and health and safety (Appendix 2).

1.3 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 as a separate section and the dashboard is 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 The Board agreed ournew five-year strategy for the Group, *Your Home, Your Community, Your Future* in October 2020 and the underpinning Performance Framework in June 2021. This is the first quarterly report on performance and progress of measures reflecting the themes, outcomes, and strategic results this strategy presents.

4.2 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 now report GHA A and GHA B to distinguish those previous Cube customers whose rent is billed differently. The same approach will be used for Loretto in the next quarterly report that shows performance following the end of July transfer. This will be the last report we reference Cube as an RSL.

5. Customer engagement

5.1 Once results have been validated by the Scottish Housing Regulator, we present a summary of 2020/21 performance against our key Charter measures to the Tenant Scrutiny Panel in October along with an update on performance in the first part of 2021/22.

5.2 We also consulted the Tenant Scrutiny Panel on the new customer value approach that underpins the new Performance Framework. We are now working with a provider to implement a suitable 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, with the intention of having new data available by the fourth quarter of this financial year.

6. Discussion

Part 1

Delivering Exceptional Customer Experience

6.1 Strategic Results

6.1.1 Many of the Group's Strategic Results under the customer experience strategic theme will be reported annually, as these satisfaction figures are captured through surveys that are conducted once a year.

6.1.2 Data for the "book it, track it, rate it" and Lowther Net Promoter Score Strategic Results will become available as we implement the new technology platforms to gather more frequent customer feedback.

6.2 Customer Value and Business Value KPIs

Repairs Satisfaction

6.2.1 This existing Charter satisfaction measure is currently above target for all RSLs; however, it is still based on a small census size.

6.2.2 The volume of surveys is beginning to increase as the number of repairs carried out increases. We received 716 completed surveys in the last 12 months, less than 10% of the volume in 2019/20 and less than 0.5% of jobs completed. However, we are already seeing a much greater number returned per month than we received in 2020/21 in total (1,004). There are also 400 surveys received and being processed.

6.2.3 With this number of surveys, the Group figure in the table below of 89.1% should be read as 84-94% (a margin of error of + or – 5%). For context, prior to the pandemic, in 2019/20 we achieved a Group average satisfaction of 94.1%.

RSL		2021/22	
		Target	Current Value
West	GHA	87%	87.0%
	Cube	87%	90.9%
	Loretto	87%	100.0%
East	DC	87%	91.2%
	WLHP	87%	90.9%
South	DGHP	87%	91.5%
Group		**87%**	**89.1%**

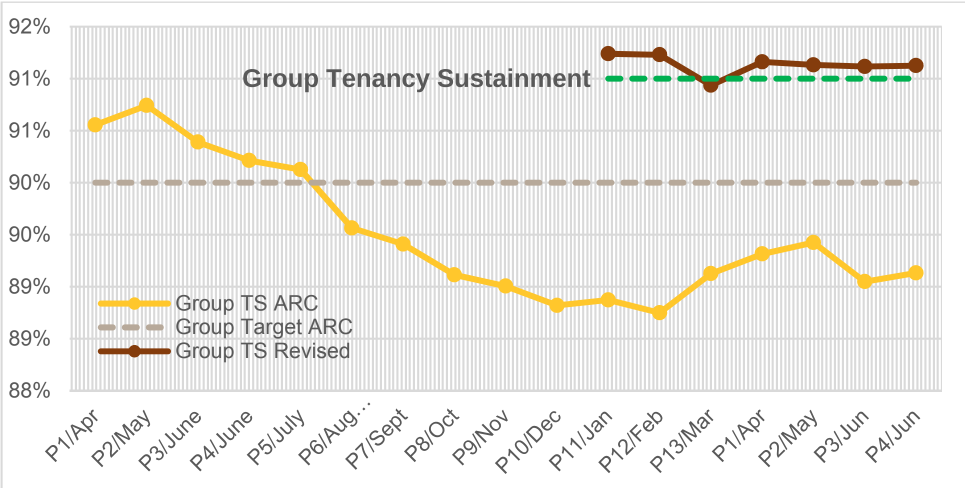
Complaints Handling

6.2.4 All partners met the targets set in place by the Scottish Public Services Ombudsman (“SPSO”) to respond to stage one complaints within five working days. Most partners also responded to stage two complaints within the SPSO target of twenty working days. Dunedin Canmore took slightly longer to respond to one complaint out of the seven stage two complaints received.

In Period Complaints Handling	Number Complaints Received per 1,000 Properties	Number of Complaints Responded to	Percentage of complaints responded to within target at Stage 1 (5 days)	Percentage of complaints responded to within target at Stage 2 (20 days)
GHA	4.9	195	100%	100% (21)
Loretto	5.6	9	100%	100% (0)
DC	6.8	37	100%	86% (6/7)
WLHP	2.7	2	100%	100% (0)
DGHP	3.4	31	100%	100% (0)
[redacted]				

Tenancy Sustainment

6.2.5 The percentage of new tenancies sustained for more than a year remains consistent at 89%. This rises slightly to 91% when we exclude deceased and transfers within Group. Sustainment with our letting activity last year will be monitored throughout this year. We are achieving the 91% target with our revised tenancy sustainment indicator and only 36 of 4,122 lets short of the 90% target.



6.2.6 The table below provides the breakdown at RSL level at the end of quarter one for both tenancy sustainment indicators.

RSL	Tenancy Sustainment Charter	Excl. deceased & transferred within Group
Cube	93.89%	96.88%
Dunedin Canmore	90.28%	92.17%
DGHP	85.37%	86.24%
GHA	89.62%	91.83%
Loretto	89.57%	91.74%
WLHP	92.54%	94.26%
Group	**89.13%**	**91.12%**

6.2.7 To address slightly lower sustainment, DGHP is working closely with Dumfries and Galloway Council's homeless service regarding the specific issues that affect performance. The local authority is experiencing issues with updating Section 5 paperwork with its IT systems supplier. Joint matching meetings continue, and we have agreed these are proving beneficial to provide Housing Officers ("HOs") with additional information to support customers at the start of a tenancy. My Great Start launched late in period three, and we will review whether it has a positive impact on sustainment. A new Housing Support Officer for the in-house tenancy support services team started in post mid-July and also provides a valuable addition to the services available to HOs in the West of DGHP.

6.2.8 We are continuing to develop more detailed customer and business value measures for five customer service areas: allocations, repairs, complaints handling and anti-social behaviour resolution. We have been exploring technology to use for the customer value approach and are discussing with potential providers the solutions that will work for us. This programme of work will be carried out on a phased basis, with repairs measures being considered and developed first. We aim to have the first new measures available by the end of this financial year.

6.3 Strategic Results

New Build Programme

6.3.1 The Group aim is to deliver 5,500 new homes over the course of the strategy. Our business plan target is to deliver 675 homes in 2021/22, of which 119 have been completed as of 31 July. This compares to our target of 120 for the same period.

6.3.2 We have completed four projects since the start of April: three GHA projects at Bellrock, Auchinlea and Baillieston and DGHP's project at Monreith. The following table shows current progress to delivering our 2021/22 target by RSL.

6.3.3 There are currently 26 live sites across the development programme, with 14 of these sites due to compete this financial year. Some additional notes on progress are:

- The GHA Kennishead project, our last remaining on-site project with Engie, is programmed to complete in late August 2021, with the handover of the final 7 units;
- DCH programme: the 20 units initially programmed for handover in Q1 at South Gilmerton are now programmed for handover in Q3. Material supply issues have affected this project; and
- The target for DGHP was 17 units to the end of June. We have completed the Monreith project (5 units) this financial year and completed our Sanqhuar project (12 units) ahead of programme, with all units handed over last financial year. So, although we have met target, these 12 units will appear as under target throughout 2021/22.

Customer Satisfaction with New Build Homes

6.3.4 Customer satisfaction results for the homes completed between January and March 2021 are in the process of being compiled. This will be reported in September. We are also working with the Customer First Centre to design an electronic platform to strengthen our means of engaging customers and receive feedback.

Investment in Improvement, Modernising and Maintaining Homes

6.3.5 The Group strategy states that we will invest £360m into improving, modernising and maintaining our homes over the next five years. The finance reports sets out spend to date in more detail, with the table below setting out progress with programme delivery.

RSL		Works Carried Out
West	GHA	Heating–435/629 Lift Replacements – 2/2 Windows – 229/82 Kitchens – 57/38
	Cube	Boiler replacements now underway
	Loretto	Smoke and heat detector upgrade programme. Lift replacement at Wallace of Campsie.
East	DC	Bathrooms – 1/1 Kitchens – 16/16
	WLHP	Boiler Renewal – 8/8
South	DGHP	Heating – 79/172 Windows – 93/210 EWI – 40/37 Porches – 13/5 Roof replacements – 15/40 Walls – 37/47

Planned to Reactive Repairs Spending

6.3.6 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.

Percentage Spend 2021/22		Planned	Reactive
West	GHA	61%	39%
	Cube	65%	35%
	Loretto	55%	45%
East	DC	75%	25%
	WLHP	78%	22%
South	DGHP	56%	44%
Group		**61%** **£13,407,455**	**39%** **£8,499,660**

Reduce the Volume of Emergency Repairs

6.3.7 The table below shows our position towards the Strategic Result to reduce the volume of emergency repairs by 10% by 2026 compared to the baseline year of 2019/20. We are close to this target, although all repairs volumes are below the 2019/20 comparators for the same period due to Scottish Government restrictions.

Area	Completed Repairs					
	Emergency			Non-emergency		
	2019/20 Q1	2021/22 Q1	Variance	2019/20 Q1	2021/22 Q1	Variance
West	18,301	16,192	-11.5%	31,742	27,352	-13.8%
East	1,827	1,948	6.6%	4,133	4,529	9.6%
South	4,035	3,688	-8.6%	5,661	5,028	-11.2%
Group	**24,163**	**21,828**	**-9.7%**	**41,536**	**36,909**	**-11.1%**

6.3.8 Repairs services remobilised in April and good progress continues to be made responding to the demand, with significant volumes of work having been carried out to address a back log of around 8,000 repairs. The business update paper provides a statement of the latest progress on addressing these.

Maintain Tenant Satisfaction with the Quality of their Home

6.3.9 Tenant satisfaction with the quality of their home is a measure collected as part of our annual Charter Tenant Survey. Results will be reported annually; a new survey will be carried out in 2022/23.

Carbon Reduction

6.3.10 We are currently reviewing our baseline data and methodology for reporting on the two Strategic Results, to reduce output of CO_2 by at least 4k tonnes per year and to reduce our corporate carbon footprint to carbon neutral by 2026. We are also exploring additional measures we can use as other KPIs to report to the Board on our sustainability efforts. A report will be brought to the Board later in the year on these points and our wider carbon reduction/climate action activity.

6.4 Customer/Business Value and other KPIs

6.4.1 Please see appendix 2 for other KPIs. Highlights of key measures are presented in the following sections.

Gas Safety

6.4.2 We continue to be in a 100% compliant position for gas safety, with no further expired gas certificates arising since those reported last summer. Figures as of the end quarter 1 against the rolling 12-month Charter indicator are listed in the table below. At a recent meeting of Scotland's Housing Network, it was noted that some local authorities are still clearing the back log of gas certificate expiries that arose during the pandemic. By way of context context, our efforts to tackle this issue resulted in compliance by September last year.

6.4.3 The 12-month rolling figures will return to zero by this September in line with us returning to full compliance last September.

RSL	2020/21	YTD 2021/22
Cube	71	41
DC	122	105
DGHP	298	232
GHA	1,536	970
Loretto	114	86
WLHP	8	5
Total	**2,149**	**1,439**

6.4.4 The average time taken to complete emergency and non-emergency repairs is detailed in the table below. The average time to complete emergency repairs for all subsidiaries is within target.

6.4.5 DGHP, GHA and Loretto are over-target for non-emergency repairs. Repairs services prioritise delivery of emergency repairs within target time, and with ongoing issues relating to the pandemic still affected delivery, there has been an impact on the timescales for non-emergency repairs.

RSL		Emergency (hours)		Non-emergency (days)	
		Target	Current Value	Target	Current Value
West	Cube	3.00	2.74	5.50	5.42
	GHA	3.00	2.9	5.50	5.8
	Loretto	3.00	2.92	5.50	5.8
East	Dunedin Canmore	3.00	2.95	5.50	2.86
	WLHP	3.00	2.43	5.50	4.98
South	DGHP	3.00	2.05	5.50	7.29

<u>Timescales and Right First Time</u>

6.4.6 The average time taken to complete emergency and non-emergency repairs is detailed in the table below. The average time to complete emergency repairs for all partners is within target. DGHP, GHA and Loretto are over-target for non-emergency repairs. Repairs services prioritise delivery of emergency repairs within target time, and with ongoing issues relating to the pandemic still affected deliver, there has been an impact on the timescales for non-emergency repairs.

6.4.7 The repairs and maintenance services across Group are currently receiving customer demand more than a normal pre-Covid operating environment. This is due to remobilising the previously restricted service at the end of April and managing the backlog of postponed repairs.

6.4.8 The postponed repairs backlogs are being actioned through the customer contact process, with appointments made and work orders added into the repairs system across West and East RSLs. DGHP's backlog has been subject to slower progress, however an action plan was agreed with City Building in July to provide a trade resource package to clear the remaining backlog of repairs, with 160 repairs passed to CBG as the first tranche from DGHP.

6.4.9 Excellent progress continues to be made responding to the demand with significant volumes of work have been carried out despite ongoing resource and supply delays.

RSL		Emergency (hours)			Non-emergency (days)		
		Target	Current Value		Target	Current Value	
West	Cube	3.00	2.74		5.50	5.42	
	GHA	3.00	2.90		5.50	5.80	
	Loretto	3.00	2.92		5.50	5.80	
East	Dunedin Canmore	3.00	2.95		5.50	2.86	
	WLHP	3.00	2.43		5.50	4.98	
South	DGHP	3.00	2.05		5.50	7.29	

6.4.10 Most partners are also meeting the target for the percentage of repairs right first time, despite the ongoing challenges. DGHP has seen a decrease in the percentage, and although GHA has decreased slightly, it is better than that last year's performance.

Percentage of repairs right first time (Charter)		2020/21	2021/22 YTD	Target	
West	Cube	96.90%	98.57%	98.0%	
	GHA	96.84%	97.20%	97.5%	
	Loretto	96.84%	98.58%	97.0%	
East	Dunedin Canmore	96.63%	95.26%	95.0%	
	West Lothian	96.30%	95.83%	95.0%	
South	DGHP	93.46%	89.96%	92.0%	

Medical Adaptations

6.4.11 Since the beginning of April we have completed the backlog of 201 cases that were outstanding at that point. With the re-establishment of occupational therapy services in recent months, we have had higher numbers of referrals than an average quarter, which accounts for the number of 254 waiting to be completed at the end of June. In context, since April 2021, GHA received 596 referral requests for medical adaptations of which 286 were major adaptations.

6.4.12 The average time to complete adaptations has improved for most RSLs, with the exception of Dunedin Canmore, which increased by 1.5 days. DC completed 16 adaptations in the last month and this brings the total year to date to 34. Given the low numbers of adaptations in Loretto, its average days has been adversely impacted by a small number of more complex cases that were on pause during lockdown.

6.4.13 While these have now been completed, the impact carries in the rolling annual figure for 12 months in a similar manner to gas servicing.

Medical adaptions complete and waiting	West	East	South	Total
Households waiting March 2021	107	4	80	**191**
Households waiting June 2021	156	8	90	**254**
Number completed year to date	404	34	102	**540**
Average number of days to complete YTD (Target = 35.0 days)	56.01	8.3	24.66	**47.09**

Average days to complete medical adaptations	2020/21	2021/22	Target
GHA	66.70	52.27	25
Cube	32.07	31.67	35
Loretto	119.39	115.11	35
Dunedin Canmore	10.48	8.28	35
WLHP	30.67	3.00	35
DGHP	43.30	24.66	35

<u>Compliance</u>

6.4.14 We have introduced a new quarterly dashboard of compliance measures to track performance against our compliance programmes. All RSLs are making good progress to target. Please see Appendix 2 for a breakdown of current progress for the first quarter.

<u>Health and Safety</u>

6.4.15 We have also introduced more corporate level reporting about our health and safety work. There was one fire in April within Environmental Services.

Measure	2020/21	YTD 2021/22	Target
Number of accidental fires in workplace	New	1	0
Number of RIDDOR incidents reported	7	2	22
Number of Health and Safety Executive or local authority environmental team interventions	New	0	0
Number of new employee liability claims received	New	0	0
Number of open employee liability claims	New	9	N/A
Number of days lost due to work related accidents	New	27	N/A

6.5 Strategic Results

Care Service Quality

6.5.1 Our Strategic Result is that 90% of Care services are graded five or above. However, no Wheatley Care service has had a formal inspection from the Care Inspectorate since December 2019 due to the pandemic.

6.5.2 Overall, 16 out of the 23 pre-pandemic inspection reports have achieved grades of 5 or above equating to 70%, which is significantly less than the target of 90% but an increase in the performance compared to last year. The number of services has increased since then, due to the introduction of Dumfries and Galloway in 2020.

6.5.3 The Care Inspectorate's focus remains on underperforming care homes with low grades and will continue to conduct inspections at these facilities, with a focus on quality indicators 1 (How well do we support people's wellbeing?) and 7 (How good is our care and support during the COVID-19 pandemic?). We are undertaking preparation for potential inspections.

Peaceful Neighbourhoods

6.5.4 The Group five-year strategic target is 70%. The percentage of tenancies classified as peaceful year to date is 69.9%, an improvement on the 69.4% reported at year-end 2020/21. However, there has been an increase in the number and percentage of tenancies moving from calm to safe. Improvement to this measure requires a reduction in Police-recorded ASB in the "Safe" data zones. Our CIP Police Team has focused on working with the top repeat perpetrators, which the team believes has the biggest impact on the percentage of tenancies classified as peaceful.

Percentage of Wheatley Group tenancies	2020/21 No. of tenancies	2020/21 %	YTD 2021/22 No. of tenancies	YTD 2021/22 %
Safe	6,529	7.3%	8,333	9.3%
Calm	20,931	23.3%	18,662	20.8%
Peaceful	62,279	69.4%	62,744	69.9%

6.5.5 Last year, Police Scotland received 18,749 ASB complaints from our customers, which was an increase of 24% on the previous year and the direct result of lockdown and Government restrictions. Since that time, recorded ASB (Police Scotland) has decreased by 28%.

6.5.6 The Board agreed the new Antisocial Behaviour Preventions Framework in June. The primary action is to utilise our Community Improvement Partnership approach to take communities from being merely safe to ones which are improving, peaceful, and with high levels of satisfaction. This will be based on building a confidence reporting cycle with and for communities—supporting communities to become more resilient through increased confidence to report crimes and other issues. In turn, this information will help Wheatley and our community partners to support those living there to make their communities stronger and more peaceful.

Satisfaction with Wheatley Environmental Services

6.5.7 The Strategic Result to achieve 85% satisfaction with Wheatley Environmental Services will be measured through a new technology platform that will keep our customers better informed about the work carried out by our NETs teams. An update on this approach will be provided to the October Board meeting.

Accidental Dwelling Fires

6.5.8 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. This will mean we aim to reduce the number of accidental dwelling fires to around 193 by 2026. In the year to date, there have been 61 recorded fires. Lowther and Wheatley Care are not included in the Strategic Result total but will be referenced for information if any fires are recorded.

Number of recorded accidental dwelling fires	2020/21				2021/22
	Q1	Q1	Q1	Q1	Q1
Cube	3	2	5	2	
Dunedin Canmore	5	0	0	4	3
GHA	50	34	33	35	49
Loretto	7	2	5	5	3
WLHP	0	0	0	0	0
DGHP	6	4	5	8	6
Sub totals	71	42	48	54	61
Total for Strategic Result	**215**				**61**
[Redacted]					
Care					0
Group Total	216				61

6.5.9 To achieve this Strategic Result, we will ensure that 100% of relevant properties have a current fire risk assessment in place. We have also implemented a programme to assess non-relevant properties (Multi Storey Flats ("MSFs") and LivingWell) that are not currently mandated by legislation.

Measure	YTD Position	2021/22 Target
The percentage of non-relevant properties that have a current fire risk assessment in place according to risk profile (three-year programme to implement began in October 2020)	23% (41)	66%
The percentage of relevant properties (HMOs) that have a current fire risk assessment in place	100%	100%

6.5.10 The Fire Risk Assessment Programme for MSFs and Living Well was due to commence in April 2020. However, due to the restrictions imposed by the pandemic lockdowns, the programme was delayed until October 2020. This delayed the programme by six months. The Group Fire Safety Team will increase quarterly outputs over the next 18 months to maintain our original target of 100% by end of financial year 2022/23.

Reducing Homelessness

6.5.11 We made 62% of relevant lets to homeless applicants in the year to date. Most RSLs are meeting target, with the exception of WLHP. West Lothian Council halted all nominations as it undertook an allocation review during the summer but has now resumed, and performance for WLHP's lets to homeless applicants should return to previous reported levels.

6.5.12 We have let 772 homes to homeless applicants and are well on track (39%) to deliver 2,000 this year to contribute to the Strategic result of 10,000 households over the next five years.

6.5.13 The increased letting to homeless applicants over the course of the pandemic has not affected associated key measures such as arrears, letting times and tenancy sustainment.

RSL	June (relevant lets)	Year to date (relevant lets)		Relevant lets target	Year to date ARC	2020/21 Relevant lets	2020/21 ARC
Cube	60.0%	51.4%	N/A	N/A	47.5%	65.4%	61.3%
DGHP	55.4%	49.1%		45%	46.9%	51.8%	50.3%
DC	42.1%	68.9%		50%	60.0%	72.8%	61.6%
GHA	53.0%	65.9%		65%	61.4%	65.7%	63.1%
Loretto	57.1%	73.3%		50%	41.2%	57.1%	38.5%
WLHP	33.3%	11.8%		50%	10.5%	69.7%	65.0%
Group	**52.8%**	**62.0%**		**58%**	**57.4%**	**63.3%**	**59.7%**

6.5.14 With the closing of Bellgrove Hotel on 14 July, we have rehoused 21 people within the Group: 10 are Housing First, four are housed in LivingWell and 10 within mainstream housing. Tenancy sustainment and support for these customers will be monitored closely.

Jobs and Opportunities

6.5.15 This year to date, we have created 211 jobs, training places and apprenticeship opportunities against our annual strategic target of 700. 1,142 vulnerable children have benefited from targeted work by the Wheatley Foundation and 1,755 customers have accessed services that help to alleviate poverty.

