WHEATLEY HOUSING GROUP LIMITED
BOARD MEETING

Wednesday 14 December 2022
10.30am
Wheatley House

AGENDA

1. Apologies for absence

2 Declarations of interest

3. a) Minutes of meetings held on 26 October 2022 and matters arising
   b) Action list

4. Group CEO Update

5. Chair updates (Audit, RAAG and WDS)

Main Business

6. 2023 Rent setting – tenant feedback and next steps

7. Damp and mould update

8. a) Group sustainability framework
   b) Warmworks contract award

9. Care Evaluation – Reprovisioning of East Services (HMOs)

10. Funding update

11. Strategic risk register

Other business

12. Finance report

13. Technical consultancy contract award

14. AOCB

Wheatley Group

Report

To: Wheatley Housing Group Board

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

Approved by: Steven Henderson, Group Chief Executive

Subject: 2023 Rent setting – tenant feedback and next steps

Date of Meeting: 14 December 2022

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1. Purpose

1.1 This report:

- provides the Board with feedback from our extensive tenant engagement on our 2023 rent setting proposals;
- provides an update on the wider sector position in terms of consulting tenants on their rent increases for 2023/24;
- provides an update on the latest position in relation to the Scottish Government confirming the extension of a rent cap for 2023/24;
- sets out and seeks approval of the 2023/24 RSL rent increases and the next steps, process and timeline for consulting RSL tenants; and
- sets out and seeks approval of 2023/24 rent increases and the next steps, process and timeline for the 2023/24 rent increase for Mid-Market rent and private rental properties.

2. Authorising and strategic context

2.1 Under the Group Authorising Framework, the Group Board is responsible for the Group rent setting framework. Subsidiary Boards approve their rent increases within this framework.

2.2 The Board approved the proposed rent increase levels and consultation approach at its meeting on 26 October 2022. A briefing note was subsequently issued to all RSL Boards to allow us to initiate the tenant engagement approach. Each RSL Board then subsequently considered the feedback from its tenants at that point and agreed to their proposed increase for tenant consultation.

2.3 In the case of Lowther Homes, its rent increase is set within the context of its business plan assumption of an overall rental income uplift which comprises a blended average of all its stock. The Board considered its business plan assumption of 2% at its November meeting and agreed this should be increased to 3.9%, subject to the outcome of the Scottish Government legislative process on rent caps.

3. Background

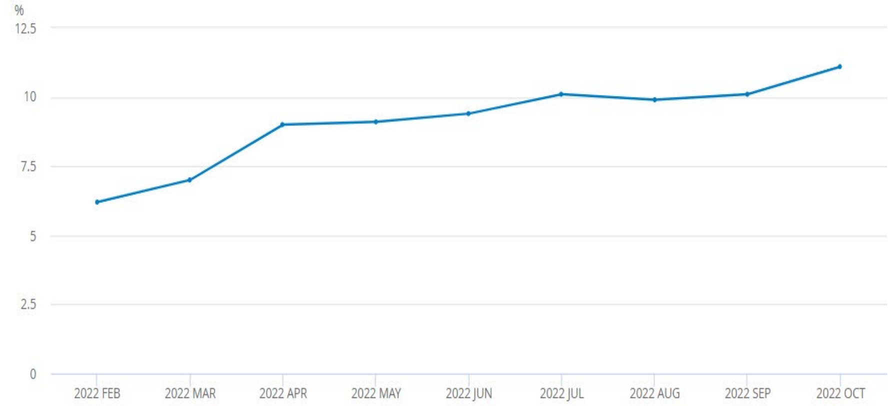
3.1 The Board agreed our rent setting proposals for 2023 at its last meeting, taking into account financial viability, affordability and comparability. The East and the South have the greatest variance within both the group and the wider sector. In the East where the variance is higher the creation of Wheatley Homes East facilitated a lower rent offer to tenants for next year, along with a specific ballot commitment to former WLHP tenants. In the South average rents are significantly lower than the group and national averages.