Strategic Results	2021/22 Target	Current Performance YTD
4,000 jobs, training and apprenticeship opportunities delivered	700	211
250 customers have been supported to attend higher education and university through Wheatley bursaries	250	Reported annually
10,000 vulnerable children benefit from targeted Foundation programmes	1,400	1,142

6.5.16 The 1,142 Children supported have mainly been through the continuation the Dolly Parton Imagination Library project. Other projects supporting young people include Youth Cafes operating in the east. The Children's University is also currently supporting children with learning.

6.5.17 By the end of June, over 1,700 Wheatley customers had accessed services which help alleviate the impacts of poverty The Emergency Response Fund has now ended, and the Barony Support Fund was launched in June. Other projects providing support include Eat Well, Home Comforts, and Forget Me Notes (music project for DC tenants living with dementia in sheltered complexes).

My Savings

6.5.18 Our Strategic Result is to have 60% of tenants with online accounts using the My Savings Rewards Gateway by 2026, with a target of 20% in year one of the strategy. As 49.6% (46,747) of our customers (94,195) are registered for an online account, the percentage of those who are registered with MySavings (4,988) is 10.6%.

6.5.19 The number of registrations is lower than anticipated as a direct result of limiting services on Web Self-Service ("WSS") due to the pandemic. Over the next few months, we will re-introduce services on WSS and work with Communications and Stronger Voices teams to promote MySavings and the wider functionality of our WSS offering to customers.

6.5.20 We launched MySavings to our DGHP customers in May and this has been well received. We will be taking steps over the coming months to promote this locally with customers and provide support to new users where required.

Cost of Running a Home

6.5.21 We are working in partnership with the Fraser of Allander and have agreed an in principle methodology to for this measure. It is also a strategic project that was carried over from 2020/21 reported in Appendix 3.

6.6 Customer and Business Value KPIs

6.6.1 As noted earlier in this report, the measures categorised as customer and business value KPIs will be reported as data becomes available. We are focusing on five customer service areas, two of which will fall under this theme and contribute to improving the associated Strategic Results above and these are environmental services and our handling of anti-social behaviour issues.

6.7 Strategic Results

6.7.1 Several Strategic Results under the theme of developing our shared capability will only be reported annually.

Strategic Result	2020/21	Target for 2021/22
Over 90% of staff say they feel appreciated for the work they do	80%	90%
Over 80% of RSL customers self-report positive distance travelled towards self-reliance	New measure	80% by year 5 of strategy. Baseline and phased targets to be set years 2-4
250 young people provided with structured opportunities to build their skills within the business	30 graduates 34 modern apprentices	35
50 graduates are provided with opportunities to work and gain experience in our sectors	30	25 in year 1
Our workforce's demographic makeup more closely resembles that of the communities in which we operate	New	Measure and targets to be developed by year 3.
40% of promoted posts are filled with internal candidates	70.14%	40%
Staff voluntary turnover (i.e. resignations) remains at less than 7%	4.55%	7%

<u>Sickness Absence</u>

6.7.2 We have lost 3.16% of working time due to staff sickness absence in the year to date, compared to our target of 3%. There has been an increase since the beginning of the year but the year-to-date average is below that recorded in 2019/20 (3.47%). Our top two reasons for absence across the Group continue to be stress/anxiety (36%), and minor illness (24%). However, only 24% of stress and anxiety cases reported were related to work.

6.8 Customer, business Value and other KPIs

6.8.1 There are no customer or business value KPIs that sit under this strategic theme.

6.9 **Strategic Results**

6.9.1 Several of the Strategic Results under this theme will be reported annually or through a narrative report and these are:

- 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 our targets across the seven domains of our digital maturity assessment (annual narrative report).

6.9.2 [Redacted]

Gross Rent Arrears

6.9.3 Our strategic aim is to reduce arrears down 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, which remain under target and better than the national position, despite a slight increase since the end of 2020/21. The year-end position for 2020/21 was 4.48% and at the end of June arrears were 4.53%. The last reported national average was 6.16% (8.17% for local authorities), so our RSLs remain in a strong position and are all better than target.

RSL	Current performance		Current target	Previous month	Variance	2020/21 Result
Cube	3.69%	N/A	N/A	3.15%	0.54	4.96%
DC	3.89%		4.29%	3.99%	-0.10	3.84%
DGHP	3.95%		4.57%	3.92%	0.03	3.86%
GHA A	4.86%		5.35%	4.83%	0.03	4.78%
GHA B	5.14%	N/A	N/A	5.92%	-0.78	N/A
GHA Combined	4.88%		5.35%	4.90%	-0.02	N/A
Loretto	2.67%		4.03%	2.70%	-0.03	3.05%
WLHP	2.97%		3.12%	2.81%	0.16	2.62%
Group	**4.53%**		**5.03%**	**4.54%**	**-0.01**	**4.48%**

6.9.4 There has been an increase of 1,673 customers on Universal Credit ("UC") compared to a business planning assumption of 2,229 new customers. There are currently around 27% of our customers on UC. With the end of furlough planned in September, the sector is preparing for an increase in arrears and UC, with an expected total of 35% of our customers (almost 22,000) expected to be on UC at the end of the financial year.

6.9.5 We currently have 222 customers who have been furloughed. We are in the process of contacting each of these customers to offer advice and assistance prior to furlough ending in September. We will also ensure these customers are contacted as part of our benefit uptake campaign.

6.9.6 [Redacted]

6.9.7 [Redacted]

Average Days to Let

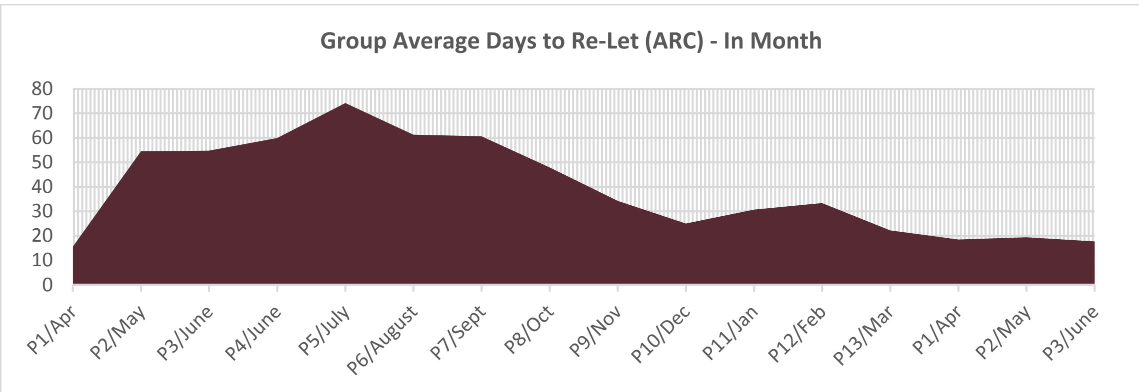
6.9.8 Our target for the year is for all RSLs to be under 20.0 days so that we are in a recovered position post-pandemic to achieve the strategic target of less than 14.0 days in year two of the Strategy. The current average days to let is 18.55 days as of the end of June. This is an improvement on the 40.87 reported for 2020/21, which was driven by the effect of the pandemic on our letting activity. This improvement during quarter 1 is largely driven by GHA improving in the most recent period from 21.6 to 18.6 days.

6.9.9 A recent Scotland's Housing Network event noted that local authorities expect to see this figure increase further before it starts to improve, so Wheatley's position is positive.

6.9.10 The table below provides the year-to-date position for each RSL against their respective targets.

Average days to re-let (ARC)	In month June/P3	Current YTD		Current Target (Q1)	2020/21 Results
Cube	19.00	16.38	N/A	N/A	42.04
DC	15.60	15.58		25.0	52.60
DGHP	16.38	16.31		22.8	37.26
GHA	18.58	20.26		25.5	40.96
Loretto	20.56	12.85		20.0	35.18
WLHP	9.88	6.50		15.0	19.78
Group	**17.69**	**18.55**		**24.0**	**40.87**

6.9.11 The following chart shows the in-month Group average days to let for 2020/21 into this first part of 2021/22 and continues to demonstrate improvement.



Care Services Breaking Even

6.9.12 Wheatley Care reports 82% of services currently in surplus. This is above the 81% target and an improvement on the same period for last year, and Care overall is outperforming its budget. The deficits are small in context (the largest is £12k) and all services are making a positive contribution to head office/management overheads.

Online Transactions and Digital Shift

6.9.13 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 will develop reporting arrangements and establish a baseline this year.

6.9.14 There is a total of 46,747 customers registered with online accounts across a customer base of 94,195, meaning approximately 49.6% of our customer base is now registered. However, not all these registered customers actively use their accounts. This area of work is related to the work reported under Changing Lives and Communities in section.

Measure	2020/21	YTD 2021/22	Target	Status
Percentage of customer base registered for an online account	49.34%	49.6%	50.0%	
Number of online registrations	5,509	1,001	1,500	

6.9.15 The aim for the year ahead is to increase online registrations as full service resumes post-pandemic and we start the process of switching online services back on (e.g. repairs) and start to add additional functionality to our WSS offering (e.g. webchat, secure messaging, etc.). We have had 1,000 new registrations for WSS so far this year and in period, 348 against the target of 500.

6.9.16 The CSC is also undertaking a large-scale customer data project to improve our customer contact information and to better enable us to engage with our customers digitally. As part of this, we will be auto-registering customers for online services and we will be actively promoting our new services, including the reinstatement of repairs and the introduction of web chat.

[Redacted]

6.9.17 [Redacted].

6.10 Customer and Business Value KPIs

6.10.1 There are no customer or business value KPIs that sit under this strategic theme.

6.11 Summary of Strategic Project Delivery

6.11.1 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.

- Deliver a group-wide Antisocial Behaviour Prevention and Mitigation Framework that maps out our approach to preventing, managing and mitigating ASB. The Framework was agreed by the Group Board in June.

- Develop new leadership development programme is complete and we are now due to start delivery.
- Commercial Properties Review was a project carried over from last year and is now complete.

6.11.2 There are 17 projects on track, two projects are slipping against the milestones and two are overdue.

Theme	Complete	On track	Slipping	Overdue
Customer Experience	0	5	0	0
Homes and Assets	0	4	1	1
Changing Lives and Communities	1	4	0	1
Developing our Shared Capability	1	1	0	0
Enabling our Ambitions	1	3	0	0
Total by status	**3**	**17**	**1**	**2**

6.11.3 The three overdue and slipping projects are presented in the table below.

Project	Status	Update provided by Lead
Implement Group corporate estate model - phase 1	Slipping Milestone 2. Wheatley House prototype complete (due 31 July 2021)	Milestone 2 will now complete by end August.
Socio-economic research study linked to the cost of a home Project carried over from 2020/21	Overdue Milestone 03. Methodology, associated targets and implementation approach agreed by ET (due 31Jan 2021)	We now have a methodology and baseline validated by the FAI. We are undertaking a more in-depth analysis of how we can quantify the savings available and achievable within each category linked to our planning for EESSH 2, new W360 operating model, and wider strategy for supporting customer digital inclusion. This will be completed by the end of quarter 2.
Develop pre-1919 strategic overview Project carried over from 2020/21	Overdue Milestone 03. Approval of approach (31 Dec 2020)	A presentation has been drafted on an approach to pre-1919 assets (covering East and West). Revised completion date is end of September.

6.11.4 We propose an amendment to a project milestone. The project titled No Home Unimproved under the Homes and Assets theme was carried over from 2020/21 with an end date of 31 October 2021. We propose a new delivery date of 31 March 2022 as a more realistic target now that the work has been scheduled, as well as factoring in potential delays delivering this work over the winter months due to inclement weather.

6.12 <u>Conclusion</u>

6.12.1 The first quarter of 2021/22 has seen a continuation of the effects of the global COVID-19 pandemic on operational delivery. Despite this, performance remains strong across the Group. In our core housing operations, average days to let have reduced and we continue to record arrears below target and projection. We also continue to let more properties than we have give-ups. We continue to deliver emergency repairs within targeted time. However, our repairs services have also seen the impact of delays to materials and the requirement to operate in a socially distanced manner. This has affected the time to carry out non-emergency repairs. We are also seeing higher than usual call volumes relating to repairs requests [redacted].

6.12.2 The next quarter will see a continued focus on strategic projects, including our work to shift to a new operating model and way of working and focus on customer value in our performance management. We will reduce the days to let to meet the new quarterly target of 22 days, while continuing to support customers and reduce arrears—including supporting those who are still furloughed and may require added support when this ends in September. We will closely manage our repairs services to ensure we complete the remaining backlog of repairs that arose during the pandemic, as well as meeting new requests.

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 final return and the information is 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 annually by October.

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 There are no proposals in this report that will have implications on our work or duties towards the environment and sustainability.

11.2 Group Board noted that the agreed Performance Framework for 2021 to 2026 did not contain enough measures on the Group's effort to address environmental and sustainability concerns. We are now working on some further measures to supplement the framework and will report back to the Board with these new measures, once agreed.

12 Recommendations

The Board is asked to:

1) note the contents of this report and appendices; and
2) approve changing a strategic project milestone as noted at paragraph 6.11.4.

LIST OF APPENDICES

1) Strategic Results Dashboard
2) Other KPIs (and Compliance) Dashboard
3) Strategic Projects Dashboard

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	38	78	
GHA - Social Housing	227	33	51	
GHA - Mid-market	49	0	12	
Dunedin Canmore - Social Housing	58	0	10	
Dunedin Canmore - Mid-market	35	0	0	
WLHP - Social Housing	8	0	0	
WLHP – Mid-market	0	0	0	
DGHP - Social Housing	0	5	5	
Achieve 60:40 ratio of planned to reactive repairs spending	2019/20 66% : 36% (£61.4m : £35.2m)	61% : 39% (£13.4m : £8.4m)	60% : 40%	
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.	Q1 19/20 – 24,163	21,828	-9.66%	N/A
GHA	Q1 19/20 – 16,504	15,231	-7.71%	
Loretto	Q1 19/20 - 619	632	+2.10%	
Dunedin Canmore	Q1 19/20 – 1,517	1,744	+14.96%	
WLHP	Q1 19/20 – 148	204	+37.84%	
DGHP	Q1 19/20 – 4,035	3,688	-8.60%	

The following additional Strategic Results under this strategic theme will be reported annually or are still under development:

- 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%	69.57%	90%	
Over 70% of customers live in neighbourhoods categorised as peaceful by 2025/26 (Group average)	69.4%	69.9%	68.0%	
Number of accidental dwelling fires recorded by Scottish Fire and Rescue (Group RSLs)	Q1 20/21 - 71	61	-14.1%	
100% of relevant properties have a current fire risk assessment in place (Group)	100%	100%	100%	
The percentage of HMOs that 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)	Programme started October 2020	23%	23%	
Percentage of relevant lets to homeless applicants	63.3%	62.0%	58%	
GHA	65.7%	65.9%	65%	
Loretto	57.1%	73.3%	50%	
Dunedin Canmore	72.8%	68.9%	50%	
WLHP	69.7%	11.8%	50%	
DGHP	51.8%	49.1%	45%	
Number of lets to homeless applicants (10,000 for Group by 2025/26)	2,419	772	500	

Measure	2020/21	YTD 2021/22		
	Value	Value	Target	Status
4,000 jobs, training places or apprenticeships opportunities delivered	188	211	150	
GHA	80	77	75	
Loretto	0	5	5	
Dunedin Canmore	7	5	5	
WLHP	1	1	1	
DGHP	N/A	13	5	
Care	0	0	0	
[Redacted]				
Other	84	104	45	
10,000 vulnerable children benefit from targeted Foundation programmes (Group total)	New	1,142	1,400	
60% of tenants with online accounts are using the My Savings rewards gateway	New	10.6%	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)
- 4,000 jobs, training and apprenticeship opportunities delivered
- 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%	3.16%	3%	
GHA	3.03%	1.99%	3%	
Loretto	5.53%	4.67%	3%	
Dunedin Canmore	2.85%	3.94%	3%	
WLHP	0.27%	0.23%	3%	
DGHP	4.47% (charter)	2.47%	3%	
[Redacted]				
Care	5.26%	5%	5%	
Solutions	2.34%	1.91%	3%	
Wheatley 360	N/A – incl. in Group total	2.68%	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 Value	YTD 2021/22 Value	YTD 2021/22 Target	YTD 2021/22 Status
Reduce gross rent arrears down to 4% by 2026 (Group average)	4.48%	4.53%	5.03%	
GHA A	4.78%	4.86%	5.35%	
GHA B	4.96% (Cube)	5.14%	N/A	
GHA Combined	N/A	4.88%	5.35%	
Loretto	3.05%	2.67%	4.03%	
Dunedin Canmore	3.84%	3.89%	4.29%	
WLHP	2.62%	2.97%	3.12%	
DGHP	3.86%	3.95%	4.57%	
[Redacted]				
Average time to re-let properties (Group average)	40.87	18.55	24.0	
GHA	40.96	20.26	25.5	
Loretto	35.18	12.85	20.0	
Dunedin Canmore	52.60	15.58	25.0	
WLHP	19.78	6.50	15.0	
DGHP	37.26	16.31	22.8	
Proportion of Care services breaking even (after management fee)	83.87%	81.82%	81%	

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)
- [Redacted]
- 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%	93.38%	100%	
Percentage of stage 2 complaints responded to within 20 working days (Group average)	99.64%	90.38%	100%	
Average time for full response to all complaints (Group RSL average, Charter)				
GHA	5.58	5.89	8	
Loretto	4.55	4.35	8	
Dunedin Canmore	4.8	5.93	8	
WLHP	2.94	4.5	8	
DGHP	4.86	5.34	8	
Percentage of new tenancies sustained for more than a year – overall (Group RSL average)	89.13%	89.13%	90%	
GHA	89.73%	89.62%	90%	
Loretto	90.27%	89.57%	90%	
Dunedin Canmore	92.51%	90.28%	90%	
WLHP	92.65%	92.54%	90%	
DGHP	84.98%	85.37%	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	2.79	3	
GHA	2.96	2.9	3	
Loretto	2.95	2.92	3	
Dunedin Canmore	2.65	2.95	3	
WLHP	2.52	2.35	3	
DGHP	1.9	2.05	3	
Average time taken to complete non-emergency repairs (working days) (Group RSL average)	4.2	5.9	5.5	
GHA	4.09	5.80	5.5	
Loretto	4.60	5.80	5.5	
Dunedin Canmore	3.14	2.86	5.5	
WLHP	4.00	4.29	5.5	
DGHP	5.63	7.29	5.5	
Average time to complete approved applications for medical adaptations (calendar days) (Group average)	52.20	47.09	35.0	
GHA	66.7	52.27	35	
Loretto	119.39	115.11	35	
Dunedin Canmore	10.48	8.28	35	
WLHP	40.25	9.00	35	
DGHP	43.3	24.66	35	

Measure	2020/21 Value	2021/22 Value	2021/22 Target	Status
Percentage of reactive repairs completed right first time	95.90%	95.80%	95%	
GHA	96.28%	97.20%	97%	
Loretto	94.94%	98.58%	97%	
Dunedin Canmore	96.69%	95.26%	95%	
WLHP	97.16%	96.40%	95%	
DGHP	93.46%	89.96%	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	1,439	0	
GHA	1,536	970	0	
Cube	71	41	0	
Loretto	114	86	0	
Dunedin Canmore	122	105	0	
WLHP	8	5	0	
DGHP	298	232	0	
Percentage of ASB incidents resolved:				
GHA	100%	98.88%	98%	
Loretto	100%	100%	98%	
Dunedin Canmore	100%	100%	98%	

Measure	2020/21	2021/22		
	Value	Value	Target	Status
WLHP	100%	100%	98%	
DGHP	99.9%	95.36%	98%	
Percentage of court actions initiated which resulted in eviction:				
GHA	25%	No evictions	25%	
Loretto	100%	No evictions	25%	
Dunedin Canmore	0%	No evictions	33%	
WLHP	No evictions	No evictions	33%	
DGHP	No evictions	No evictions	25%	
Percentage of lettable homes that became vacant:				
GHA	7.21%	8.29%	8%	
Loretto	8.28%	7.92%	8%	
Dunedin Canmore	6.73%	7.06%	7.3%	
WLHP	5.10%	7.01%	5.6%	
DGHP	7.83%	9.04%	8%	
Number of accidental fires in workplace	New measure	1	0	
Number of RIDDOR incidents reported	7	2	22	
Number of Health and Safety Executive or local authority environmental team interventions	New measure	0	0	
Number of new employee liability claims received	New measure	0	0	

Measure	2020/21 Value	2021/22 Value	2021/22 Target	2021/22 Status
Number of open employee liability claims	New measure	9	N/A	
Number of days lost due to work related accidents	New measure	27	N/A	

Compliance Programme Delivery

	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	64%	71.1%	83.6%	88.3%	93.8%
Legionella - percentage of applicable properties with a valid risk assessment in place	95.1%	100%	100%	100%	Start August 2021
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%	Start July 2021
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	21.2%	47.9%	1.8%	5.2%	55.8%
Percentage of properties with an EICR certificate up to 5 years old	55.4%	68.2%	63.5%	90.2%	92.2%

Appendix 3
Group Housing Board Strategic Projects Dashboard

1. Customer Experience Strategic Projects

Project	Status	Progress	Description	Due Date	Completed	Update
1 Implement new engagement framework - Phase 1	▶	20%	01. Stronger Voices Team structure agreed via workforce planning and recruited	31-Jul-2021	Yes	This project relates to the implementation of the new Group engagement framework approved by the Board earlier this year. Alongside creation of the Stronger Voices team, the engagement plan for Customer and Community Voices is being drafted and is on track for completion by the end of August. This will inform the recruitment campaign to take place in September. Customers in the South East of Glasgow have been identified to take part in a co-creation Test and Learn project for the My Community App. The initial version of the app has been created and customers and staff will be able to start testing this from mid-August.
			02. Engagement plan for Customer and Community Voices developed	31-Aug-2021	No	
			03. Customer and Community Voices recruited - 50	30-Sep-2021	No	
			04. My Community App piloted, evaluated and preferred solution identified and agreed by ET	31-Jan-2022	No	
			05. Customer and Community Voices recruited - total 100	31-Mar-2022	No	
2 Develop a Wheatley Whole Family approach	▶	0%	01. Scoping stage completed	31-Aug-2021	No	A scope for the project, which will consider how we can do more to support families, in line with our strategy, has been completed is on track for internal approval before the end of August, on track with the first milestone.
			02. Consultant appointed and Group project team identified	31-Oct-2021	No	

Project	Status	Progress	Description	Due Date	Completed	Update
			03. Review of all primary insight and report on initial findings	31-Dec-2021	No	
			04. Customer and staff engagement undertaken	28-Feb-2022	No	
			05. Final report and action plan produced and approved by ET	28-Feb-2022	No	
3 Introduce new cloud based telephony system		0%	01. Carry out a review of telephony vendors and system capability	30-Sep-2021	No	This project will improve the infrastructure supporting our Customer First Centre. We are in early engagement with various vendors to test the market and functionality available to us. This work will be complete by the timescale identified. Discussion is ongoing with procurement colleagues on routes to market and an internal project manager has been assigned to help shape the project and build the business case in line with the planned timescales.
			02. Review WFM platforms in line with telephony system	30-Sep-2021	No	
			03. Business case for new cloud based telephony and WFM system approved by ET	31-Oct-2021	No	
			04. Go-live approved by ET	31-Mar-2022	No	
4 Develop new RSL online services model		0%	01. Identify a leader plus small team of 2-3 in the business to focus on this work	31-Oct-2021	No	Our suite of RSL online services is being reviewed as part of the new operating model. This will form part of the work led by the Customer First Centre alongside the Group IT and Digital Team.
			02. Review current online service offerings (baseline)	30-Nov-2021	No	

Project	Status	Progress	Description	Due Date	Completed	Update
			03. Identify and engage with relevant service leads for 'baseline' services	31-Dec-2021	No	
			04. Use this to define our digital customer offering, approach and roadmap	31-Mar-2022	No	
			05. Develop customer digital engagement approach/strategy	31-Mar-2022	No	
			06. Co-ordinate our activity to promote this to customers	31-Mar-2022	No	
5 Refine Repairs Delivery Model		33%	01 Final 5 year review received from Campbell Tickell	31-May-2021	Yes	Final five-year review from Campbell Tickell was received by deadline and was agreed by the Wheatley Board on 21 June. The review has been endorsed by CBG's Board and an implementation plan is being developed to take forward the recommendations from the review. Next milestone due to be reported end of December.
			02 Develop common approach for repairs service across West, East and South	31-Dec-2021	No	
			03 ET and Board approval of proposals	28-Feb-2022	No	

2. Homes and Assets Strategic Projects

Project	Status	Progress	Description	Due Date	Completed	Update provided by Lead
1 Implement Group corporate estate model - phase 1		28%	01. DGHP Dumfries Hub developed and approved by ET	31-May-2021	Yes	Milestone 2, Wheatley House complete, will now complete by end of August. Plans have been approved for the design of our hubs in the east (New Mart Rd) and South (Dumfries High St) with work scheduled to start in Edinburgh in September and Dumfries, following procurement, in October.
			02. Wheatley House prototype complete-	31-Jul-2021	No	
			03. New Mart Road Hub developed and approved by ET	31-Aug-2021	Yes	
			04. Deliver Touchdown Points	30-Sep-2021	No	
			05. DGHP Dumfries Hub complete	28-Feb-2022	No	
			06. New Mart Road Hub complete	31-Mar-2022	No	
			07. Review Depots with outcome of review and proposals agreed by ET	31-Mar-2022	No	
2 Wyndford Regeneration		25%	01. Settlement agreement executed	30-Apr-2021	Yes	[redacted]
			02. Stock classification report to GHA Board	31-Aug-2021	No	

Project	Status	Progress	Description	Due Date	Completed	Update provided by Lead
			03. Maryhill TRA proposed boundary change to TCG Board	30-Sep-2021	No	
			04. Wyndford masterplan to be agreed with GCC	28-Feb-2022	No	
3 High Rise Living Framework Year 2		0%	01. Launch You choose Challenge (10% of MSF sites to spend £10m investment)	31-Oct-2021	No	Consultation is already underway in terms of the targeted investment at sites such as Charles Street and Linkwood. Well on target to meet this by 30 October.
			02. Increase High Rise Living Forum by 25 additional members	31-Oct-2021	No	
			03. Provide an update to ET and Board on progress with the High Rise Living Framework	31-Dec-2021	No	
4 Wheatley Green Investment Plan		50%	01. Develop Wheatley Green Campaign to align with COP26	30-Apr-2021	Yes	A detailed approach and communications campaign using the lead up to COP 26 as a platform to showcase our contribution to sustainability has been developed and is being delivered. We are still actively engaging Scottish Government on our Green Investment Plan – the next milestone. [Reacted]. The projects that were developed as part of the plan continue to provide opportunities to showcase and take forward innovation that will contribute to our sustainability objectives.
			02. ET agreement of COP 26 Green Campaign	31-May-2021	Yes	
			03. Green Investment Plan engagement with Scottish Government	31-Aug-2021	No	

Project	Status	Progress	Description	Due Date	Completed	Update provided by Lead
			04. COP26 related campaign activities ends	31-Dec-2021	No	
5 Implementation of strategy to meet "no home unimproved" by 2020		50%	01. Agree list of properties for investment	31-Aug-2019	Yes	No Home Unimproved was carried over from 2020/21 with an end date of 31 October 2021. The properties included and scope of work have been agreed. The Scottish Government has approved the grant application and we expect to receive the formal offer of grant mid August via GCC (the HEEPS programme is administered by local authority on behalf of the Scottish Government). We are meeting with GCC to discuss the remaining shortfalls (between grant and owners' costs) and what additional enabling funding can be provided from their HEEPS funding pot to help bridge this gap 16 August.
			02. Agree scope of work for investment	30-Sep-2019	Yes	
			03. Prepare internal resources and resubmit grant application	30-Jun-2021	Yes	
			04. Receive approval from Scottish Government	31-Aug-2021	No	
			05. Complete investment programme	31 March 2022 (proposal to revise from October 2021)	No	We propose a new delivery date of 31 March 2022 as a more realistic target now that the work has been scheduled, as well as factoring in potential delays delivering this work over the winter months due to inclement weather.
6 Develop pre-1919 strategic overview		90%	01. Develop scope of strategy	31-Jul-2019	Yes	This project involves the creation of a revised strategy for addressing refurbishment/improvement of our pre-1919
			02. Draft strategy for consultation	31-Oct-2019	Yes	

Project	Status	Progress	Description	Due Date	Completed	Update provided by Lead
			03. Approval of approach	31-Dec-2020	No	properties, where this is required. Milestone 1 is expected to be complete by the end of September.

3. Changing Lives and Communities Strategic Projects

Project	Status	Progress	Description	Due Date	Completed	Update provided by Lead
1 GAEH 1 year review		50%	01. Functional Teams Annual work plans approved	30-Jun-2021	Yes	The Glasgow Alliance to End Homelessness contract was signed in August 2020. The first 6 months were focused on mobilising GAEH, determining the infrastructure needed to support this unique partnership achieve its goals. An Alliance Director has been appointed and is in post. The strategic plan has been developed and is being shared with providers across Glasgow. The key areas of work underway are developing procurement processes that GAEH will use that are both innovative yet meet legal requirements and redesigning homelessness outreach services. This is all done in conjunction with the sector in Glasgow. A formal update has been drafted outlining the significant progress over the last 6 months. This will be presented to ET before the 17 September and will subsequently go to Wheatley Care Board.
			02. Strategic delivery plan	30-Jun-2021	Yes	
			03. Terms of Supply approved	31-Aug-2021	No	
			04. Outreach Service redesign approved and communicated	31-Dec-2021	No	
2 Redesign the TSS Service		16%	01. Cross group discovery programme	30-Jun-2021	Yes	In line with our strategic objectives and our Homelessness Policy we are reviewing the Tenancy Support Service. Scheduled workshops took place, a review session was conducted with a range of leads and frontline staff from across the business which is informing the redesign specification. The service design proposals will be draft by the end
			02. Service model design draft	31-Aug-2021	No	
			03. Proposals approved	30-Sep-2021	No	
			04. Staff consultation commenced	31-Oct-2021	No	

Project	Status	Progress	Description	Due Date	Completed	Update provided by Lead
			05. Implementation programme developed	31-Oct-2021	No	of August and presented to ET in September.
			06. Implementation programme concluded	31-Dec-2021	No	
3 Care policy framework reviewed		50%	01. Policy Framework programme of review established	31-May-2021	Yes	Wheatley Care requires a strong operational policy framework to ensure we meet regulatory requirements at all time. This has been operating in Care for many years. We are currently reviewing all of our policies in light of changes both internally and externally to ensure that we continue to reflect legal and best practice in all of our policies and that they accurately reflect our structures and revised processes. A short-life policy review group was established from staff across services from different types of care settings and has now met for 3/12 meetings and reviewed 7 policies. Policies will be approved by the MD of Care [redacted]
			02. Review programme commenced	30-Jun-2021	Yes	
			03. Review programme concluded	30-Sep-2021	No	
			04. Policy Framework fully launched and communicated	31-Oct-2021	No	
4 Deliver a group wide Antisocial Behaviour Prevention & Mitigation Framework (ASBPMF) that maps out our approach to preventing, managing and mitigating ASB		100%	01. Draft ASB Prevention & Mitigation Framework prepared for Executive Team consideration	31-May-2021	Yes	The ASB Prevention & Mitigation Framework was approved by the WG Board on 21 June.
			02. Group Board approval of Framework	30-Jun-2021	Yes	
5 Review Group Fire Prevention & Mitigation Framework including digital solutions		33%	01. Undertake a review and update the Fire Prevention & Mitigation Framework	31-May-2021	Yes	A partial digitalised system has been developed that holds all recommendations from Fire Risk Assessments. This allows us to track

Project	Status	Progress	Description	Due Date	Completed	Update provided by Lead
			02. Updated Framework approved by Group Board	31-May-2021	Yes	and report on all recommendations arising from Fire Risk Assessments. The information is collated and reported on a quarterly basis to the Group Audit Committee. We are currently working with our preferred supplier to move to a fully digitalised platform, that includes online reporting, that integrates with Group Information Management Systems.
			03. Explore & develop a Group response to the new Scottish Fire & Rescue Service 'Safe & Well' model	31-Dec-2021	No	
			04. Group response agreed by ET	31-Dec-2021	No	
			05. Explore digital solutions for capturing, recording, managing & reporting on Group Fire Risk Assessments, Fire Intervention Reports and vulnerable person visits	31-Mar-2022	No	
			06. Digital solutions proposals agreed by ET -	31-Mar-2022	No	
6 Socio-economic research study linked to cost of a home		70%	01. Initial discussion with ET and FAI	31-Oct-2020 (Carried over from last year)	Yes	We now have a methodology and baseline validated by the FAI. We are undertaking a more in-depth analysis of how we can quantify the savings available and achievable within each category linked to our planning for EESSH 2, new W360 operating model, and wider strategy for supporting customer digital inclusion. This will be completed by the end of quarter 2.

4. Shared Capability Strategic Projects

Delivery Plan Project	Status	% Progress	Description	Due Date	Completed	Update provided by Lead
1 Develop new leadership development programme		100%	01. Expand existing Leading in a Digital Era programme	31-May-2021	Yes	Project complete. Proposals presented to Executive team in July and agreed. The roll out of the new programme will now start.
			02. New Leadership Development programme developed for all people leaders, reflecting the new operating model	31-May-2021	Yes	
			03. ET approval of new Leadership Development Programme	31-Jul-2021	Yes	
2 Strategic governance review		50%	01. Scope agreed by Group Board	30-Apr-2021	Yes	Milestones 1 and 2 are now complete and the initial findings are scheduled to be presented to the Group Board at its strategy workshop on 26 August.
			02. External review undertaken	31-Jul-2021	Yes	
			03. Group Board agree recommendation	31-Oct-2021	No	
			04. Group Board agree implementation plan	31-Oct-2021	No	

5. Enabling our Ambitions Strategic Projects

<table>
<tr><th>Project</th><th>Status</th><th>Progress</th><th>Description</th><th>Due Date</th><th>Completed</th><th>Update provided by Lead</th></tr>
<tr><td colspan="7">1 Redacted</td></tr>
<tr><td rowspan="2">2 Restructure funding syndicate</td><td rowspan="2"></td><td rowspan="2">0%</td><td>01. Board agree strategy for restructure</td><td>31-Oct-2021</td><td>No</td><td rowspan="2">First milestone due to report end of October. There are 4 main amendments required for our WFL1 lending arrangements during the course of this financial year:

• LIBOR transition by 31/12/21
• Increase in our Debt Per Unit covenant to enable our ambitions around new build development in light of Housing to 2040 commitments
• Refinancing the HSBC £100m Revolving Credit Facility which is due to expire in November 2023
• DGHP and DGHP3 to join as WFL1 Obligors and become part of the RSL Borrower Group
• We have an agreed position on LIBOR transition with all WFL1 lenders in scope of this change, and loan amendments will be made prior to year-end (Board approvals required for these changes in August and October).

We have outline agreements from all WFL1 lenders, excluding EIB who have been briefed on the proposals and are expected to be supportive given the credit appetite of other lenders.</td></tr>
<tr><td>02. Implementation of restructure</td><td>31-Dec-2021</td><td>No</td></tr>
</table>

Project	Status	Progress	Description	Due Date	Completed	Update provided by Lead
3 Establish digital maturity approach and assessments (b)		57%	01. Revise baseline of current metrics (revisit Azets review)	31-May-2021	Yes	Through the delivery of Group business strategy and digital delivery programme, an annual review of maturity will be undertaken to measure ongoing improvements against targets. Azets have proposed an online tool to manage and collate metrics, and we are on track for the mid-year review to be completed in October.
			02. Define and establish core maturity metrics across 21/22	30-Jun-2021	Yes	
			03. Define projects and activities/outcomes linked to maturity goals across roadmaps	30-Jun-2021	Yes	
			04. Communicate targets for progression	31-Jul-2021	Yes	
			05. Perform mid-year review	31-Oct-2021	No	
			06. Update on progress to WS Board	30-Nov-2021	No	
			07. Produce end of year report and plan for 2022 for ET approval	28-Feb-2022	No	
4 Commercial Properties Review		100%	01. Commercial Properties Stock Condition Survey identifying future maintenance and investment requirements completed.	31-Oct-2020	Yes	Project was carried over from 2020/21 and is now complete. The contract was awarded in July after a successful procurement tender. Further recommendations on historically under-performing parades will be considered in

Project	Status	Progress	Description	Due Date	Completed	Update provided by Lead
			02. Lease review completed	30-Nov-2020	Yes	October, following an options appraisal currently underway.
			03. Review of portfolio performance completed	30-Nov-2020	Yes	
			04. Options to optimise portfolio's delivery of strategic objectives identified.	31-Jan-2021	Yes	

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:	**26 August 2021**

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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 30 June 2021; and
- seek approval for submission of the RSL Borrower Group's management accounts to 30 June 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 30 June 2021

5.1 The results for the period to 30 June are summarised below.

	Year to Date (Period 3)		
£m	**Actual**	**Budget**	**Variance**
Turnover	100.5	103.7	(3.2)
Operating expenditure	(71.5)	(73.8)	2.3
Operating surplus	**29.0**	**29.9**	**(0.9)**
Operating margin	*28.9%*	*28.8%*	
Net interest payable	(17.0)	(17.8)	0.8
Surplus	**12.0**	**12.1**	**(0.1)**
Net Capital Expenditure	(35.1)	(40.8)	5.7

5.2 The Group is reporting a statutory surplus for the month of June 2021 of £12.0m, £0.1m lower than budget for the year to date.

5.3 Key variances against budget include:

- Grant income recognised on new build completions is £3.6m lower than budget with 33 properties completed in GHA, but delayed completions at Dunedin Canmore site at South Gilmerton and at GHA's Ballieston, Auchinlea and Kennishead sites. Properties at the GHA sites have been handed over in July

- Other income is £0.3m favourable to budget; this is principally due to higher levels of income in DGHP for aids and adaptations. The work was carried in the previous financial year with the amounts recognised when claims are agreed.

- In expenditure, total costs are £2.3m lower than budget, driven by the timing of spend in repairs and maintenance as the we remobilised the services during the first quarter and lower levels of staff and running costs.

    - In repairs and maintenance costs of £11.5m are £0.5m lower than budget with the largest variance reported in DGHP where reactive repairs costs are £0.6m lower, with the in-house service experiencing challenges in material supplies, this is partially offset by higher levels of repairs and maintenance spend in the other RSLs.

    - Staff costs are £0.5m lower than budget with vacancies in the structure as we work toward implementing the new staff operating model.

    - Running costs are £1.0m lower with savings in all the RSLs and Solutions as staff continue to work from home with staff related expenditure and office running costs remain lower.

- Bad debt costs are £0.2m lower where the budget in 2021/22 continues to include a prudent level of provision for costs associated with an assumed increase in arrears levels related to Universal Credit.

- Interest and financing costs are £0.8m lower than budget for the month, linked to lower net debt levels at the end of the 2020/21 financial year and lower interest costs following the termination of fixed rate loan arrangements in March. The Group has cash balances available of £146.3m following the final scheduled drawdown from EIB of £28m in June.

5.4 Net capital expenditure is £5.7m lower than budget. Within this new build spend is £13.5m lower with grant income claimed reflecting the reduced spend levels and £12.6m lower at the end of June. Higher spend levels had been anticipated at Calton Village and Hurlford Avenue with both projects having a later approved and site start date. Spend at Sighthill, Watson and Queen's Quay, South Gilmerton and Penicuik are all running lower in the year to date. In DGHP accelerated spend at Lincluden in Q4 2021/22 has reduced spend at this site in the current year. In Dunedin Canmore too, a number of sites incurred higher accelerated levels of spend in late 2020/21 which has impacted spend reported to June.

5.5 The core investment programme spent £15.9m in the year to date which was £3.5m lower than budget as the service moved towards full remobilisation. Spend is expected to exceed budget in Q2 and be in line by the year end.

Q1 Forecast

	Q1 Forecast		
£m	**Budget**	**Forecast**	**Variance**
Turnover	409.1	405.0	(4.1)
Operating expenditure	(300.3)	(297.8)	2.5
Operating surplus	**108.8**	**107.2**	**(1.6)**
Operating margin	*26.6%*	*26.5%*	
Net interest payable	(69.6)	(66.5)	3.1
Statutory surplus	**39.2**	**40.7**	**1.5**
Net Capital Expenditure	185.1	182.8	2.3

5.6 The full year forecast for the group statutory surplus is £40.7m, £1.5m higher than budgeted. The key driver for the variance to budget is a lower level of grant income on completion of new build properties reflecting the most recent reforecast of the new build programme. In operating expenditure, savings in staff and running costs are expected in line with the actual results at the end of the first quarter. Net interest costs are forecast £3.1m lower for the full year following the fixed rate loan restructuring in March.

5.7 Key variances against budget include:

- Within turnover, grant income is expected to be £4.2m lower than budget. The forecast includes the impact of the grant recognised on the delayed 2020/21 handovers across the borrower group sites and the delay in planned 2021/22 completions which have moved forward to 2022/23.

- Total expenditure is expected to be £2.5m lower than budget. This includes a forecast reduction to employee costs linked to the savings reported for the year to date with vacancies held in the structure as the new operating model is implemented.

- Running costs, are expected to be £1.2m lower than budget, reflecting savings made in the year to date as staff continue to work from home and staff related costs and office running costs remain lower than budget for the period to June.

- The repairs service shows full year spend to be in line with the full year budget including additional provision this year to help meet higher expected demand coming as we come out of the pandemic.

- Demolition costs are lower with works at Gallowgate to take place in 2022/23.

5.8 Net capital investment is expected to be £2.3m lower than budgeted with a reduction in grant income claimed of £24.3m in the year which is linked to the lower levels of new build investment spend, forecast £26.5m lower than budget. Variations in the timing of spend will defer costs in 2022/23. Key changes include later approvals at Calton Village and Hurlford Avenue in GHA and Macmerry in DC. At Rowanbank another DC site, good progress is being made with the timing of cash payments later than originally profiled in the financial projections which pushes an element of spend out to 2022/23. Work at DGHP's Lincluden site and a number of DC sites progressed more quickly in the final quarter of 2021/22 which has reduced the current year spend.

5.9 The core investment programme is expected to be in line with budget for the full year with spend increasing into the second quarter. The budget includes additional provision for high rise works in GHA as previously agreed by the Board.

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 30 June 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 £3.8m favourable to budget as shown in slide 5 in appendix 1. [redacted] DGHP is £0.9m favourable to budget.

5.12 The favourable performance against budget has improved the covenant position at 30 June 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 results for the year to 30 June 2021 are £0.1m unfavourable to budget with a full year forecast £1.5m 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 30 June 2021 were favourable to budget ensuring that these efficiency targets are met.

8. Legal, regulatory and charitable implications

8.1 No implications.

9. Equalities impact

9.1 Not applicable.

10. Environmental and sustainability implications

10.1 No implications.

11. Recommendation

11.1 The Board is requested to:

1) note the Group management accounts for the period ended 30 June 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

1) 1: Wheatley Group Financial Report to 30 June 2021
2) 2: RSL Borrower Group Financial Report to 31 March 2021

Appendix 1: Wheatley Group Financial Report To 30 June 2021 (Period 3)

1a) Wheatley Group – Year to date

YTD (£k)	Year to 30 June 2021			Full Year Budget £'000
	Actual £'000	Budget £'000	Variance £'000	
INCOME				
Net Rental Income	76,100	76,044	56	307,015
Grant income	3,078	6,681	(3,603)	49,933
Other Income	21,286	20,965	321	52,198
Total Income	**100,464**	**103,689**	**(3,225)**	**409,146**
EXPENDITURE				
Employee Costs	20,792	21,250	458	83,417
ER/VR	-	-	-	3,046
Running Costs	10,710	11,732	1,022	54,478
Repairs & Maintenance	11,519	11,988	469	50,930
Bad debts	3,126	3,335	209	6,097
Depreciation	25,231	25,231	-	100,928
Demolition Programme	88	249	161	1,449
Total Expenditure	**71,466**	**73,783**	**2,317**	**300,345**
NET OPERATING SURPLUS	**28,998**	**29,906**	**(908)**	**108,801**
	28.9%	28.8%		26.6%
Gain/(loss) on sale of fixed assets	-	-	-	-
Net interest payable	(17,028)	(17,801)	773	(69,624)
STATUTORY SURPLUS/(DEFICIT)	**11,970**	**12,105**	**(135)**	**39,177**

INVESTMENT				
Total Capital Investment Income	4,589	17,220	(12,631)	65,693
Core Investment Programme	15,939	19,422	3,483	106,328
New Build Programme	19,732	33,198	13,466	125,310
Other fixed assets	4,008	5,396	1,388	19,130
Total Capital Investment Expenditure	**39,679**	**58,017**	**18,338**	**250,768**
NET CAPITAL INVESTMENT SPEND	**(35,090)**	**(40,797)**	**5,707**	**(185,075)**

Key highlights year to date:

The Group operating surplus for the period ended 30 June was £28,998k which is £908k unfavourable to budget. At the statutory surplus level, a surplus of £11,970k is reported showing a unfavourable variance of £135k to budget. The variance to budget driven y lower grant income due to the delay in GHA and DC on new build completions, offset by lower levels of expenditure across all lines, as we operated under the remaining pandemic restrictions during the first quarter.