Table 1: Group RSL Average Weekly Rents – March 2022 ARC Return

RSL	Average Weekly Rent					Total Units	Overall Ave Rent
	1 Apt	2 Apt	3 Apt	4 Apt	5 Apt		
WH East (non ex WLHP)	£107.04	£97.81	£107.53	£116.13	£123.20	5240	£103.67
WH Glasgow	£73.64	£83.96	£89.63	£103.98	£113.92	42374	£90.90
WH South	-	£76.85	£84.10	£90.27	£98.24	10026	£84.12
GROUP	£75.23	£87.91	£91.10	£104.80	£114.80	60797	£91.17
Scottish RSLs	**£80.86**	**£87.79**	**£89.82**	**£99.08**	**£109.33**		**£91.51**

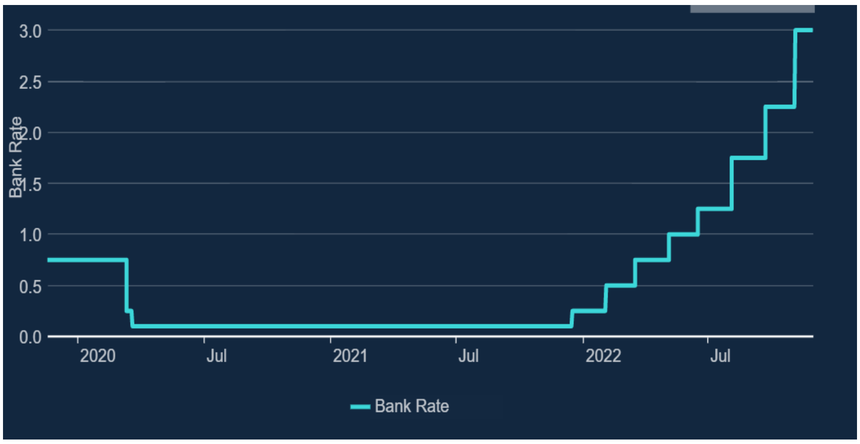
3.3 The economic context since the last Board meeting has remained challenging. The most recent inflation figure saw CPI increase further to 11.1%. At the time our business plans were subject to their annual review in February the CPI rate was just under half the current rate at 6.2%.

CPI Feb -Nov 22



3.4 The week following the Board meeting the Bank of England further increased the base rate by 0.75% to 3%. This was the biggest rise in over 30 years and was focused on reducing the high level of inflation set out above.

UK Base rate – 2020 - 2022



3.5 Since the last Board meeting the UK Government has also confirmed that working-age benefits and pensions will rise in line with the September 2022 CPI rate of 10.1%. In relation to our rent setting framework, this will significantly mitigate the impact of our increase on affordability. The rise in working age benefits with no limitation set on any specific element confirms that for those in receipt of Universal Credit the full increase in housing costs will be met.

4. Discussion

Tenant engagement

4.1 Engagement and consultation are key elements of our rent setting framework. The complexity of this was increased by the economic climate for us and our tenants, the legislative context of a rent cap and the associated potential for confusion regarding rents for 2023.

4.2 Based on this we agreed to seek as wide a range of independently facilitated tenant feedback as possible to inform our rent setting consultation. This comprised our planned pulse survey (conducted one to one in customers' homes) including questions on our rent proposals as well as focus groups. It is important to note that both were undertaken by independent customer insight and research firm BMG.

Individual tenant survey interviews

4.3 BMG interviewed customers from all our partner RSLs over November. These were all undertaken in person, in customers' homes and in a consistent way. In total BMG talked to 2351 customers, broken down as follows:

WH-Glasgow (inc ex Cube)	WH South	WH East	Lorreto Housing (inc ex Cube)	Total
1104	604	393	250	**2351**

4.4 The interviews included setting the context for our rent setting, in particular the challenging financial climate, the impact this is having on the costs of delivering services and investment and that we are also mindful of the impact it will be also having on our tenants. This is in keeping with what we would provide at focus groups and our rent consultation brochures.

4.5 Based on feedback and advice from BMG, we did not go through multiple options with tenants in the individual interviews. Their advice was to make it a straightforward choice between a base option and a higher option which would provide an enhanced range of services and investment.