Total income at £100,464k is £3,225k lower than budgeted.

- Net rental income is broadly in line with budget, and includes lower void levels across the Group, a number of properties continue to be provided to local authorities to provide temporary homeless accommodation.
- Grant income recognised to date relates to the 33 units completed at GHA's sites of Bellrock (19) due for completion in March 2021, Auchinlea (5), and Kennishead (9) developments and a further 5 completed properties at DGHP's Monreith development. The adverse variance is driven by delayed completions at South Gilmerton (DC) and at Ballieston, Auchinlea and Kennishead which are all GHA sites. Properties at the GHA sites have been handed over in July.
- Other income is £321k higher than budget at June and includes additional aids and adaptations claims in DGHP for works completed in the prior year with the claim being recognised once approved for payment.
- Total expenditure of £71,466k is £2,317k favourable to budget:
- Staff costs are £458k lower than budget mainly driven by favourable variances to budget in Wheatley Care and vacancies held in the RSLs and Solutions as the new operating model is implemented.
- Running costs are £1,022k favourable to budget with the variance largely linked to the timing of expenditure in Solutions and the continuation of home working for a number of staff. Savings have also been recognised in office running costs and [redacted].
- Revenue repairs and maintenance expenditure is £469k favourable to budget. The majority of RSLs are reporting spend close to or marginally higher than budget. DGHP's in house service is showing a favourable variance with challenges in sourcing of material and recruitment being completed to move the service to full capacity.
- Bad debt costs are £209k favourable to budget across the Group with a prudent provision set aside for increases in arrears. Interest costs are £773k lower than budget with interest rates on borrowings lower following the loan restructuring in March 2021.
- Net capital expenditure of £35,090k is £5,707k favourable budget. Capital investment income relates to the cash receipt of new build grant, which is £12,631k below budget, and linked to the lower level of new build spend on which grant can be claimed.
- Core programme spend is lower than budget by £3,483k, as the service moves towards full remobilisation. Costs incurred to date are most notably on central heating, KBR, lifts, lowrise and highrise work, internal common works, environmental, compliance work and adaptations. Spend is anticipated to accelerate in Q2 and be in line with budget for the full year.
- In new build, a higher level of spend had been anticipated for sites including Calton Village and Hurlford Avenue, both having later site starts than anticipated, with Sighthill, Hurlford Avenue, Watson sites, Jarvie Street, Queens Quay, South Gilmerton and Penicuik, all running lower than budget for June and driving the variance. In DGHP faster progress was made at Lincluden in Q4 20/21 which has reduced spend in Q1 2021/22.
- Other fixed assets expenditure of £4,008k is £1,388k favourable to budget and includes IT capital projects which is £855k lower with a number of new projects due to launch in Q2.

Wheatley Group Financial Report
To 30 June 2021 (Period 3)

RSL Borrower Group

2a) RSL Borrower Group – Year to date

YTD (£k)	ACTUAL £'000	BUDGET £'000	VARIANCE £'000	Full Year Budget £'000
	RSL Borrower Group			
INCOME				
Gross Rental Income	62,153	62,127	26	248,856
Void Losses	(578)	(640)	62	(2,366)
Net Rental Income	61,575	61,488	87	246,490
Grant income	2,560	5,724	(3,164)	44,683
Other Income	13,380	13,182	198	22,277
Total Income	**77,515**	**80,393**	**(2,878)**	**313,450**
EXPENDITURE				
Employee Costs	14,434	14,720	286	56,698
ER/VR	-	-	-	2,700
Running Costs	5,823	6,426	603	34,564
Repairs & Maintenance	8,664	8,439	(225)	37,861
Bad debts	2,884	2,988	104	4,831
Depreciation	22,352	22,352	-	89,379
Demolition Programme	88	249	161	1,200
Total Expenditure	**54,244**	**55,172**	**929**	**227,233**
NET OPERATING SURPLUS	**23,271**	**25,222**	**(1,951)**	**86,217**
	30.0%	31.4%		
Gain/(loss) on sale of fixed assets	-	-	-	-
Net interest payable	(14,699)	(15,514)	815	(60,575)
STATUTORY SURPLUS/(DEFICIT)	**8,572**	**9,708**	**(1,136)**	**25,642**

INVESTMENT				
Total Capital Investment Income	4,589	14,303	(9,714)	57,978
Core Investment Programme	11,810	13,629	1,819	72,767
New Build Programme	17,716	29,108	11,392	107,049
Other fixed assets	3,619	4,343	724	14,919
Total Capital Investment Expenditure	33,145	47,080	13,935	194,735
NET CAPITAL INVESTMENT SPEND	**(28,556)**	**(32,777)**	**4,221**	**(136,757)**

Key highlights year to date:

The RSL Borrower group operating surplus to 30 June is £23,271k, £1,951k unfavourable to budget. At the statutory surplus level, a surplus of £8,572k is reported showing an unfavourable variance of £1,136k compared to the budget. The variance is driven by the lower levels of grant income realised in the year to date, both in GHA and in DC, and lower levels of cost across all the expenditure lines with the exception of repairs.

Total income is £2,878k lower than budgeted:

- Net rental income is £87k favourable to budget across the RSLs. Rental income includes a lower level of voids across the Borrower Group with the exception of Loretto, where the higher than budgeted void levels are driven by Loretto's three temporary accommodation sites managed by Wheatley Care.
- Grant income recognised to date relates to the 33 units completed at GHA's sites of Bellrock (19) due for completion in March 2021, Auchinlea (5), and Kennishead (9) developments. The adverse variance is driven by delayed completions at South Gilmerton (DC) and at Ballieston, Auchinlea and Kennishead which are all GHA sites. Properties at the GHA sites have been handed over in July.
- Total expenditure is £929k favourable to budget, mainly driven by the lower bad debts, group running costs, employee costs and demolition costs with repairs being the only line reporting spend higher than budget.
- Employee costs are £286k below the budget at June, mainly driven by the savings in group recharges, which is partly due to a combination of both budget vacancies and the phasing of the uptake of the home working allowance by staff.
- Running costs are £603k favourable to budget at June reflecting the savings in Solutions, through reduced activity with employees continuing to work from home and office running cost savings.
- Revenue repairs and maintenance expenditure is £225k higher than budget. The service has been back to a full service from May with a focus particularly on the areas where there is greater customer demand and the delivery of the compliance programme. There are small favourable variances to budget seen across responsive repairs, and higher spend on cyclical and compliance repairs to June with the approved budget including additional provision for postponed reactive works.
- Interest payable represents the interest due on the loans due to Wheatley Funding Ltd 1. It is £815k lower than budget following re-structuring of WFL 1 loans in March 2021.
- Net capital expenditure is £4,221k lower than budget. Lower levels of capital expenditure have been driven by the continuing delays in the progress of some new build sites as a result of the pandemic. Grant claims have been submitted for new build at Carnwadric (GHA), Damshot (GHA), Queens Quay (Cube) and Hallrule Drive (LHA), Cobblebrae Farm (LHA), The Wisp 3C (DC), Roslin (DC) and South Gilmerton (DC). Lower claims match the lower spend levels to date.
- Core programme spend is £1,819k lower than budget with good progress made as the service reaches full remobilisation. It is anticipated that spend will accelerate during Q2 with internal work recommencing.
- In new build, a higher level of spend had been anticipated for sites including Calton Village and Hurlford Avenue, both having later site starts than anticipated, with Sighthill, Hurlford Avenue, Watson sites, Jarvie Street, Queens Quay, South Gilmerton and Penicuik, all running lower than budget for June and driving the variance.

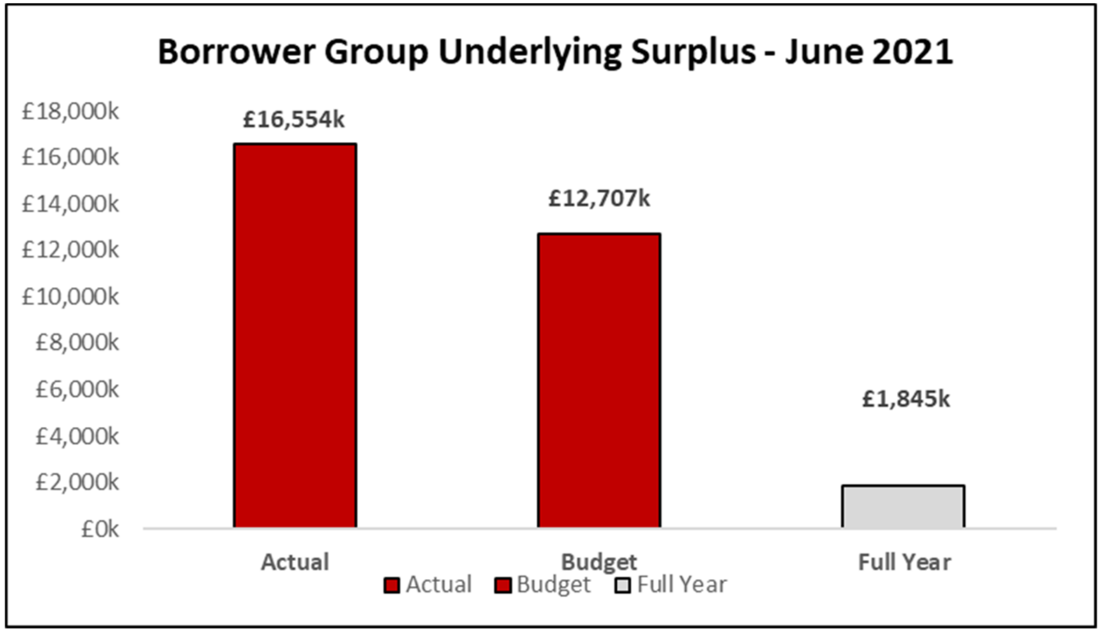
2b) RSL Borrower Group underlying surplus – year to date

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 first quarter of the financial year, an underlying surplus of £16,554k has been generated using this measure which is £3,847k 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.



2c) GHA – Year to date

	Year to 30 June 2021			Full Year
	YTD Actual £ks	YTD Budget £ks	YTD Variance £ks	Budget £ks
INCOME				
Rental Income	£48,847	£48,820	£27	£198,828
Void Losses	(£351)	(£345)	(£6)	(£1,410)
Net Rental Income	**£48,496**	**£48,475**	**£21**	**£197,418**
Grant Income	£2,523	£4,950	(£2,427)	£28,859
Other Income	£12,593	£12,353	£240	£18,750
Total Income	**£63,612**	**£65,778**	**(£2,166)**	**£245,027**
EXPENDITURE				
Employee Costs - Direct	£8,440	£8,666	£226	£35,238
Employee Costs - Group Services	£2,988	£3,031	£43	£11,162
ER / VR	£0	£0	£0	£2,741
Direct Running Costs	£2,820	£2,835	£15	£18,830
Running Costs - Group Services	£1,599	£2,006	£407	£8,054
Revenue Repairs and Maintenance	£6,618	£6,547	(£71)	£30,400
Bad debts	£2,774	£2,775	£1	£4,074
Depreciation	£16,940	£16,940	£0	£68,939
Demolition and Tenants Compensation	£88	£249	£161	£1,205
TOTAL EXPENDITURE	**£42,267**	**£43,049**	**£782**	**£180,644**
NET OPERATING SURPLUS / (DEFICIT)	**£21,345**	**£22,729**	**(£1,384)**	**£64,383**
Net operating margin	*33.6%*	*34.6%*	*-1.0%*	*26.3%*
Net Interest payable & similar charges	(£11,705)	(£12,320)	£615	(£50,123)
STATUTORY SURPLUS / (DEFICIT)	**£9,640**	**£10,409**	**(£769)**	**£14,259**

INVESTMENT	Year to 30 June 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
Total Capital Investment Income	**£614**	**£7,658**	**(£7,044)**	**£28,458**
Total Expenditure on Core Programme	£9,985	£11,631	£1,647	£61,803
New Build & other investment expenditure	£9,851	£16,473	£6,622	£55,725
Other Capital Expenditure	£3,416	£3,977	£561	£13,428
TOTAL CAPITAL EXPENDITURE	**£23,252**	**£32,081**	**£8,830**	**£130,956**
NET CAPITAL EXPENDITURE	**£22,638**	**£24,423**	**£1,786**	**£102,498**

- **Key highlights year to date:**
- Net operating surplus of £21,345k is £1,384k unfavourable to budget. Statutory surplus for the period to 30 June is £9,640k, £769k unfavourable to budget. The main drivers of the variance are lower grant income due to the delay in GHA new build completions and lower levels of expenditure resulting from the changes to the business plan in response to the pandemic. The results and budget incorporate the property transfer from Cube on the 28 April 2021.
- Net rental income of £48,496k is £21k higher than budget at the end of Q1.
- Void losses are £6k higher than budget at P3, representing a 0.72% loss rate compared to budget of 0.7%.
- Grant income recognised to date relates to the total of 33 units completed at Bellrock (19), Auchinlea (5), and Kennishead (9) developments The budget assumed additional, completions for Kennishead and Baillieston which have been delayed.
- Total employee costs are £269k favourable to budget. Included in the variance are employee recharges from Solutions which are favourable by £43k.
- Total running costs are £422k favourable to budget with the variance largely linked to the change in the operation of the business during the first quarter which has resulted in lower than expected group services costs in a number of areas against budget. The reduced activity in Group recharge costs for the first 3 months has resulted in favourable budget variances due to savings generated from the working from home model and savings in office running costs, whilst Wheatley House is still under refurbishment.
- Revenue repairs and maintenance expenditure is £71k unfavourable to budget. The service has been back to a full service from May with a focus particularly on the areas where there is greater customer demand and compliance work. There continue to be favourable variances to budget seen across responsive repairs, and higher spend on cyclical and compliance repairs to June. Compliance repairs are £102k ahead of budget mainly covering emergency work in response to customer demand, and compliance work, including FIT and gas servicing costs.
- The net capital position of £22,638k is £1,786k lower than budget. Grant income of £614k has been received to P3 for Damshot and Carnwadric. The grant claims mirror the lower new build capital spend.
- Core capital investment programme spend on existing stock is £1,647k lower than budget with the underspend attributable to a higher number of jobs falling under the VAT shelter . Costs incurred to date are most notably on central heating, KBR, lifts, lowrise and highrise work, internal common works, environmental, compliance work and adaptations.
- New build spend of £9,851k includes costs incurred on ongoing construction across GHA. Greater spend had been anticipated for all sites including Calton Village and Hurlford Avenue, both later in site starts than anticipated, with Sighthill, Hurlford Avenue and Watson sites, all significantly under the budget for June. Progress on Sighthill has been slower to date under the restrictions and a delay in handover of the sites to the developer by GCC had also delayed progress.
- Other capital expenditure of £3,416k, is £561k under budget, and represents GHA's share of IT capital investment and spend on the office accommodation project.

2d) Cube – Year to date

	Year to 30 June 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Rental Income	£2,570	£2,575	(£5)	£3,053
Void Losses	(£45)	(£120)	£75	(£136)
Net Rental Income	**£2,525**	**£2,455**	**£70**	**£2,917**
Grant Income	£25	£35	(£10)	£47
Other Income	£38	£40	(£2)	£42
TOTAL INCOME	**£2,588**	**£2,530**	**£58**	**£3,006**
EXPENDITURE				
Employee Costs - Direct	£463	£483	£20	£582
Employee Costs - Group Services	£111	£116	£5	£124
ER / VR	£0	£0	£0	£0
Direct Running Costs	£186	£213	£27	£253
Running Costs - Group Services	£58	£66	£8	£90
Revenue Repairs and Maintenance	£454	£377	(£77)	£435
Bad debt costs	£15	£70	£55	£82
Depreciation	£1,225	£1,225	£0	£1,503
TOTAL EXPENDITURE	**£2,512**	**£2,550**	**£38**	**£3,070**
NET OPERATING SURPLUS / (DEFICIT)	**£76**	**(£20)**	**£96**	**(£64)**
Net operating margin	*2.9%*	*-0.8%*	*3.7%*	*-2.1%*
RTB Income	-	-	-	-
Net Interest payable & similar charges	(£634)	(£634)	£0	(£748)
STATUTORY SURPLUS / (DEFICIT)	**(£558)**	**(£654)**	**£96**	**(£812)**

	Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INVESTMENT				
TOTAL CAPITAL INVESTMENT INCOME	**£923**	**£847**	**£76**	**£1,671**
Total Expenditure on Core Programme	£358	£287	(£71)	£358
New Build & other investment expenditure	£770	£1,291	£521	£1,817
Other Capital expenditure	£25	£56	£31	£65
TOTAL CAPITAL EXPENDITURE	**£1,153**	**£1,634**	**£481**	**£2,239**
NET CAPITAL EXPENDITURE	**£230**	**£787**	**£557**	**£568**

Key highlights year to date:

- The full year budget is present for the period up to the transfer of engagements in July 2021.
- Net operating surplus of £76k is £96k favourable to budget. Statutory deficit for the year to date is £558k, £96k favourable to budget. The main drivers of this variance are lower void losses and lower staff and running costs.
- Rental income received of £2,570k is broadly in line with budget.
- Void losses in the year to date are 1.75% against a budget of 4.67%, generating a favourable variance of £75k. A further 6 void properties were let during June, aside from those properties requiring major repair and Homelink vacancies, there was 1 property void at the end of June.
- Direct employee costs of £463k are £20k favourable to budget, following transfer of a number of Cube's housing staff to GHA on 28 April, 3 days earlier than the budget assumed. Employees recharged from Group Services for Cube's share of Wheatley Solutions staff is showing broadly on target to budget.
- Direct Running Costs are favourable to budget by £27k, as a result of an under spend on Initiatives plus smaller underspends on a number of budget lines. Group Services Running Costs of £58k represents Cube's share of Wheatley Solutions running costs.
- Revenue repairs and maintenance expenditure is £77k unfavourable to budget, due to the higher demand for work and catch up of works in Q4 2020/21.
- Bad debts report a favourable variance to budget. A prudent approach to Universal Credit was taken when setting the budget.
- Gross interest payable of £634k represents interest due on the loans due to Wheatley Funding Ltd 1.
- Net capital expenditure of £230k is £557k lower than the budget 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 £358k is for internal common works and compliance capital (both part of core programme works), voids and capitalised repairs.
- Other capital expenditure of £25k relates to Cube's share of group wide IT investment.

2e) West Lothian Housing Partnership – Year to date

	Year to 30 Jun 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Rental Income	929	927	1	3,920
Void Losses	(3)	(13)	10	(51)
Net Rental Income	**926**	**915**	**11**	**3,869**
Other Income	0	0	0	32
HAG Recognised in the Year	0	0	0	12,467
TOTAL INCOME	**926**	**915**	**11**	**16,368**
EXPENDITURE				
Employee Costs - Direct	124	140	17	581
Employee Costs - Group Services	18	18	0	69
Direct Running Costs	73	86	13	296
Running Costs - Group Services	13	13	0	49
Revenue Repairs and Maintenance	146	150	4	647
Bad Debts	5	13	7	51
Depreciation	516	516	0	2,065
TOTAL EXPENDITURE	**895**	**937**	**42**	**3,759**
NET OPERATING SURPLUS / (DEFICIT)	**31**	**(22)**	**53**	**12,609**
Net Operating Margin	*3%*	*-2%*	*6%*	*77%*
Interest receivable	0	0	(0)	1
Interest payable	(284)	(303)	19	(991)
STATUTORY SURPLUS / (DEFICIT)	**(253)**	**(325)**	**72**	**11,619**

	Year to 30 Jun 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INVESTMENT				
Total Capital Investment Income	**328**	**1,957**	**(1,629)**	**7,274**
Total Expenditure on Core Programme	100	135	34	828
New Build & Other Investment	1,197	4,257	3,060	15,975
Other Capital Expenditure	13	17	3	67
TOTAL CAPITAL EXPENDITURE	**1,311**	**4,408**	**3,097**	**16,869**
NET CAPITAL EXPENDITURE	**983**	**2,451**	**1,468**	**9,595**

WEST LOTHIAN Housing Partnership

Key highlights year to date:

- Net operating surplus of £31k is £53k favourable to budget. Statutory deficit for the period to 30 June is £253k, £72k favourable to budget with main drivers being lower interest costs, running and staff costs compared to budget.
- Total income is £11k favourable to budget. Gross rental income of £929k is £1k favourable to budget and void losses are £10k favourable to budget.
- Total expenditure of £895k is £42k favourable to budget. Employee costs of £124k are £17k favourable to budget, due to a Housing Officer vacancy and unbudgeted staff recharges for one FTE to a different group subsidiary.
- Running costs are £13k favourable to budget resulting from savings in office running costs generated while staff continue to work from home.
- Gross interest payable of £284k is £19k favourable to budget following the re-structuring of WFL 1 fixed rate loans in March.
- Core investment expenditure of £100k is £34k favourable to budget, it is expected spend will be in line with budget by year end as works fully resume.
- New Build expenditure of £1,197k is reported at the end of period 3 with the variance of £3,060k driven by lower than expected spend at several sites including Almondvale (£0.9m), Jarvey Street (£0.5m), Blackness Road (£0.5m) and Sibbalds Brae (£1.1m).
- Grant income of £328k has been received in the year to date for Winchburgh O. The budget of £1,957k included expected grant receipts for Winchburgh O, Sibbalds Brae and Blackness Road. The variance against budget reflects the lower than budgeted expenditure detailed above.

2f) Loretto Housing – Year to date

	Year to 30 June 2021			Full Year
	Actual	Budget	Variance	Budget
	£k	£k	£k	£k
INCOME				
Rental Income	2,094	2,091	3	12,188
Void Losses	(85)	(68)	(17)	(393)
Net Rental Income	**2,009**	**2,023**	**(14)**	**11,795**
Other Income	**72**	**69**	**2**	**295**
Grant Income	**12**	**18**	**(7)**	**167**
Total Income	**2,093**	**2,111**	**(19)**	**12,257**
EXPENDITURE				
Employee Costs - Direct	344	331	(12)	2,120
Employee Costs - Group Services	64	62	(2)	398
ER / VR	0	0	0	0
Direct Running Costs	382	405	23	1,752
Running Costs - Group Services	34	45	11	287
Revenue Repairs and Maintenance	401	425	24	1,941
Bad debts	20	56	37	328
Depreciation	945	945	0	6,003
TOTAL EXPENDITURE	**2,190**	**2,270**	**80**	**12,828**
OPERATING SURPLUS / (DEFICIT)	**(97)**	**(159)**	**62**	**(571)**
Interest Payable	(348)	(411)	63	(2,514)
STATUTORY SURPLUS / (DEFICIT)	**(445)**	**(570)**	**124**	**(3,085)**

	Year to 30 June 2021			Full Year
	Actual	Budget	Variance	Budget
	£k	£k	£k	£k
INVESTMENT				
Total Capital Investment Income	**1,549**	**1,389**	**161**	**6,260**
Investment Works	243	179	(64)	2,834
New Build	2,596	2,354	(241)	11,956
Other Capital Expenditure	24	41	18	351
TOTAL CAPITAL EXPENDITURE	**2,863**	**2,575**	**(288)**	**15,142**
NET CAPITAL EXPENDITURE	**1,313**	**1,186**	**(127)**	**8,881**

Key highlights year to date:

Net operating deficit of £97k is £15k favourable to budget. Statutory deficit for the year to date is £445k, £77k favourable to budget. The main driver of the favourable variance is a reduction in bad debts and direct running costs and interest payable.

- Gross rental income of £2,094k is broadly in line with budget..
- Void losses in the year to date are 4.05% against a budget of 3.23%, which is largely linked to Loretto's three temporary accommodation sites managed by Wheatley Care. At Broad Street, one of the three temporary accommodation sites, new referral criteria implemented from 15 June are allowing voids to be filled in the same day they become available. The benefit of this is already visible in the figures for the month of June and we will accrue minimal rental loss going forward across all sites.
- Grant income relates to medical adaptations.
- Employee costs are £12k unfavourable to budget due to the creation of the Community Engagement Officer's post. Employees recharged from Group Services for Loretto's share of Wheatley Solutions staff.
- Direct running costs are £23k favourable to budget, with a number of budget lines showing small underspends. Group Services Running Costs of £34k represents Loretto's share of Wheatley Solutions running costs.
- Revenue repairs and maintenance expenditure is £26k unfavourable to budget as a result of the timing of compliance based cyclical works.
- Bad debts are £37k favourable to budget. A prudent approach was taken when setting the budget.
- Gross interest payable of £348k represents interest due on the loans due to Wheatley Funding Ltd 1. It is £63k lower than budget following re-structuring of WFL 1 loans in March.
- The net capital position of £1,313k is £127k higher than budget. This is due to the timing of new build grant receipts (Hallrule £936k and Cobblebrae £602k) and spend.
- Investment works expenditure of £243k mainly relates to voids, capitalised repair and M&E core programme works.
- New build expenditure of £2,596k relates to 3 ongoing sites.
- Other capital expenditure of £24k relates to the Loretto contribution to Wheatley Group IT. Full year budget includes £108k budgeted for office refurb and conversion of housing properties previously used as offices by Wheatley Care. This budget has been brought forward from 2020/21.

2g) Dunedin Canmore – Year to date

	Year to 30 June 2021 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INCOME				
Rental Income	7,713	7,715	(2)	30,985
Void Losses	(94)	(94)	0	(376)
Net Rental Income	**7,620**	**7,621**	**(2)**	**30,609**
HAG Recognised in the Year	0	721	(721)	4,909
Other Income	715	712	3	3,158
TOTAL INCOME	**8,335**	**9,055**	**(720)**	**38,676**
EXPENDITURE				
Employee Costs - Direct	1,013	1,014	1	4,862
ER/VR	0	0	0	-
Employee Costs - Group Services	403	390	(13)	1,562
Direct Running Costs	908	941	34	3,210
Running Costs - Group Services	215	281	65	1,123
Revenue Repairs and Maintenance	1,083	982	(101)	4,438
Bad Debts	70	74	3	296
Depreciation	2,727	2,727	0	10,908
TOTAL EXPENDITURE	**6,421**	**6,410**	**(11)**	**26,399**
NET OPERATING SURPLUS / (DEFICIT)	**1,914**	**2,645**	**(731)**	**12,278**
Net Operating Margin	*23%*	*29%*	*-6%*	*32%*
Interest receivable	0	2	(1)	6
Interest payable	(1,728)	(1,844)	116	(7,280)
STATUTORY SURPLUS / (DEFICIT)	**186**	**803**	**(617)**	**5,003**

	Year to 30 June 2021 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INVESTMENT				
Total Capital Investment Income	**1,175**	**2,468**	**(1,294)**	**14,315**
Total Expenditure on Core Programme	1,124	1,397	274	6,944
New Build & Other Investment	3,302	4,733	1,431	21,576
Other Capital Expenditure	188	252	64	1,008
TOTAL CAPITAL EXPENDITURE	**4,613**	**6,382**	**1,768**	**29,528**
NET CAPITAL EXPENDITURE	**3,439**	**3,913**	**475**	**15,213**

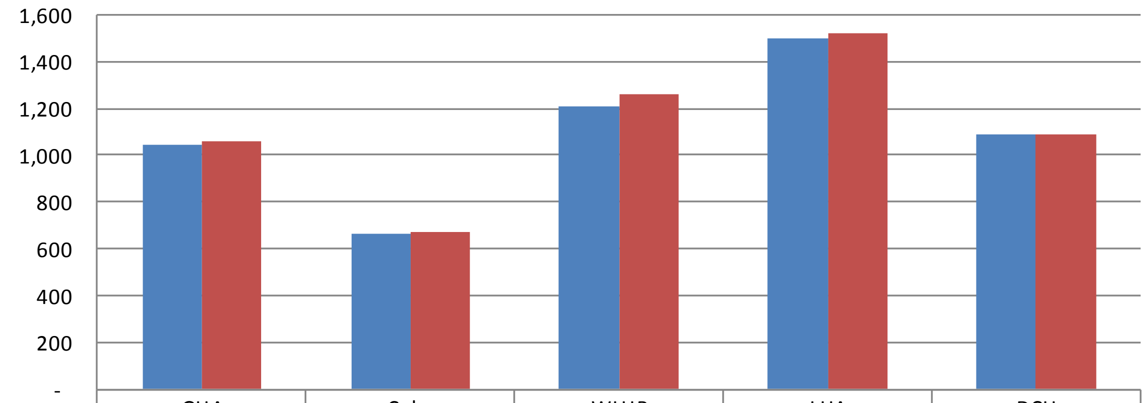
Key highlights year to date:

Net operating surplus of £1,914k is £731k adverse to budget. Statutory surplus for the period to 30 June is £186k, £617k adverse to budget.

- The main driver of the variance is that HAG recognised in the year is zero against a budget of £721k. Units at South Gilmerton were expected to be completed in May, now delayed until later in the year.
- Net rental income is broadly in line with budget. Gross rent is £2k adverse to budget, with void losses in line with budget. Other Income is £3k favourable to budget.
- Total expenditure is £11k adverse to budget. Revenue repairs and maintenance costs are £101k adverse to budget driven by reactive repairs which are £110k adverse to budget as a result of high demand after covid restrictions have been eased. Cyclical repairs including compliance work are broadly in line with budget to June.
- Running costs are showing favourable variances to budget, due to savings generated in office running costs while staff remain working from home for both staff based at New Mart Road and Group services staff at Wheatley House.
- Interest expenditure of £1,728k is £116K favourable to budget with lower interest rates on borrowings following the fixed rate loan restructuring in March 2021.
- In Capital, grant income of £1,175k has been received in relation to claims for the Wisp 3C, Roslin and South Gilmerton.
- Investment expenditure on existing properties is £274k lower than budget. This is largely as a result of the final stages of remobilisation. It is expected that spend will accelerate in the coming months.
- New build spend of £3,302k is £1,431k lower than budget mainly as a result of the lower spend at South Gilmerton year to date.

3) Summary of RSL operating costs and margin v budget

Operating costs per unit
YTD period 3

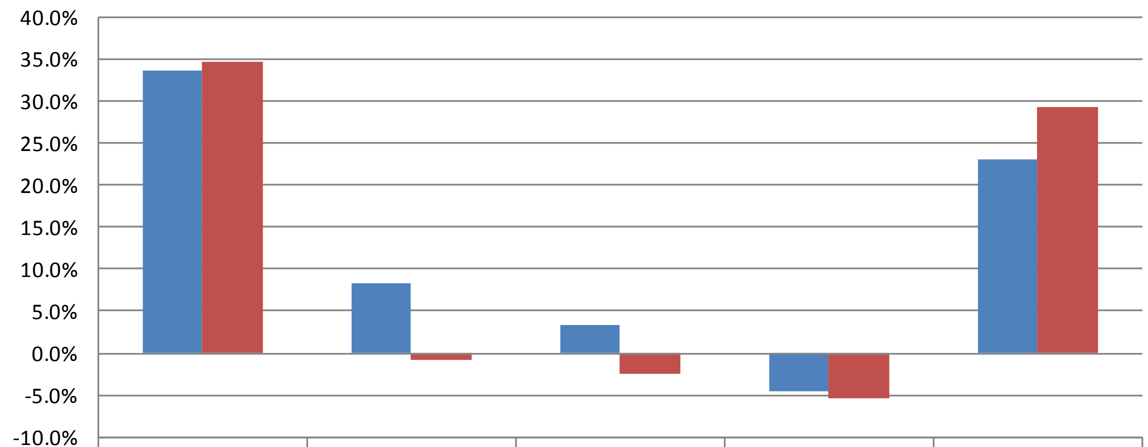


	GHA	Cube	WLHP	LHA	DCH
Actual	1,041	663	1,206	1,498	1,089
Budget	1,061	673	1,261	1,520	1,087

Operating costs per unit:

- At period 3 GHA, Cube WLHP and Loretto are reporting favourable or in line with budgeted operating costs per unit for the year to date.
- In Dunedin Canmore, operating costs per unit are marginally higher than budget with higher spend in repairs.
- Operating costs per unit vary across the RSLs depending on the stock profiles and types of accommodation offered.

Net operating margin



	GHA	Cube	WLHP	LHA	DCH
Actual	33.6%	8.3%	3.3%	-4.6%	23.0%
Budget	34.6%	-0.8%	-2.4%	-5.3%	29.2%

Net operating margin:

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

Wheatley Group Financial Report
To 30 June 2021 (Period 3)

Dumfries & Galloway Housing Partnership (DGHP)

4) Dumfries and Galloway Housing Partnership – Year to date

OPERATING STATEMENT	YTD Actual £000s	YTD Budget £000s	YTD Variance £000s	Full Year Budget £ks
	Year to 30 June 2021			
INCOME				
Rental Income	£10,967	£10,894	£73	£45,254
Void Losses	(£121)	(£108)	(£13)	(£457)
Net Rental Income	**£10,846**	**£10,786**	**£60**	**£44,797**
Grant Income	£518	£957	(£439)	£5,291
Other Income	£1,025	£760	£265	£2,286
Total Income	**£12,389**	**£12,503**	**(£114)**	**£52,374**
EXPENDITURE				
Employee Costs - Direct	£762	£800	£38	£3,307
Employee Costs - Group Services	£493	£532	£39	£1,918
ER / VR	-	-	-	£305
Direct Running Costs	£742	£785	£43	£3,372
Running Costs - Group Services	£468	£558	£90	£2,231
Revenue Repairs and Maintenance	£2,226	£2,920	£694	£10,359
Bad debts	£118	£263	£145	£1,052
Depreciation	£2,878	£2,878	-	£11,510
Demolition and Tenants Compensation	-	-	-	£244
TOTAL EXPENDITURE	**£7,687**	**£8,736**	**£1,049**	**£34,298**
NET OPERATING SURPLUS / (DEFICIT)	**£4,702**	**£3,767**	**£935**	**£18,076**
Net operating margin	*38.0%*	*30.1%*	*7.8%*	*34.5%*
Interest received	£2	£24	(£22)	£141
Interest payable & similar charges	(£1,600)	(£1,562)	(£38)	(£6,249)
STATUTORY SURPLUS / (DEFICIT)	**£3,104**	**£2,229**	**£875**	**£11,968**

INVESTMENT	Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
	Year to 30 June 2021			
Total Capital Investment Income	**£0**	**£2,917**	**(£2,917)**	**£6,855**
Total Expenditure on Core Programme	£4,028	£5,621	£1,593	£32,816
New Build & other investment expendi	£2,016	£4,090	£2,074	£16,970
Other Capital Expenditure	£389	£1,053	£664	£4,211
TOTAL CAPITAL EXPENDITURE	**£6,433**	**£10,764**	**£4,331**	**£53,997**
NET CAPITAL EXPENDITURE	**£6,433**	**£7,847**	**£1,414**	**£47,142**

Key highlights year to date :

- Net operating surplus of £4,702k is £935k favourable to budget. Statutory surplus for the period is £3,104k , £875k favourable to budget. The key driver of the variance is in lower grant income recognised on new build completions due to timing v budget, and repairs and maintenance where accelerated works and completion of backlogs in responsive repairs was planned for Q1, however material supply and operative capacity has slowed this spend.
- Net Rental income is £60k favourable to budget, benefitting from the earlier completions at Sanquhar in March 2021. Monthly void rent in total is 1.1%
- Grant income to date is £439k adverse to budget. The budget was based on 12 completions at Sanquhar in the year which were delivered early in March 2021. The actual grant income relates to the 5 units at Monreith which were delayed from the prior year.
- Other income is £265k favourable to budget driven by the first quarter Aids and Adaptations claim which is already more than 50% of the budgeted amount,. The bid for adaptations has been accepted at £604k which is £100k more than anticipated.
- Total expenditure is favourable to budget by £1,049k. All costs, are favourable to budget at P3, with repairs and maintenance the main driver of the underspend. All areas of repairs were under budget at June. Progress on the repairs backlog has been affected by material shortages and capacity restraints at start of the quarter, however repairs recruitment progressing well and City Building have been allocated a tranche of backlogged repairs to allow in house team to address voids and the current spike in demand for previously unreported repairs .
- Bad debt costs are £145k favourable to budget with arrears balances broadly in line with the year end figure.
- No new build grant cash income been claimed in the year to date. The budget assumed income would have been received for Lincluden, however the Lincluden cash claims against cost were made in full in 20/21
- Core programme is £1,593k lower than budget across all lines of expenditure most notably the mobilisation on windows and heating has been slower than expected.
- New Build expenditure is £2,074k lower than budget, driven by lower levels of spend to budget at Lincluden (£1.8m) and Sanquhar (£0.7m). Sanquhar was completed in 2021 and Lincluden phasing has been updated to reflect the latest work schedule.
- Other IT capital expenditure of £389k relates to the migration of DGHP IT systems and the refurbishment of the office property in central Dumfries.

Wheatley Group Financial Report
To 30 June 2021 (Period 3)

Care and Commercial

5a) Wheatley Care – Year to date

WHEATLEY CARE - COMPANY	Year to 30 June 2021 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INCOME				
Care Projects	4,940	5,002	(62)	20,035
COVID 19 PPE Reclaim Income	15	-	15	-
Head Office	27	25	2	101
TOTAL INCOME	**4,982**	**5,027**	**(45)**	**20,136**
CARE CONTRACT COSTS				
Employee Costs - Care Contracts	3,821	3,955	134	15,818
Running Costs - Care Contracts	565	573	8	2,294
TOTAL CARE CONTRACT COSTS	**4,386**	**4,528**	**142**	**18,112**
EXPENDITURE				
Employee Costs - Head Office	355	313	(43)	1,250
Employee Costs - Group Services	38	38	0	154
ER/VR	-	-	-	-
Head Office Running Costs	58	45	(13)	181
Running Costs - Group Services	19	24	5	97
Group recharges - PPE	28	-	(28)	-
Management fee payable to LHA	58	58	-	231
TOTAL EXPENDITURE	**556**	**478**	**(78)**	**1,913**
SURPLUS/(DEFICIT)	**40**	**21**	**19**	**111**

Key highlights year to date:

- Net Operating surplus of £40k is £19k favourable to budget for the first quarter of 2021/22. Total income is £45k adverse to budget, offset by lower Care contract employee and running costs. Unbudgeted PPE costs of £28k are reported as well as a reclaim of £15k received for PPE costs.
- Total **Care Project income** of £4,940k 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 on track with budget (£2k variance) but there notable variances for specific services: Fordneuk and ARBD Care Home reported fewer hours and lower occupancy levels against budget (£49k and £14k less income than budgeted respectively), Fife Supported Accommodation reported £21k lower income than budgeted following a number of voids and West Lothian contracts are reporting an adverse variance of £27k with uplifts assumed in the budget not awarded. This is offset by unbudgeted income for the Housing Support Service in Dumfries and Galloway (DG HSS) of £65k. Uplifts of 2.2% have been applied to income in the Glasgow services, Edinburgh SDS, Falkirk and Grangemouth, Falkirk SDS and Fife Supported services, and also applied to the rate elements within the West Lothian services – but not to the Core and Cluster elements. All other services have not had any uplift applied.
- **Employee Costs – Care Contracts** expenditure of £3,821k is £134k favourable to budget. The staff cost saving relates to a number of services operating with staff vacancies vs budget. Staff savings are mostly linked to fewer hours being delivered at services, and management of customer vacancies. 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 £64k, £30k and £23k respectively.
- **Running Costs – Care Contract** costs of £565k are £8k favourable to budget. Most services are reporting spend on track with or favourable to budget for running costs. In addition, the drop-in Day Centres in Edinburgh and Fife were still closed during April and up to 24 May and therefore incurred minimal day to day running costs during this period.
- **Employee Costs – Head Office** expenditure of £355k is £43k adverse to budget, with the current structure different to budget for the year to date.
- **Head Office Running Costs and Group 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. Group running costs are reporting a small saving of £5k due to a lower than budget recharge from Wheatley Solutions.
- **Group recharges – PPE** unbudgeted costs total £28k. Claims have been submitted to local authorities and the position will remain under review.

5b) Redacted

6) Wheatley Solutions – Year to date

EXPENDITURE	Year to June 2021 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
Employee costs				
Executive Team	356	375	19	1,494
Employee Relations and WFP	563	550	(12)	2,170
Marketing and Communications	169	193	24	760
Assurance	176	187	11	693
Academy	161	157	(3)	618
Finance	924	917	(7)	3,477
Company Secretary	241	238	(3)	943
Information Technology	376	342	(34)	1,333
Business Growth	173	212	40	836
Wheatley Hub	1,071	1,123	52	4,346
Property	268	286	18	1,073
Wheatley 360	87	100	12	390
Additional IT capitalisation	(43)	(43)	(0)	(172)
In-year savings	2	2	(0)	(195)
Furlough income	(71)	0	71	0
Total employee costs	4,452	4,639	188	17,766
Running costs				
Executive Team	16	29	13	346
Employee Relations and WFP	101	191	90	765
Marketing and Communications	75	122	47	487
Assurance	1	24	23	97
Academy	76	196	120	785
Finance	135	174	39	696
Company Secretary	182	185	3	738
Information Technology	1,286	1,357	71	5,430
Business Growth	27	77	50	306
Wheatley Hub	3	16	14	66
Property	250	348	98	1,394
Wheatley 360	10	5	(5)	20
Irrecoverable VAT & Other costs	198	198	0	792
In-year savings	0	0	0	0
Total running costs	2,360	2,923	563	11,921
Regulated insurance activities	933	933	0	3,609
Head office costs	370	370	0	1,479
TOTAL EXPENDITURE	8,114	8,865	751	34,775

Key highlights year to date:

The table presents the financial performance of Wheatley Solutions for the 3 month period ended 30 June 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 £8,114k at the end of period 3, 2021/22. This is £751k lower than budget for the period with both employee and running costs being favourable to budget.

- Employee costs of £4,452k are £188k favourable to budget for the period:
  - A number of departments report small variances against budget which relate to timing differences of when the annual home working allowance has been claimed. The departments reporting larger variances to budget relate to budgeted vacancies.
  - Furlough income of £71k has been claimed for the first three months of the year.
  - The IT department are reporting spend £34k higher than budget as a result of creating new roles to support home workers and the provision of additional resource for DGHP.
- Running costs of £2,360k are favourable to budget by £563k for the period. The key variances within this are:
  - A number of the departments report lower costs across Wheatley Solutions with large numbers of staff continuing to work from home. Reduced activity in Academy, Business Growth (lower litigation costs), Company Secretary, Employee Relations (lower health and wellbeing claims) and marketing expenditure are the areas contributing most to savings against budget. Property team also reports savings against budget as a result of lower office running costs being incurred whilst Wheatley House is being refurbished.
  - IT reports spend that is £71k lower than budget. This is the area with largest share of budget with existing DGHP contracts now reported through Wheatley Solutions. These services will be novated across to group contracts as they expire with cost efficiencies expected.
- Regulated insurance activities are in line with budget for the period.

7) Wheatley Foundation – Year to date

	YTD June 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Donations from Wheatley subsidiaries	753	753	0	4,000
Employability Grants	23	10	13	40
External income	271	181	90	973
Total Income	**1,047**	**943**	**104**	**5,013**
EXPENDITURE				
Overheads	238	277	39	1,103
Tackling Poverty & Social Inclusion	181	160	(21)	792
Education	0	0	0	251
Digital Inclusion	0	0	0	64
Employability	115	227	111	1,406
Sports / Arts	22	0	(22)	20
Money/Welfare Benefits advice	390	396	6	1,561
Funds to be allocated			()	
TOTAL EXPENDITURE	**946**	**1,059**	**113**	**5,198**
NET OPERATING SURPLUS / (DEFICIT)	**101**	**(116)**	**217**	**(185)**

Key highlights to date:

The table presents the financial performance of Wheatley Foundation for the three months of 2021/22 financial year. The Wheatley Foundation reports a surplus of £101k for the period. This is better than budget by £217k. Overall, this leaves the Wheatley Foundation with closing reserves of £1,673k.

Income of £1,047k is reported which is £104k higher than budget.

- Donations from Wheatley group subsidiaries total £753k which is in line with budget.
- External income of £271k is £90k higher than budget. Notable grants and donations:
  - GCC grant of £32k to support emergency fuel top ups for the period.
  - Creative Scotland grant of £22k to support artists deliver projects during the year.
  - Community benefit grants to the value of £167k, the majority raised through clauses written in to the Group new build framework.

Expenditure of £946k is £113k lower than budgeted.

- Overhead costs of £238k are £39k lower than budget, with lower team running costs as staff work from home.
- Tackling Poverty & Social Inclusion spend of £181k is reported against a budget of £160k. The main project spend for the period relates to:
  - Emergency fuel top ups to the value of £32k. This was not budgeted but is funded by GCC grant noted above.
  - Eat Well spend of £39k. This covers the costs of providing supermarket vouchers to those referred by Wheatley Group subsidiaries.
  - Barony Trust Emergency Response payments of £45k. This is higher than budget by £40k and this additional spend, approved at Feb 21 Board, reflected in Q1 forecast update.
- Employability expenditure of £115k is £111k lower than budget. The key items of expenditure for the period relate to £45k for the modern apprentice programme and Wheatley Works costs of £57k. Initial project costs of £13k have been incurred in relation to the European Social Fund employability project awarded by GCC. Activity is expected to increase in the second half of the year as new intake for the modern apprentice programme are due to start.
- Money advice team costs of £390k are slightly better than budget by £6k for the period.
- Sports and Arts costs of £22k relate to project delivery linked to Creative Scotland grant award noted above. Budget phasing assumes expenditure later in year.
- No expenditure is reported to date for Education and Digital Inclusion with the budget for both profiled for later in the year.

8) [redacted]

9) Wheatley Group – Consolidated Balance Sheet

	Current Month As at 30 June 2021 £ks	Previous yr end As at 31 March 2021 £ks
Fixed Assets		
Social Housing Properties	2,369,832	2,367,275
Properties under construction	109,499	107,464
Other tangible fixed assets	63,513	59,358
Investment properties	238,925	235,896
Investments -other	116	116
Fixed Assets	**2,781,885**	**2,770,109**
Debtors Due More Than One Year		
Development Agreement	9,692	12,201
Inter Company Loan	0	0
Pension Asset	5,843	5,843
Current Assets		
Trade debtors	0	0
Rent & Service charge arrears	16,706	21,697
less: Provision for rent arrears	(7,791)	(8,019)
Prepayments and accrued income	17,702	14,617
Intercompany debtors	0	0
Other debtors	18,849	16,099
	45,466	**44,394**
Bank & Cash	146,281	132,417
Current Assets	**191,747**	**176,811**
Current Liabilities		
Trade Liabilities	(9,631)	(9,330)
Accruals	(52,468)	(66,349)
Deferred income	(47,473)	(50,964)
Rents & service charges in advance	(10,125)	(10,992)
Intercompany creditors	0	0
Other creditors	(6,769)	(13,367)
	(126,466)	**(151,002)**
Net Current Assets	**74,974**	**38,010**
Long Term Liabilities		
Contingent efficiencies grant	(40,704)	(40,704)
Bank finance	(1,222,900)	(1,190,981)
Bond finance	(296,386)	(296,386)
Development Agreement	(9,692)	(12,201)
Provisions	(5,897)	(5,897)
Deferred income	(45,453)	(38,244)
Intercompany creditors	0	0
Loan arrangement fees	0	0
Other creditors	0	0
Pension liability	(11,228)	(11,228)
Long Term Liabilities	**(1,632,260)**	**(1,595,641)**
Net Assets	**1,230,442**	**1,218,321**
Funding Employed		
Capital & Reserves		
Share Capital	0	0
Retained Income b/fwd	670,825	670,825
Income & Expenditure	11,970	0
Movement in Pensions Provision	0	0
Designated Reserves/gain on business	0	0
Revaluation Reserves	547,496	547,496
Funding Employed	**1,230,291**	**1,218,321**

Key highlights:

- The balance sheet reported reflects the final 31 March 2021 year end statutory accounts position after completion of the audit. Year end adjustments applied include the revaluation of housing properties, the actuarial valuation of the defined benefit pension scheme and the fair value of 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.
- Group net assets stand at £1,230.4m at 30 June 2021.
- Current assets (excluding cash) are £1.1m higher than the year end position mainly driven by the higher levels of other debtors and prepayments, offset by lower rent arrears net of provision, at £8.9m compared to the £13.7m comparative figure. The position at June includes early receipt of Housing benefit.
- Current liabilities are £24.8m lower than the year end position, with lower levels of deferred income, accruals and other creditors. The movement on deferred income has been impacted by the release of grant to the income statement in the year less any additional grant claimed and received.
- Long term liabilities are £36.6m higher, partly driven by the receipt of additional drawdowns in June from EIB of £28m.
- Income and expenditure of £12.0m relates to the group surplus for the year to date.

10) Wheatley Group – Q1 Forecast

Group - £k	FULL YEAR		
	Budget	Q1 Forecast	Variance
INCOME			
Net Rental Income	307,015	306,904	(111)
Grant Income	49,933	45,726	(4,207)
Other Income	52,198	52,386	188
Total Group Income	**409,146**	**405,016**	**(4,130)**
EXPENDITURE			
Employee Costs	83,417	83,001	416
ER/VR	3,046	3,046	-
Running Costs	54,478	53,295	1,183
Repairs & Maintenance	50,930	50,930	-
Irrecoverable VAT & bad debt	6,097	6,097	-
Depreciation	100,928	100,928	-
Demolition	1,449	521	928
Toal Group Expenditure	**300,345**	**297,818**	**2,527**
NET OPERATING SURPLUS	**108,801**	**107,198**	**(1,603)**
Net operating margin	*26.6%*	*26.5%*	*-0.1%*
Gain/(loss) on sale of fixed assets	-	-	-
Net Interest Payable	(69,624)	(66,475)	3,149
STATUTORY SURPLUS	**39,176**	**40,723**	**1,546**

INVESTMENT			
Total Capital Investment Income	(65,693)	(41,490)	(24,203)
Core Investment Programme	106,328	106,328	-
New Build Programme	125,310	98,827	26,483
Other fixed assets	19,130	19,130	-
NET CAPITAL INVESTMENT SPEND	**185,075**	**182,795**	**2,280**

Key highlights:

The Group forecast full year out-turn at the end of Quarter 1 shows a net operating surplus of £107.2m, which is £1.6m unfavourable to budget and a statutory surplus of £40.7m, which is £1.5m favourable to budget.

Adjusted EBITDA after excluding grant income on new build completions of £162.4m is forecast compared to an EBITDA of £159.8m budgeted, £2.6m favourable.

Total income is forecast to be £4.1m lower than budget:

- Net rental income is expected to be £0.1m unfavourable to budget and includes the reprofiled new build completions and lower rental income in the RSLs and [redacted] offset by lower void losses.
- Grant income is expected to be £4.2m lower than budget. The forecast is based on the updated profile for 2021/22 completions
- Other Income is forecast to be £0.2m higher than budget, largely driven by higher levels of income from care services and amounts claimed for aids and adaptations in DGHP.

Total expenditure is expected to be £2.5m lower than budget.

- Employee costs are £0.4m lower reflecting the savings reported in the year to date. Running costs are expected to be £1.2m lower than budget, reflecting savings made in office running costs and staff related expenditure.
- Repairs and maintenance costs are forecast to be in line with budget, which includes an additional provision to help meet expected higher levels of demand.
- Demolition spend reflects the reprofiled programme with works at Gallowgate moving forward into 2022/23.
- Interest payments are forecast to be £3.1m 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 £2.3m lower than budget.
- The level of claims of new build grant projected for the year has been reprofiled to match with the most recent new build forecast and has reduced by £24.2m..
- The core investment programme is anticipated to be in line with budget for the full year and includes the additional £10m allocation agreed for high rise investment works. .
- The new build development spend is expected to be £26.4m lower than budget, deferring costs into 2022/23. Spend levels are forecast to be lower across a number of sites with later approvals at Calton Village (GHA), Hurlford Avenue (GHA), Macmerry (DC). Rowanbank is now a golden brick site which pushes spend out into 22/23 and in DGHP Lincluden spend was accelerated in Q4 21/22, lower costs in the current financial year.

Appendix 1: Wheatley Group Financial Report
RSL Borrower Group & Quarterly Covenants
To 30 June 2021 (Period 3)

1a) RSL Borrower Group – Year to date

YTD (£k)	RSL Borrower Group ACTUAL £'000	BUDGET £'000	VARIANCE £'000	Full Year Budget £'000
INCOME				
Gross Rental Income	62,153	62,127	26	248,856
Void Losses	(578)	(640)	62	(2,366)
Net Rental Income	61,575	61,488	87	246,490
Grant income	2,560	5,724	(3,164)	44,683
Other Income	13,380	13,182	198	22,277
Total Income	**77,515**	**80,393**	**(2,878)**	**313,450**
EXPENDITURE				
Employee Costs	14,434	14,720	286	56,698
ER/VR	-	-	-	2,700
Running Costs	5,823	6,426	603	34,564
Repairs & Maintenance	8,664	8,439	(225)	37,861
Bad debts	2,884	2,988	104	4,831
Depreciation	22,352	22,352	-	89,379
Demolition Programme	88	249	161	1,200
Total Expenditure	**54,244**	**55,172**	**929**	**227,233**
NET OPERATING SURPLUS	**23,271**	**25,222**	**(1,951)**	**86,217**
	30.0%	31.4%		
Gain/(loss) on sale of fixed assets	-	-	-	-
Net interest payable	(14,699)	(15,514)	815	(60,575)
STATUTORY SURPLUS/(DEFICIT)	**8,572**	**9,708**	**(1,136)**	**25,642**

INVESTMENT				
Total Capital Investment Income	4,589	14,303	(9,714)	57,978
Core Investment Programme	11,810	13,629	1,819	72,767
New Build Programme	17,716	29,108	11,392	107,049
Other fixed assets	3,619	4,343	724	14,919
Total Capital Investment Expenditure	33,145	47,080	13,935	194,735
NET CAPITAL INVESTMENT SPEND	**(28,556)**	**(32,777)**	**4,221**	**(136,757)**

Key highlights year to date:

The RSL Borrower group operating surplus to 30 June is £23,271k, £1,951k unfavourable to budget. At the statutory surplus level, a surplus of £8,572k is reported showing an unfavourable variance of £1,136k compared to the budget. The variance is driven by the lower levels of grant income realised in the year to date, both in GHA and in DC, and lower levels of cost across all the expenditure lines with the exception of repairs.

Total income is £2,878k lower than budgeted:

- Net rental income is £87k favourable to budget across the RSLs. Rental income includes a lower level of voids across the Borrower Group with the exception of Loretto, where the higher than budgeted void levels are driven by Loretto's three temporary accommodation sites managed by Wheatley Care.
- Grant income recognised to date relates to the 33 units completed at GHA's sites of Bellrock (19) due for completion in March 2021, Auchinlea (5), and Kennishead (9) developments. The adverse variance is driven by delayed completions at South Gilmerton (DC) and at Ballieston, Auchinlea and Kennishead which are all GHA sites. Properties at the GHA sites have been handed over in July.
- Total expenditure is £929k favourable to budget, mainly driven by the lower bad debts, group running costs, employee costs and demolition costs with repairs being the only line reporting spend higher than budget.
- Employee costs are £286k below the budget at June, mainly driven by the savings in group recharges, which is partly due to a combination of both budget vacancies and the phasing of the uptake of the home working allowance by staff.
- Running costs are £603k favourable to budget at June reflecting the savings in Solutions, through reduced activity with employees continuing to work from home and office running cost savings.
- Revenue repairs and maintenance expenditure is £225k higher than budget. The service has been back to a full service from May with a focus particularly on the areas where there is greater customer demand and the delivery of the compliance programme. There are small favourable variances to budget seen across responsive repairs, and higher spend on cyclical and compliance repairs to June with the approved budget including additional provision for postponed reactive works.
- Interest payable represents the interest due on the loans due to Wheatley Funding Ltd 1. It is £815k lower than budget following re-structuring of WFL 1 loans in March 2021.
- Net capital expenditure is £4,221k lower than budget. Lower levels of capital expenditure have been driven by the continuing delays in the progress of some new build sites as a result of the pandemic. Grant claims have been submitted for new build at Carnwadric (GHA), Damshot (GHA), Queens Quay (Cube) and Hallrule Drive (LHA), Cobblebrae Farm (LHA), The Wisp 3C (DC), Roslin (DC) and South Gilmerton (DC). Lower claims match the lower spend levels to date.
- Core programme spend is £1,819k lower than budget with good progress made as the service reaches full remobilisation. It is anticipated that spend will accelerate during Q2 with internal work recommencing.
- In new build, a higher level of spend had been anticipated for sites including Calton Village and Hurlford Avenue, both having later site starts than anticipated, with Sighthill, Hurlford Avenue, Watson sites, Jarvie Street, Queens Quay, South Gilmerton and Penicuik, all running lower than budget for June and driving the variance.

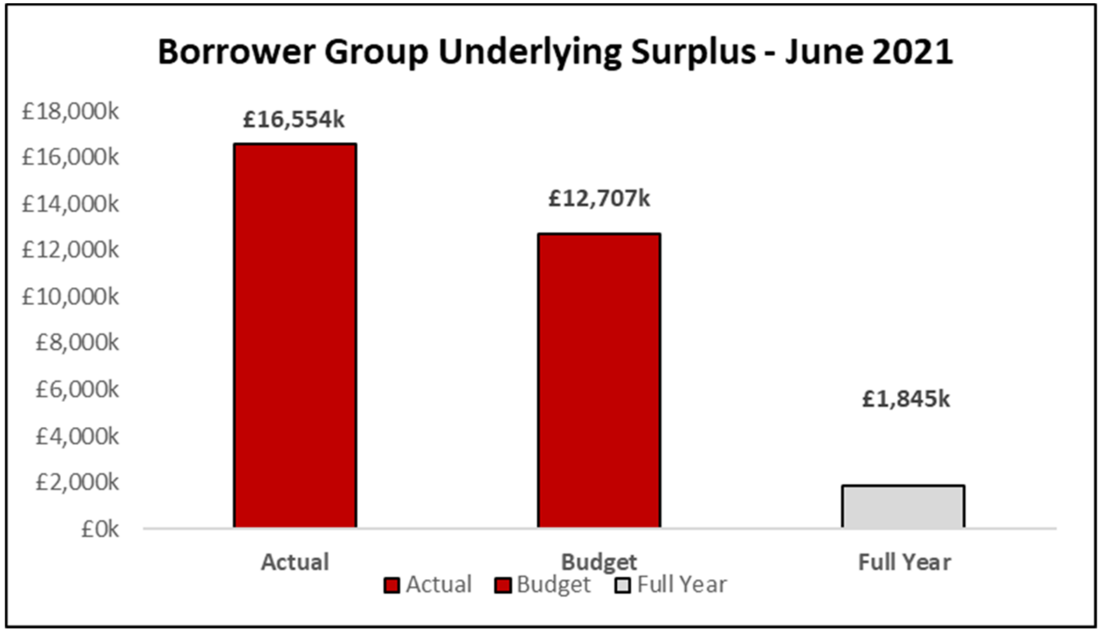
1b) RSL Borrower Group underlying surplus – year to date

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 first quarter of the financial year, an underlying surplus of £16,554k has been generated using this measure which is £3,847k 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.



1c) GHA – Year to date

	YTD Actual £ks	YTD Budget £ks	YTD Variance £ks	Full Year Budget £ks
	Year to 30 June 2021			Full Year
INCOME				
Rental Income	£48,847	£48,820	£27	£198,828
Void Losses	(£351)	(£345)	(£6)	(£1,410)
Net Rental Income	**£48,496**	**£48,475**	**£21**	**£197,418**
Grant Income	£2,523	£4,950	(£2,427)	£28,859
Other Income	£12,593	£12,353	£240	£18,750
Total Income	**£63,612**	**£65,778**	**(£2,166)**	**£245,027**
EXPENDITURE				
Employee Costs - Direct	£8,440	£8,666	£226	£35,238
Employee Costs - Group Services	£2,988	£3,031	£43	£11,162
ER / VR	£0	£0	£0	£2,741
Direct Running Costs	£2,820	£2,835	£15	£18,830
Running Costs - Group Services	£1,599	£2,006	£407	£8,054
Revenue Repairs and Maintenance	£6,618	£6,547	(£71)	£30,400
Bad debts	£2,774	£2,775	£1	£4,074
Depreciation	£16,940	£16,940	£0	£68,939
Demolition and Tenants Compensation	£88	£249	£161	£1,205
TOTAL EXPENDITURE	**£42,267**	**£43,049**	**£782**	**£180,644**
NET OPERATING SURPLUS / (DEFICIT)	**£21,345**	**£22,729**	**(£1,384)**	**£64,383**
Net operating margin	*33.6%*	*34.6%*	*-1.0%*	*26.3%*
Net Interest payable & similar charges	(£11,705)	(£12,320)	£615	(£50,123)
STATUTORY SURPLUS / (DEFICIT)	**£9,640**	**£10,409**	**(£769)**	**£14,259**

INVESTMENT	Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
	Year to 30 June 2021			Full Year
Total Capital Investment Income	**£614**	**£7,658**	**(£7,044)**	**£28,458**
Total Expenditure on Core Programme	£9,985	£11,631	£1,647	£61,803
New Build & other investment expenditure	£9,851	£16,473	£6,622	£55,725
Other Capital Expenditure	£3,416	£3,977	£561	£13,428
TOTAL CAPITAL EXPENDITURE	**£23,252**	**£32,081**	**£8,830**	**£130,956**
NET CAPITAL EXPENDITURE	**£22,638**	**£24,423**	**£1,786**	**£102,498**

GHA

- **Key highlights year to date:**
- Net operating surplus of £21,345k is £1,384k unfavourable to budget. Statutory surplus for the period to 30 June is £9,640k, £769k unfavourable to budget. The main drivers of the variance are lower grant income due to the delay in GHA new build completions and lower levels of expenditure resulting from the changes to the business plan in response to the pandemic. The results and budget incorporate the property transfer from Cube on the 28 April 2021.
- Net rental income of £48,496k is £21k higher than budget at the end of Q1.
- Void losses are £6k higher than budget at P3, representing a 0.72% loss rate compared to budget of 0.7%.
- Grant income recognised to date relates to the total of 33 units completed at Bellrock (19), Auchinlea (5), and Kennishead (9) developments The budget assumed additional, completions for Kennishead and Baillieston which have been delayed.
- Total employee costs are £269k favourable to budget. Included in the variance are employee recharges from Solutions which are favourable by £43k.
- Total running costs are £422k favourable to budget with the variance largely linked to the change in the operation of the business during the first quarter which has resulted in lower than expected group services costs in a number of areas against budget. The reduced activity in Group recharge costs for the first 3 months has resulted in favourable budget variances due to savings generated from the working from home model and savings in office running costs, whilst Wheatley House is still under refurbishment.
- Revenue repairs and maintenance expenditure is £71k unfavourable to budget. The service has been back to a full service from May with a focus particularly on the areas where there is greater customer demand and compliance work. There continue to be favourable variances to budget seen across responsive repairs, and higher spend on cyclical and compliance repairs to June. Compliance repairs are £102k ahead of budget mainly covering emergency work in response to customer demand, and compliance work, including FIT and gas servicing costs.
- The net capital position of £22,638k is £1,786k lower than budget. Grant income of £614k has been received to P3 for Damshot and Carnwadric. The grant claims mirror the lower new build capital spend.
- Core capital investment programme spend on existing stock is £1,647k lower than budget with the underspend attributable to a higher number of jobs falling under the VAT shelter . Costs incurred to date are most notably on central heating, KBR, lifts, lowrise and highrise work, internal common works, environmental, compliance work and adaptations.
- New build spend of £9,851k includes costs incurred on ongoing construction across GHA. Greater spend had been anticipated for all sites including Calton Village and Hurlford Avenue, both later in site starts than anticipated, with Sighthill, Hurlford Avenue and Watson sites, all significantly under the budget for June. Progress on Sighthill has been slower to date under the restrictions and a delay in handover of the sites to the developer by GCC had also delayed progress.
- Other capital expenditure of £3,416k, is £561k under budget, and represents GHA's share of IT capital investment and spend on the office accommodation project.

1d) Cube – Year to date

	Year to 30 June 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Rental Income	£2,570	£2,575	(£5)	£3,053
Void Losses	(£45)	(£120)	£75	(£136)
Net Rental Income	**£2,525**	**£2,455**	**£70**	**£2,917**
Grant Income	£25	£35	(£10)	£47
Other Income	£38	£40	(£2)	£42
TOTAL INCOME	**£2,588**	**£2,530**	**£58**	**£3,006**
EXPENDITURE				
Employee Costs - Direct	£463	£483	£20	£582
Employee Costs - Group Services	£111	£116	£5	£124
ER / VR	£0	£0	£0	£0
Direct Running Costs	£186	£213	£27	£253
Running Costs - Group Services	£58	£66	£8	£90
Revenue Repairs and Maintenance	£454	£377	(£77)	£435
Bad debt costs	£15	£70	£55	£82
Depreciation	£1,225	£1,225	£0	£1,503
TOTAL EXPENDITURE	**£2,512**	**£2,550**	**£38**	**£3,070**
NET OPERATING SURPLUS / (DEFICIT)	**£76**	**(£20)**	**£96**	**(£64)**
Net operating margin	*2.9%*	*-0.8%*	*3.7%*	*-2.1%*
RTB Income	-	-	-	-
Net Interest payable & similar charges	(£634)	(£634)	£0	(£748)
STATUTORY SURPLUS / (DEFICIT)	**(£558)**	**(£654)**	**£96**	**(£812)**

	Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INVESTMENT				
TOTAL CAPITAL INVESTMENT INCOME	**£923**	**£847**	**£76**	**£1,671**
Total Expenditure on Core Programme	£358	£287	(£71)	£358
New Build & other investment expenditure	£770	£1,291	£521	£1,817
Other Capital expenditure	£25	£56	£31	£65
TOTAL CAPITAL EXPENDITURE	**£1,153**	**£1,634**	**£481**	**£2,239**
NET CAPITAL EXPENDITURE	**£230**	**£787**	**£557**	**£568**

Key highlights year to date:

- The full year budget is present for the period up to the transfer of engagements in July 2021.
- Net operating surplus of £76k is £96k favourable to budget. Statutory deficit for the year to date is £558k, £96k favourable to budget. The main drivers of this variance are lower void losses and lower staff and running costs.
- Rental income received of £2,570k is broadly in line with budget.
- Void losses in the year to date are 1.75% against a budget of 4.67%, generating a favourable variance of £75k. A further 6 void properties were let during June, aside from those properties requiring major repair and Homelink vacancies, there was 1 property void at the end of June.
- Direct employee costs of £463k are £20k favourable to budget, following transfer of a number of Cube's housing staff to GHA on 28 April, 3 days earlier than the budget assumed. Employees recharged from Group Services for Cube's share of Wheatley Solutions staff is showing broadly on target to budget.
- Direct Running Costs are favourable to budget by £27k, as a result of an under spend on Initiatives plus smaller underspends on a number of budget lines. Group Services Running Costs of £58k represents Cube's share of Wheatley Solutions running costs.
- Revenue repairs and maintenance expenditure is £77k unfavourable to budget, due to the higher demand for work and catch up of works in Q4 2020/21.
- Bad debts report a favourable variance to budget. A prudent approach to Universal Credit was taken when setting the budget.
- Gross interest payable of £634k represents interest due on the loans due to Wheatley Funding Ltd 1.
- Net capital expenditure of £230k is £557k lower than the budget 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 £358k is for internal common works and compliance capital (both part of core programme works), voids and capitalised repairs.
- Other capital expenditure of £25k relates to Cube's share of group wide IT investment.

1e) West Lothian Housing Partnership – Year to date

WEST LOTHIAN Housing Partnership

	Year to 30 Jun 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Rental Income	929	927	1	3,920
Void Losses	(3)	(13)	10	(51)
Net Rental Income	**926**	**915**	**11**	**3,869**
Other Income	0	0	0	32
HAG Recognised in the Year	0	0	0	12,467
TOTAL INCOME	**926**	**915**	**11**	**16,368**
EXPENDITURE				
Employee Costs - Direct	124	140	17	581
Employee Costs - Group Services	18	18	0	69
Direct Running Costs	73	86	13	296
Running Costs - Group Services	13	13	0	49
Revenue Repairs and Maintenance	146	150	4	647
Bad Debts	5	13	7	51
Depreciation	516	516	0	2,065
TOTAL EXPENDITURE	**895**	**937**	**42**	**3,759**
NET OPERATING SURPLUS / (DEFICIT)	**31**	**(22)**	**53**	**12,609**
Net Operating Margin	*3%*	*-2%*	*6%*	*77%*
Interest receivable	0	0	(0)	1
Interest payable	(284)	(303)	19	(991)
STATUTORY SURPLUS / (DEFICIT)	**(253)**	**(325)**	**72**	**11,619**

	Year to 30 Jun 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INVESTMENT				
Total Capital Investment Income	**328**	**1,957**	**(1,629)**	**7,274**
Total Expenditure on Core Programme	100	135	34	828
New Build & Other Investment	1,197	4,257	3,060	15,975
Other Capital Expenditure	13	17	3	67
TOTAL CAPITAL EXPENDITURE	**1,311**	**4,408**	**3,097**	**16,869**
NET CAPITAL EXPENDITURE	**983**	**2,451**	**1,468**	**9,595**

Key highlights year to date:

- Net operating surplus of £31k is £53k favourable to budget. Statutory deficit for the period to 30 June is £253k, £72k favourable to budget with main drivers being lower interest costs, running and staff costs compared to budget.
- Total income is £11k favourable to budget. Gross rental income of £929k is £1k favourable to budget and void losses are £10k favourable to budget.
- Total expenditure of £895k is £42k favourable to budget. Employee costs of £124k are £17k favourable to budget, due to a Housing Officer vacancy and unbudgeted staff recharges for one FTE to a different group subsidiary.
- Running costs are £13k favourable to budget resulting from savings in office running costs generated while staff continue to work from home.
- Gross interest payable of £284k is £19k favourable to budget following the re-structuring of WFL 1 fixed rate loans in March.
- Core investment expenditure of £100k is £34k favourable to budget, it is expected spend will be in line with budget by year end as works fully resume.
- New Build expenditure of £1,197k is reported at the end of period 3 with the variance of £3,060k driven by lower than expected spend at several sites including Almondvale (£0.9m), Jarvey Street (£0.5m), Blackness Road (£0.5m) and Sibbalds Brae (£1.1m).
- Grant income of £328k has been received in the year to date for Winchburgh O. The budget of £1,957k included expected grant receipts for Winchburgh O, Sibbalds Brae and Blackness Road. The variance against budget reflects the lower than budgeted expenditure detailed above.

1f) Loretto Housing – Year to date

	Year to 30 June 2021			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Rental Income	2,094	2,091	3	12,188
Void Losses	(85)	(68)	(17)	(393)
Net Rental Income	**2,009**	**2,023**	**(14)**	**11,795**
Other Income	**72**	**69**	**2**	**295**
Grant Income	**12**	**18**	**(7)**	**167**
Total Income	**2,093**	**2,111**	**(19)**	**12,257**
EXPENDITURE				
Employee Costs - Direct	344	331	(12)	2,120
Employee Costs - Group Services	64	62	(2)	398
ER / VR	0	0	0	0
Direct Running Costs	382	405	23	1,752
Running Costs - Group Services	34	45	11	287
Revenue Repairs and Maintenance	401	425	24	1,941
Bad debts	20	56	37	328
Depreciation	945	945	0	6,003
TOTAL EXPENDITURE	**2,190**	**2,270**	**80**	**12,828**
OPERATING SURPLUS / (DEFICIT)	**(97)**	**(159)**	**62**	**(571)**
Interest Payable	(348)	(411)	63	(2,514)
STATUTORY SURPLUS / (DEFICIT)	**(445)**	**(570)**	**124**	**(3,085)**

	Year to 30 June 2021			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INVESTMENT				
Total Capital Investment Income	**1,549**	**1,389**	**161**	**6,260**
Investment Works	243	179	(64)	2,834
New Build	2,596	2,354	(241)	11,956
Other Capital Expenditure	24	41	18	351
TOTAL CAPITAL EXPENDITURE	**2,863**	**2,575**	**(288)**	**15,142**
NET CAPITAL EXPENDITURE	**1,313**	**1,186**	**(127)**	**8,881**

Key highlights year to date:

Net operating deficit of £97k is £15k favourable to budget. Statutory deficit for the year to date is £445k, £77k favourable to budget. The main driver of the favourable variance is a reduction in bad debts and direct running costs and interest payable.

- Gross rental income of £2,094k is broadly in line with budget..
- Void losses in the year to date are 4.05% against a budget of 3.23%, which is largely linked to Loretto's three temporary accommodation sites managed by Wheatley Care. At Broad Street, one of the three temporary accommodation sites, new referral criteria implemented from 15 June are allowing voids to be filled in the same day they become available. The benefit of this is already visible in the figures for the month of June and we will accrue minimal rental loss going forward across all sites.
- Grant income relates to medical adaptations.
- Employee costs are £12k unfavourable to budget due to the creation of the Community Engagement Officer's post. Employees recharged from Group Services for Loretto's share of Wheatley Solutions staff.
- Direct running costs are £23k favourable to budget, with a number of budget lines showing small underspends. Group Services Running Costs of £34k represents Loretto's share of Wheatley Solutions running costs.
- Revenue repairs and maintenance expenditure is £26k unfavourable to budget as a result of the timing of compliance based cyclical works.
- Bad debts are £37k favourable to budget. A prudent approach was taken when setting the budget.
- Gross interest payable of £348k represents interest due on the loans due to Wheatley Funding Ltd 1. It is £63k lower than budget following re-structuring of WFL 1 loans in March.
- The net capital position of £1,313k is £127k higher than budget. This is due to the timing of new build grant receipts (Hallrule £936k and Cobblebrae £602k) and spend.
- Investment works expenditure of £243k mainly relates to voids, capitalised repair and M&E core programme works.
- New build expenditure of £2,596k relates to 3 ongoing sites.
- Other capital expenditure of £24k relates to the Loretto contribution to Wheatley Group IT. Full year budget includes £108k budgeted for office refurb and conversion of housing properties previously used as offices by Wheatley Care. This budget has been brought forward from 2020/21.

1g) Dunedin Canmore – Year to date

	Year to 30 June 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Rental Income	7,713	7,715	(2)	30,985
Void Losses	(94)	(94)	0	(376)
Net Rental Income	**7,620**	**7,621**	**(2)**	**30,609**
HAG Recognised in the Year	0	721	(721)	4,909
Other Income	715	712	3	3,158
TOTAL INCOME	**8,335**	**9,055**	**(720)**	**38,676**
EXPENDITURE				
Employee Costs - Direct	1,013	1,014	1	4,862
ER/VR	0	0	0	-
Employee Costs - Group Services	403	390	(13)	1,562
Direct Running Costs	908	941	34	3,210
Running Costs - Group Services	215	281	65	1,123
Revenue Repairs and Maintenance	1,083	982	(101)	4,438
Bad Debts	70	74	3	296
Depreciation	2,727	2,727	0	10,908
TOTAL EXPENDITURE	**6,421**	**6,410**	**(11)**	**26,399**
NET OPERATING SURPLUS / (DEFICIT)	**1,914**	**2,645**	**(731)**	**12,278**
Net Operating Margin	*23%*	*29%*	*-6%*	*32%*
Interest receivable	0	2	(1)	6
Interest payable	(1,728)	(1,844)	116	(7,280)
STATUTORY SURPLUS / (DEFICIT)	**186**	**803**	**(617)**	**5,003**

	Year to 30 June 2021			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INVESTMENT				
Total Capital Investment Income	**1,175**	**2,468**	**(1,294)**	**14,315**
Total Expenditure on Core Programme	1,124	1,397	274	6,944
New Build & Other Investment	3,302	4,733	1,431	21,576
Other Capital Expenditure	188	252	64	1,008
TOTAL CAPITAL EXPENDITURE	**4,613**	**6,382**	**1,768**	**29,528**
NET CAPITAL EXPENDITURE	**3,439**	**3,913**	**475**	**15,213**

Dunedin Canmore

Key highlights year to date:

Net operating surplus of £1,914k is £731k adverse to budget. Statutory surplus for the period to 30 June is £186k, £617k adverse to budget.

- The main driver of the variance is that HAG recognised in the year is zero against a budget of £721k. Units at South Gilmerton were expected to be completed in May, now delayed until later in the year.
- Net rental income is broadly in line with budget. Gross rent is £2k adverse to budget, with void losses in line with budget. Other Income is £3k favourable to budget.
- Total expenditure is £11k adverse to budget. Revenue repairs and maintenance costs are £101k adverse to budget driven by reactive repairs which are £110k adverse to budget as a result of high demand after covid restrictions have been eased. Cyclical repairs including compliance work are broadly in line with budget to June.
- Running costs are showing favourable variances to budget, due to savings generated in office running costs while staff remain working from home for both staff based at New Mart Road and Group services staff at Wheatley House.
- Interest expenditure of £1,728k is £116K favourable to budget with lower interest rates on borrowings following the fixed rate loan restructuring in March 2021.
- In Capital, grant income of £1,175k has been received in relation to claims for the Wisp 3C, Roslin and South Gilmerton.
- Investment expenditure on existing properties is £274k lower than budget. This is largely as a result of the final stages of remobilisation. It is expected that spend will accelerate in the coming months.
- New build spend of £3,302k is £1,431k lower than budget mainly as a result of the lower spend at South Gilmerton year to date.

1h) WFL1 and WGC

WFL1 Limited	Year to 30 June 2021
	Actual
	£ks
INCOME	
Operating Income	361
EXPENDITURE	
Administration Costs	(361)
TOTAL EXPENDITURE	**0**
NET OPERATING SURPLUS	**0**
Finance Income	14,611
Finance Charges	(14,611)
PROFIT / (LOSS) BEFORE TAX	**0**

Wheatley Group Capital plc	Year to 30 June 2021
	Actual
	£ks
INCOME	
Operating Income	0
EXPENDITURE	
Administration Costs	0
TOTAL EXPENDITURE	**0**
NET OPERATING SURPLUS	**0**
Finance Income	3,272
Finance Charges	(3,272)
PROFIT / (LOSS) BEFORE TAX	**0**

Wheatley Funding No. 1 Limited

Operating income of £361k has been recognised in the year to date. Operating income relates to the recharge of commitment fees on the loan facility for the RSLs.

Administration expenses are for the commitment fees charged on the borrowings for the RSL Borrower group. To date, £361k of fees have been incurred and subsequently recharged to the RSLs.

Finance costs relate to interest charges of £14.2m charged on the facilities to WFL1. These charges are passed on to the RSLs in full.

Wheatley Group Capital Plc

Finance charges of £3.2m have been recognised in the year to date. This relates to interest on the £300m bond that sits in Wheatley Group Capital plc. The interest rate is 4.375% per annum.

This is passed on to WFL1, and recognised as Finance Income in WGC plc, and subsequently from WFL1 to the RSLs.

No other transactions have been recognised in the year to date.

2a) RSL Borrower Group – Consolidated Balance Sheet at 31 March 2021

	Current Month As at 30 June 2021 £ks	Current Month As at 31 March 2021 £ks
Fixed Assets		
Social Housing Properties	2,007,836	2,006,911
Properties under construction	62,742	60,707
Other tangible fixed assets	62,267	58,502
Investment properties	81,002	81,002
Investments -other	8,387	8,387
Fixed Assets	**2,222,234**	**2,215,509**
Debtors Due More Than One Year		
Development Agreement	9,692	12,201
Inter Company Loan	32,575	29,075
Pension Asset	5,843	5,843
Current Assets		
Trade debtors	0	0
Rent & Service charge arrears	12,276	17,369
less: Provision for rent arrears	(6,506)	(6,915)
Prepayments and accrued income	6,605	12,812
Intercompany debtors	23,512	7,441
Other debtors	6,288	7,777
	42,175	**38,484**
Bank & Cash	63,348	50,918
Current Assets	**105,523**	**89,402**
Current Liabilities		
Trade Liabilities	(6,501)	(4,953)
Accruals	(45,456)	(57,872)
Deferred income	(43,378)	(46,239)
Rents & service charges in advance	(9,421)	(10,831)
Intercompany creditors	(321)	(1,537)
Other creditors	(3,955)	(9,347)
	(109,032)	**(130,779)**
Net Current Assets	**(3,508)**	**(41,377)**
Long Term Liabilities		
Contingent efficiencies grant	(40,704)	(40,704)
Loan - private finance	(956,331)	(924,422)
Bond finance	(296,386)	(296,386)
Development Agreement	(9,692)	(12,201)
Provisions	(1,854)	(1,854)
Deferred income	(38,102)	(30,502)
Intercompany creditors	(1)	0
Other creditors	0	0
Pension liability	(7,319)	(7,319)
Long Term Liabilities	**(1,350,389)**	**(1,313,388)**
Net Assets	**916,447**	**907,863**
Funding Employed		
Capital & Reserves		
Share Capital	0	0
Retained Income b/fwd	513,401	555,993
Income & Expenditure	8,572	0
Revaluation Reserves	394,474	351,870
Funding Employed	**916,447**	**907,863**

Key highlights:

The RSL Borrower Group net assets stand at £916.4m at 30 June 2021.

- The balance sheet reported reflects the 31 March 2021 year end statutory accounts position after completion of the audit. Year end adjustments applied include the revaluation of housing properties, the actuarial valuation of the defined benefit pension scheme and the fair value of the Scottish Government loan.
- Current assets (excluding cash) are £3.7m higher than the year end position mainly driven by higher intercompany balances and lower balances for rent arrears, which fluctuate throughout the year depending on the timing of invoices. Rent arrears net of provision are £5.8m, a reduction of £4.7m to that of March 2021. The June value includes £6.4m of housing benefit received in late June 2021.
- Current liabilities are £21.7m lower than the year end position, driven by mainly lower levels of accruals and other creditors. The movement on deferred income has been impacted by the release of grant to the income statement in the year less any additional grant received in the bank in the year.
- Long term liabilities are £37.0m higher reflecting borrowings in the year to date.
- Income and expenditure of £8.7m relates to the RSL Borrower Group deficit for the year to date.

2b) RSL Borrower Group – Cash Flow Statement

For the period ended 30 June 2021	2021/22 £'000
Net cash generated from operating activities (see Note1)	23,776
Cashflow from investing activities	
Purchase of tangible fixed assets	(33,145)
Grants received	4,589
	(28,556)
Cashflow from financing activities	
Interest paid	(14,699)
Additional funding received in year to date	31,909
	17,210
Net change in cash and cash equivalents	**12,430**
Cash and cash equivalents at the beginning of the year	50,918
Cash and cash equivalents at the end of the period	63,348

Note 1	2021/22 £'000
Cashflow from operating activities	
Operating surplus for the period	23,271
Adjustments for non cash items:	
Depreciation of tangible fixed assets	22,352
Movements in working capital	(19,287)
Adjustments for investing or financing activities:	
Government grants utilised in the year	(2,560)
Cashflow from operating activities	**23,776**

Wheatley Group

Report

To: Wheatley Housing Group Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Treasury Update

Date of Meeting: 26 August 2021

1. Purpose

1.1 The purpose of this report is to:

- note the liquidity position of Wheatley Group as at 30 June 2021;
- note the covenants for quarter-end to 30 June 2021;
- note the economic update for inflation and interest rates;
- note the progress on funding discussions with WFL1 lenders, the proposed new debt facility [redacted] for WFL2 and progress on the sustainability finance framework;
- approve the key amendments to the WFL 1 and WFL2 (Scottish Widows) loan agreements to deal with LIBOR transition; and
- delegate authority to finalise the terms of the WFL1 and WFL2 amendment agreements

2. Authorising and strategic context

2.1 Under the group standing orders the Group Board is responsible for approving Group policies.

2.2 Under the terms of the Intra-Group Agreement between the Wheatley Group and its RSL subsidiaries, as well as the Group Authorise, Manage, Monitor Matrix, the Group Board is responsible for the on-going monitoring of performance against agreed targets. This includes the on-going performance of its finances.

3. Risk appetite and assessment

3.1 The Board's risk appetite for funding risk is "cautious", which is defined as "preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward".

3.2 Our current liquidity risk is low with no immediate refinancing requirement. The WFL1 HSBC facility is due to expire in November 2023 and we are actively seeking terms to replace this facility to extend the term of the availability given our 2 year Golden Rule for liquidity.

4. Background

4.1 WFL1 maintains strong liquidity, largely stable since the beginning of the financial year. We have drawn the remaining £28m balance of the 2018 EIB facility during the first quarter although these funds are yet to be deployed.

4.2 Cash at the end of Q1 for the RSL Borrower Group (inclusive of the £28m EIB funding) stood at £65.7m against our forecast of £57.5m. The slower than anticipated restart to the investment and new build programmes has resulted in lower-than-budget expenditure and higher cash balances. No external drawdowns are anticipated for 2021/22 against current forecasts.

4.3 We provide an update on the economic recovery and the current outlook for inflation and interest rates and the expected impact for Group expenditure in the short-term.

4.4 We have made progress on various negotiations with lenders which include amendments to covenants on the RSL Borrower Group to increase the financial capacity of the Group to increase the new build target, DGHP to join the RSL Borrower Group, refinancing the WFL1 HSBC £100m RCF, negotiating a £20m mezzanine facility with [redacted] for WFL2/Lowther homes and putting a sustainable finance framework in place for the Group.

4.5 LIBOR, the main benchmark interest rate for GBP loans will be discontinued on 31 December 2021 and is included in most of our loan agreements. LIBOR transition discussions with Lenders are largely complete and the corresponding actions are set out in Appendix 2. As each of the RSLs and Lowther are Obligors under our facilities (WFL1: GHA, Dunedin Canmore, Loretto, WLHP; WFL2: Lowther; DGHP: itself) facilities, we require approvals from each of the subsidiary boards, as well as approval from the WFL1, WFL2 and WHG Boards to make the necessary Amendments. The amendments will be taken around the RSL Boards in October.

5. Customer engagement

5.1 Not directly applicable as not related to customer service.

6. Discussion

(i) Liquidity update

6.1 We have two main sources of liquidity:

a) Cash-at-hand and/or on term deposits
b) Committed Revolving Credit Facilities ("RCFs") and/or overdraft facilities

6.2 The table below shows the full Group cash and liquidity position, and how this has changed over the last six month-ends up to June 2021:

[table redacted]

6.3 The significant reduction in liquidity between February and March relates to the expiry of the CCFF scheme (£150m on 31/03), payment of termination costs on the fixed rate loan restructuring (£30m on 30/03), year-end capital repayments in March (£9.628m) and the contribution to pension deficit (£3.655m).

6.4 Thereafter, liquidity has remained broadly stable with variations due to receipt of funds from a legacy contractor (£10.35m on 11/05), payment of bond interest (£6.562m on 28/5) and the drawdown of the final tranche of EIB debt (£28m on 11/06) transferring out of undrawn facilities into cash.

6.5 A slower pace on remobilisation of the new build and investment programme has resulted in lower expenditure for Q1 with cash balances remaining robust across the RSL BG and DGHP.

6.6 Forecast drawdowns from WFL1 for Q2 relate to the anticipated acceleration of the new build programme for GHA (£6m on Calton Village, Baillieston, Damshot & Jarvey Street), WLHP (£2m on Almondvale) and Loretto (£2.6m on Queens Quay, Hallrule Drive and Cobblebrae).

(ii) Covenant position across WFL1, WFL2, DGHP

6.7 The appended treasury pack sets out the covenants for WFL1, WFL2 and DGHP to 30 June 2021. These will be submitted to the respective lenders in line with our loan agreements.

6.8 All Wheatley borrowers remain covenant compliant, with compliance forecast in the business plan until the next refinancing date (November 2023 – HSBC £100m RCF).

(iii) Economic update

6.9 The UK economy has bounced-back considerably since the end of the third lockdown primarily due to vaccination success across the four nations. Q1 GDP was a -1.6% contraction, followed by +4.8% growth for Q2. The IMF anticipates that the UK will produce the joint fastest recovery across all industrialised nations along with the USA this calendar year at +7.0% growth.

6.10 However, the UK economic recovery is a complex and nuanced picture. The impact of lifting Covid-19 restrictions and the current ‘Pingdemic’ is putting significant pressure on the availability of labour for retail, hospitality, healthcare, construction, and logistics sectors. The concurrence of Brexit-related import/export delays, the Suez Canal blockage and up to 893,000 non-UK nationals leaving due to Brexit, Covid-19, or a combination of both, is creating supply-side pressures, leading to price increases.

6.11 The current inflationary pressure is impacting the cost of materials for our investment programme and our new build programme. Whether or not these price increases are permanent or temporary remains to be seen but given the medium-term nature of our procurement processes, even temporary inflation has the potential to have a lasting impact on our expenditure.

6.12 The relationship between inflation and interest rates was well-understood prior to the financial crisis; the Bank of England Monetary Policy Committee (“MPC”) has a medium-term (2 year) inflation target of 2% and allows a +/- 1% variation around this target. In general terms, if inflation was above target, the MPC would increase rates to dampen demand. However, since the financial crisis, UK and G7 interest rates have remained at extremely low levels despite periods of above- and below-target inflation. The MPC has remained cautious and has thus far been unwilling to take the risk of a rate rise given the potential damage this may cause to the nascent economic recovery. The pressure on the Bank of England is now even more acute given the levels of government debt issued to fund the Covid-19 crisis and the related QE programme. The BOE holds £875 billion of government bonds via the QE programme – a 1% increase in rates would add £8.75 billion in annual interest servicing costs alone.

6.13 In the most recent Bank of England monetary policy meeting held on August 5th, the MPC voted unanimously to keep interest rates unchanged at 0.10%. The QE programme was maintained at £875 billion despite the Bank's warning that inflation is likely to hit 4% this year – twice the official target rate. However, the MPC's expectation is that "the current elevated global and domestic cost pressures will prove transitory" and while we should expect elevated costs in the short-term (within the next year) the Bank anticipates CPI will revert to their 2% target by 2023.

6.14 Therefore, despite a short-term spike in inflation which is likely to persist for at least the next 12 months, impacting consumers and businesses including the Group, the Bank of England has indicated that interest rates are unlikely to increase any time soon.

(iv) Funding discussions update

6.15 As advised in the June board meeting, we have asked our existing WFL1 Lenders to make several changes to our debt facilities to increase the financial capacity for the group to enable the delivery of our ambitions for growth. These requests are set out below:

i. DGHP and DGHP3 (the tax efficient development company) to join the RSL Borrower Group;
ii. Increase the Debt Per Unit (DPU) covenant, to provide capacity for Wheatley's contribution to Housing to 2040 and to deliver the energy efficiency improvements;
iii. Amend the loan documentation to reflect the transition from LIBOR to SONIA now that the market has largely reached a consensus (see next section for detail);
iv. Refinance the £100m HSBC RCF (due to expire November 2023); and
v. Launch a new Sustainability Framework to ensure our ability to issue "Environmental, Social and Governance" ("ESG")-linked financing in future

6.16 All existing and potential WFL1 Lenders have been briefed with the requested changes and we are progressing well with indicative credit approvals for DGHP, DPU and LIBOR/SONIA from [redacted]. [redacted] have been briefed and we anticipate approval in due course as they work through their credit process.

6.17 [redacted]. Our 2015-20 strategy included an objective to diversify our sources of funding and we anticipate keeping at least an element of the RCF refinancing (£50m) with a bank outwith the Syndicate.

6.18 Credit appetite for the sector remains very strong [redacted].

6.19 We have appointed [redacted] to act as a Second Party Opinion (SPO) provider for our draft Sustainability Framework. [redacted] will review our framework to confirm that we meet green and social bond principles. This will correspondingly provide external assurance to our investors, and to potential new investors, that their funding will be used to deliver sustainable outcomes including the provision of affordable homes, investment to improve the energy efficiency of existing homes, a commitment to rent affordability, placemaking and provision of training, apprenticeships and jobs through our Community Benefit schemes.

6.20 We are also well-advanced with our negotiations with [redacted] for a £20m mezzanine debt facility for WFL2/Lowther Homes. [Redacted]. This facility has been structured such that Lowther will be able to build an additional 400 homes than would be possible with 'traditional' funding alone. Combined with the £15m increase in GHA investment and matched with senior debt, Lowther will have the financial capacity to deliver a new build programme of 700 homes over the next five years.

6.21 Full details of the proposed refinancing activity, as well as the draft Sustainability Finance Framework, will be presented in a separate session with the Board in October.

(v) LIBOR transition loan amendments

6.22 LIBOR will cease to be published from 31 December 2021. The new benchmark GBP interest rate is the Sterling Over Night Index Average rate (SONIA). The principle for LIBOR transition is that neither party, Borrower nor Lender, can benefit economically from the change. i.e. Borrowers cannot pay more than they were paying under legacy LIBOR terms and vice versa.

6.23 We have an in-principle agreement with the relevant WFL1 and WFL2 lenders to address the transition from LIBOR to a new benchmark interest rate, subject to Board approvals. Appendix 2 contains a list of the proposed approach by lender. Subject to Board agreement, these changes will be formalised via individual Amendment Agreements with each lender, which will be reviewed by our external legal advisors.

6.24 We anticipate these changes to the Amendment Agreement will be relatively straightforward. The revision to the WFL2 agreement is the most advanced and a copy is attached at Appendix 3 for approval. This has already been reviewed and agreed by the Lowther Homes Board.

6.25 As we require to progress the WFL1 changes with each of the borrowers this requires a range of subsidiary Board approvals. In order to allow us to progress this in the September Board cycle, it is proposed delegated authority is granted to any WFL 1 Director to agree the changes to the Amendment Agreements on behalf of the Group. We will update the Board on the final position in October, including any formal approvals still required at that time

6.26 The technical detail of LIBOR transition is set out in Appendix 2. We have received confirmation from our treasury risk advisors, [redacted] (see Appendix 4), that our proposed amendments across our lending facilities are in line with that of other market participants and that the changes will not result in any economic disadvantage compared to our current arrangements.

7. Digital transformation alignment

7.1 No direct impact on the digital transformation programme.

8. Financial and value for money implications

8.1 Indicative pricing indications for the HSBC refinancing suggest that we will reduce the Lending Margin on the £100m facility by between [redacted]. Non-utilisation fees will also reduce by between [redacted].

8.2 The cost of the SPO accreditation from [redacted] is [redacted].

8.3 Detailed business plan information has been prepared to reflect the various amendments and refinancing activity for the RSL Borrower Group, including DGHP. The WFL2 business plan has also been updated to reflect the proposed [redacted] investment. These forecasts will be presented to the Board in the October briefing session on funding matters along with the detail on the loan amendments and refinancing proposals.

9. Legal, regulatory and charitable implications

9.1 Our banking and property lawyers, Pinsent Masons, are engaged to assist with the LIBOR transition amendments, the WFL1 refinancing and related security charging work and the [redacted] mezzanine transaction. Each of our Lenders has their own legal representation.

9.2 We do not require approval for debt facilities from the Scottish Housing Regulator, although they are aware of our proposed plans for the development programme and the resultant requirement to increase our financial capacity and there are no charitable implications.

10. Equalities implications

10.1 Not applicable.

11. Environmental and sustainability implications

11.1 The former Bank of England Governor, Mark Carney, who is now a UN Special Envoy for Climate Action and Finance and a Finance Advisor to Boris Johnston in the run-up to COP26 has stated that it is essential for accredited disclosure frameworks to be in place to enable investors to see exactly what activities their money is financing. [redacted] have been appointed to provide independent accreditation on our draft Sustainability Framework.

11.2 Our proposed Sustainability Framework will directly link our environmental, social and governance activities and outcomes to our financing activity, allowing our existing and our future lenders, banks, private placement investors and bondholders to be assured that their investments are supporting a green recovery and meaningful social impacts.

11.3 The Sustainability Framework will cross-reference our 5-year strategy, Your Home, Your Community, Your Future, including the green objectives, social impact outcomes and governance commitments throughout. While it is unlikely that we would be able to achieve a material reduction in our cost of funding as a consequence of issuing ESG-linked debt, it is anticipated that, in the absence of a Sustainability Framework, our cost of future debt will be higher. In addition, an accredited Sustainability Framework will widen the potential pool of investors as has been seen by recent oversubscribed bond issuance from various RPs (Notting Hill Genesis; Paradigm Housing; Beyond Housing; PA Housing).

12. Recommendations

12.1 The Board is requested to:

1) note the liquidity position of Wheatley Group as at 30 June 2021;
2) note the covenants for quarter-end to 30 June 2021;
3) note the economic update for inflation and interest rates;
4) note the progress on funding discussions with WFL1 lenders, the proposed new debt facility from [redacted] for WFL2 and progress on the sustainability finance framework; and
5) approve [redacted];
6) approve the proposed updates to the lending agreements as set out in Appendix 2 for WFL1 and delegate authority to any WFL1 Director to agree the final form of the associated amendment agreements on behalf of the Group.

LIST OF APPENDICES

1) Wheatley Group Treasury pack [redacted]
2) Outline of actions required per Lender for LIBOR transition [redacted]
3) [redacted] Amendment Agreement (WFL2/Lowther) [redacted]
4) [redacted] commentary on LIBOR transition [redacted]

Report

To: Wheatley Housing Group Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Governance update

Date of Meeting: 26 August 2021

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1. Purpose

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

- Annual General Meeting arrangements;
- 2022 schedule of meetings;
- City Building (Glasgow) LLP member approvals;
- Strategic governance review;
- Modern Slavery Statement

2. Authorising and strategic context

2.1 Under the Articles, the company is required to hold an Annual General Meeting ("AGM"). The process for calling General Meetings and the business they must consider are set out in the Articles of Association.

2.2 Under the LLP Agreement, certain matters relating to City Building (Glasgow) are reserved to the members for approval. The Board have delegated some elements of member approvals to the Group Audit Committee via its Terms of Reference.

3. Risk appetite and assessment

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

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

4. Background

4.1 A number of the governance related matters included in this report require periodic Board review and approval.

5. Customer Engagement

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

6. Discussion

<u>2021 Annual General Meetings</u>

Wheatley Housing Group Limited

6.1 Our Annual General Meeting was provisionally scheduled for Wednesday 29th September at 10.30am. It is proposed that we now confirm that date and call our AGM for 29th September 2021 at 10.00am, followed by a Board meeting at approximately 10.30am. The meeting and business thereof will be called in line with the requirements of our Articles, including appointments and reappointments in line with our succession plan.

6.2 The AGM will be the formal retirement date for a number of Board members. We will be formally recognising the outstanding service of these members and the Group's achievement during their tenure as part of the Group strategy event. On this basis and given that the AGM is a short meeting, we anticipate a number of retiring members will submit a proxy for the AGM rather than attend in person. The incoming members who will be appointed at the AGM will attend the Board meeting held thereafter.

Partner General Meetings

6.3 Each of our RSL partners will also hold their AGMs in September. Under their constitutions, all appointments and re-appointments at the AGMs require formal approval from the Parent. The Group RAAG Committee, under its Terms of Reference, is responsible for approving Subsidiary Board appointments and will therefore be asked to provide this approval on behalf of the Parent.

6.4 All partner General Meetings also require the Parent member to be in attendance to take place. It is proposed that any of the lead Executives, the Group Company Secretary or Deputy Group Company Secretary be authorised to act as the Parent Appointees, them being:

- Martin Armstrong – GHA;
- Olga Clayton –Loretto Housing and West Lothian Housing Partnership;
- Tom Barclay – Dumfries and Galloway Housing Partnership
- Steven Henderson – Dunedin Canmore Housing;
- Anthony Allison – (All)Group Company Secretary; and
- Stephen Wright – (All) Deputy Group Company Secretary.

6.5 The appointees shall act on the basis that they are instructed to, and only authorised to, vote in favour of the resolutions. In accordance with partner constitutions, formal notice confirming which person is being appointed will be given prior to the relevant meetings.

2022 schedule

6.6. The proposed Board dates for 2022 are as follows:

1) Wednesday 23 February at 10.30am– Board meeting
2) Wednesday 27 April at 10.30am - Board meeting followed by stock tour
3) Wednesday 29 June at 10.30am – Board meeting
4) Thursday 25th-Friday 26th August – Board meeting and strategy residential
5) Wednesday 28 September at 16.00 – AGM
    - To be held at New Mart Road
6) Wednesday 26 October at 10.30am – Board meeting
    - To be held in Dumfries and Galloway
7) Wednesday 14 December at 10.30am – Board meeting

6.7. Based on feedback from members that there is a strong preference to combine dates it is also proposed that the stock tour is scheduled for after the April Board meeting and CPD events are scheduled for after Group Board meetings. We do also anticipate scheduling a standalone risk workshop during the spring. We have also scheduled Board meetings in both Dumfries and New Mart Road over the year.

6.8. The following dates are proposed for the 2022 Board CPD/social sessions:

1) CPD - Wednesday 23 February at 13.30, Wheatley House
2) CPD – Wednesday 29 June at 13.30, Wheatley House
3) CPD – Wednesday 28 September 17.00, New Mart Road
4) Social lunch (Group wide) - Wednesday 14 December at 13.00, Wheatley House

CBG member approvals

6.9 A matter reserved to the members (being Wheatley Housing Group Limited and Glasgow City Council) is the approval of the following CBG policies:

- Accounting
- Reserves
- Data handling
- Procurement
- Freedom of Information
- Recruitment and selection.

6.10 Whilst the current policies were agreed by the CBG Board, half of whom are our nominees, we also need on record formal Member approval. The policies have been in operation with no issues and the initial versions were reviewed as part of the creation of the Joint Venture. This is now a technical matter of formally recording our member approval.

6.11 As all of the above policies other than the recruitment and selection policy are delegated to the Group Audit Committee, delegated authority is sought for the Group Audit Committee Chair to review the policies with the Group Director of Finance and formally, retrospectively, approve them on our behalf as a member.

6.12 Additionally, we also wish to formally record our formal member approval for the appointment of the CBG Executive Director. The Board were updated on this process throughout and Bernadette Hewitt, the incoming CBG Chair, was on the recruitment panel.

<u>Strategic governance review</u>

6.13 The strategic governance review is an agenda item for the strategy workshop and Campbell Tickell will present the key strategic issues and findings to the Board. Whilst it was initially assumed that the report would be provided to the Board as part of this process, it is now intended the formal report will be presented to the additional September Board. This will allow the Board feedback and discussion at the workshop to be taken into account on the key issues to be covered at the workshop the final version.

6.14 A parallel stream in the review is our Annual Assurance Statement. This work is underway, along with Internal Audit, and will be provided to the Board along with the Annual Assurance Statement at the October meeting. The submission deadline to the Scottish Housing Regulator is 31st October.

<u>Modern Slavery statement</u>

6.15 The Modern Slavery Act 2015 was developed by the UK Government to help combat a growing concern about poor ethical practices. The Act came into force on 29 October 2015 and requires all organisations with a turnover in excess of £36m to prepare and publish a statement setting out the steps taken during the financial year to ensure that slavery and human trafficking are not taking place in any part of their supply chains or business.

6.16 A copy of our updated statement is attached at Appendix 1, which has not materially changed from the statement agreed last year. The statement will apply to the Group, GHA, Dunedin Canmore Housing and DGHP. It will be published on the relevant websites.

6.17 We have again assessed the risk of slavery and human trafficking in the Group and its supply chain as low for the following reasons:

- We do not operate a large global supply chain;
- We pay the minimum wage and GHA, the Group's largest employer, is an accredited Glasgow Living Wage employer;
- We have a specialist procurement team which aims to drive up standards within our suppliers through Wheatley pledge and community benefits clauses;
- We have introduced a requirement into our contracts that obliges suppliers to confirm their adherence to the Act; and
- We enjoy a high public profile and are aware of the need to ensure that we engage suppliers that demonstrate a commitment to the highest ethical standards.

6.18 City Building currently has a Modern Slavery Statement, which requires to be approved by the Members. It is proposed that the Group Chair is delegated authority to agree it on behalf of Wheatley Housing Group Limited as a member of the partnership. This delegated authority shall be on the basis that the statement does not identify any areas of non-compliance, which would be escalated to the Board.

7. Digital transformation alignment

7.1 There are no links to the digital transformation programme.

8. Financial and value for money implications

8.1 There are no financial or value for money implications.

9. Legal, regulatory and charitable implications

9.1 The proposals are set out in compliance with our constitution. We are legally required to publish a Modern Slavery Statement, which is now required to be published within 6 months of the end of the financial year.

10. Equalities implications

10.1 There is no equalities impact arising from 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) Agree to call our Annual General Meeting for Wednesday 29th September at 10.00am;
2) Note a Board meeting will be held follow the Annual General Meeting;
3) Approve the Parent Appointees for the subsidiary General Meetings as set out in the report and instruct them to vote in favour of all resolutions;
4) Approve the schedule of meetings for 2022;
5) Delegate authority to the Chair of the Audit Committee to provide retrospective approval to CBG LLP policies on behalf of Wheatley Housing Group as a member;
6) Agree we formally record member agreement on behalf of Wheatley Housing Group to the CBG LLP Executive Director appointment;
7) Note the update on the strategic governance review;
8) Approve the Modern Slavery Statement on behalf of the Group; and
9) Delegate authority to the Group Chair to approve the terms of CBG LLP's Modern Slavery Statement provided this does not identify any areas of non-compliance.

LIST OF APPENDICES:

Appendix 1 – Modern Slavery Statemen [see: https://www.wheatley-group.com/procurement/modern-slavery-statement]

Report

To: **Wheatley Housing Group Board**

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

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

Subject: **Renewal of DGHP's Grounds Maintenance Contract**

Date of Meeting: **26 August 2021**

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1. Purpose

1.1 To seek Board approval for the renewal of Dumfries and Galloway Housing Partnership's ("DGHP") Ground Maintenance Services contract with Idverde Limited (Companies House Number 03542918) for a contract period of four years with an estimated value of £1.7m.

2. Authorising and strategic context

2.1 Under the Scheme of Financial Delegation and Group Standing Orders, the award of contracts is based on the financial value over the life of the contract. Under the Scheme, Group Board approval is required for contracts relating to revenue expenditure of over £1m.

2.2 The estimated value of this contract over the proposed 4-year period is anticipated to be £1.7m (including VAT) based on current spend. There is a small requirement within this provision of planned maintenance, which includes agricultural rough cuts to land owned by DGHP but the majority of spend will be on delivering reactive repairs and maintenance covering fencing, paving and tree works.

2.3 This new contract provides continuation of service and supports the introduction of DGHP's new Neighbourhood Environmental Teams ("NETs") service.

3. Risk appetite and assessment

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

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

4. Background

4.1 Idverde Limited, the incumbent supplier, has been providing Grounds Maintenance services to DGHP since 2012. As a result of this long-standing contractual arrangement Idverde have established a workforce across Dumfries and Galloway specifically for this work.

4.2 Idverde's services includes Planned Preventative Maintenance to land owned by DGHP. This land requires cyclical maintenance to prevent overgrowth and herbicide treatment every 4 to 6 weeks between April and October each year. These areas require agricultural plant to maintain and currently fall out with NETs ability to deliver. The reactive aspect of this contract is larger and covers both emergency and routine works to fencing, paving and tree works.

4.3 Prior to the introduction of the DGHP's NETs team, the annual cost of this contract in 2019/20 was £1.326m. This was almost exactly a 50/50 split between both Planned and Reactive works.

4.4 The introduction of the NETs team reduces the annual spend of planned maintenance from £646k to £22k per annum. In terms of the reactive element of this contract, this reduces from £650k to £380k as activities such as furniture uplifts, rubbish removal, house and garden clearances now fall under the NETs team's remit.

4.5 The new contract removes a cost of £30k per annum to DGHP, payable to Idverde, for good contract performance. This cost was associated with a KPI performance measurement mechanism, included in the previous contract. In the new contract, KPIs and performance measures are included, however, there is no monetary value attached to them.

5. Customer engagement

5.1 Engagement with tenants was not directly applicable to this tender. Internal customer engagement was carried out with Wheatley 360 and DGHP's In-house Repairs Team to establish the background to this contract and our future requirements.

5.2 Procurement and Wheatley 360 established a working group that included Idverde to scope out the new contract based on NETs remit and to collaboratively work together to ascertain any TUPE implications and recruitment opportunities for Idverde's seasonal staff.

6. Discussion

6.1 To minimise risk, our preferred procurement approach to requirements such as those covered here, is to re-procure this contract to provide service continuity as we transition services previously provided by Idverde to the NETs team.

6.2 The new contract has been procured via Procurement for Housing's ("PfH") Landscaping Services Framework Agreement as a Direct Award. Idverde were ranked first on this framework and provide best value to the Group, as a result.

6.3 The tender submission received from Idverde included updated costs for the new contract. The Reactive Repairs and Maintenance costs received had increased by around 10%. This increased cost is largely a result of increased materials costs (specifically timber and cement shortages) taking cognisance of Brexit and the ongoing challenges of the Covid-19 pandemic.

6.4 The volatile nature of materials prices shall be monitored as part of quarterly contract management reviews to avoid significant issues from developing during this contract.

6.5 As part of the new contract, Idverde have committed to create two new jobs based on anticipated workloads and will work with the Group's community benefits team also to deliver at least community project per year, in each of the four areas in Dumfries and Galloway (Annandale and Eskdale, Nithsdale, Stewartry and Wigtownshire). Options for these events include school visits, volunteering events (e.g. litter picking) and general improvements to an area such as working on community gardens.

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1 The award of this new contract enables the Group to benefit from synergies created through the introduction of the NETs model to DGHP. The services provided by Idverde deliver a supporting service to the NETs team.

8.2 The 21/22 budget for Repairs and Maintenance in DGHP is based on experience of prior years' spend, out with the pandemic, and covers the proposed Idverde contract costs under this new contract. Any items which can be capitalised will result in less impact in the profit and loss account. No additional budget is required as part of this procurement exercise.

9. Legal, regulatory and charitable implications

9.1 PfH's procurement of the framework has been subject to a full OJEU process. The risk of a procurement challenge is considered low and the contract was awarded on 1st July 2018, to ensure continuity of service.

9.2 An Equifax finance report has been conducted for the supplier and according to this its financial stability is rated A- and the supplier is able to enter into contracts to a value of £2,000,000 annually.

10. Equalities implications

10.1 There are no equalities implications for this report.

11. Environmental and sustainability implications

11.1 There are no environmental and sustainability implications for this report.

12. Recommendations

12.1 The Board is asked to:

1) Approve the appointment of Idverde Limited (Company Registration 03542918) for a period of up to four years on an estimated contract value of £1.7m (including VAT); and
2) delegate authority to the Group Director of Finance to enter into this Contract on behalf of the Group.