4.6 On this basis customer feedback was sought in three key areas:

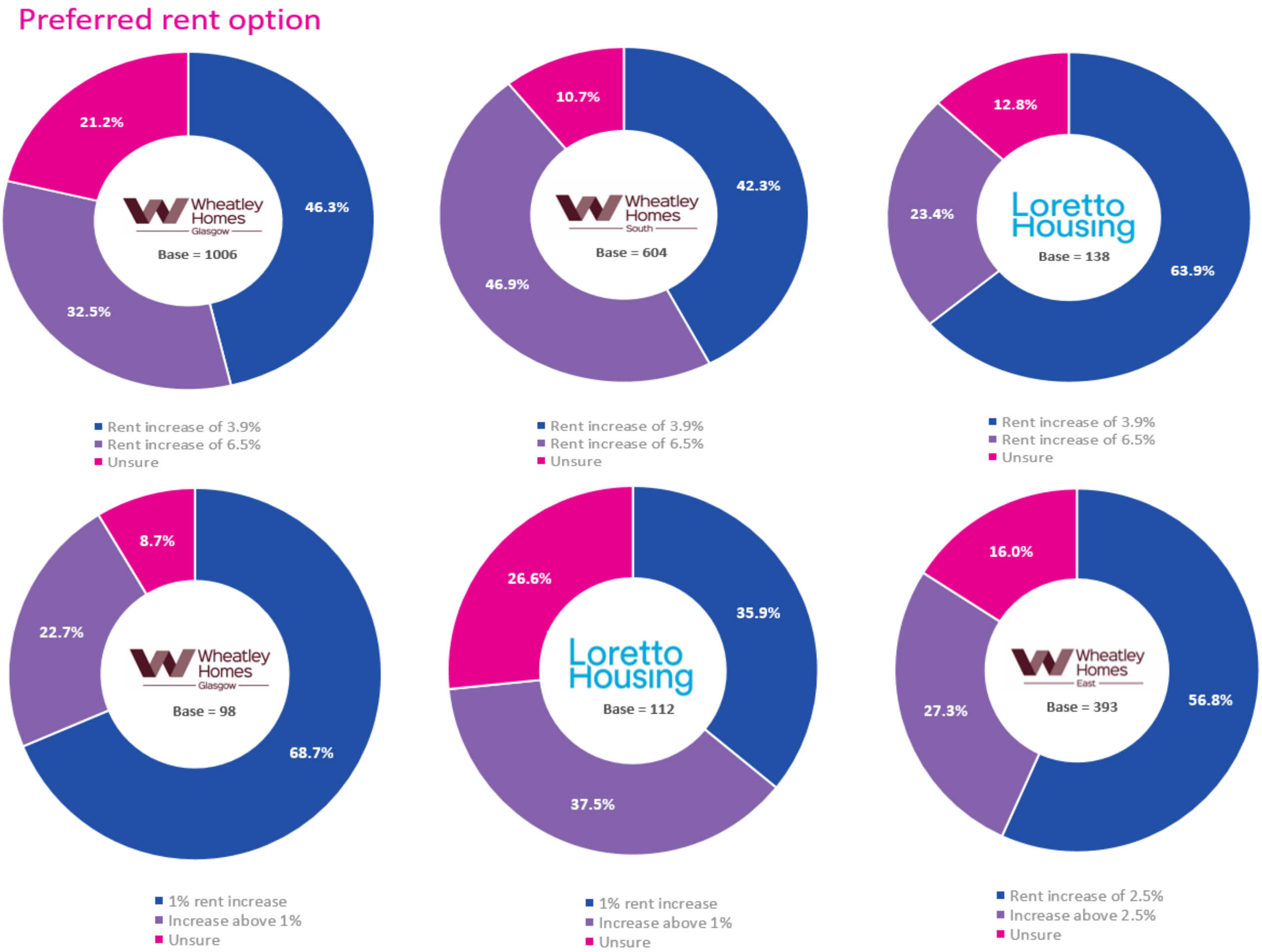
1a) For WH Glasgow, South and Loretto Housing tenants' view on the lowest increase of 3.9% relative to the 6.5% necessary to retain current service and investment levels

1b) For WH East and ex-Cube this was the partnership commitment v a higher option to deliver additional investment

2) Customer views on a rent freeze relative to the impact it would have on services and investment

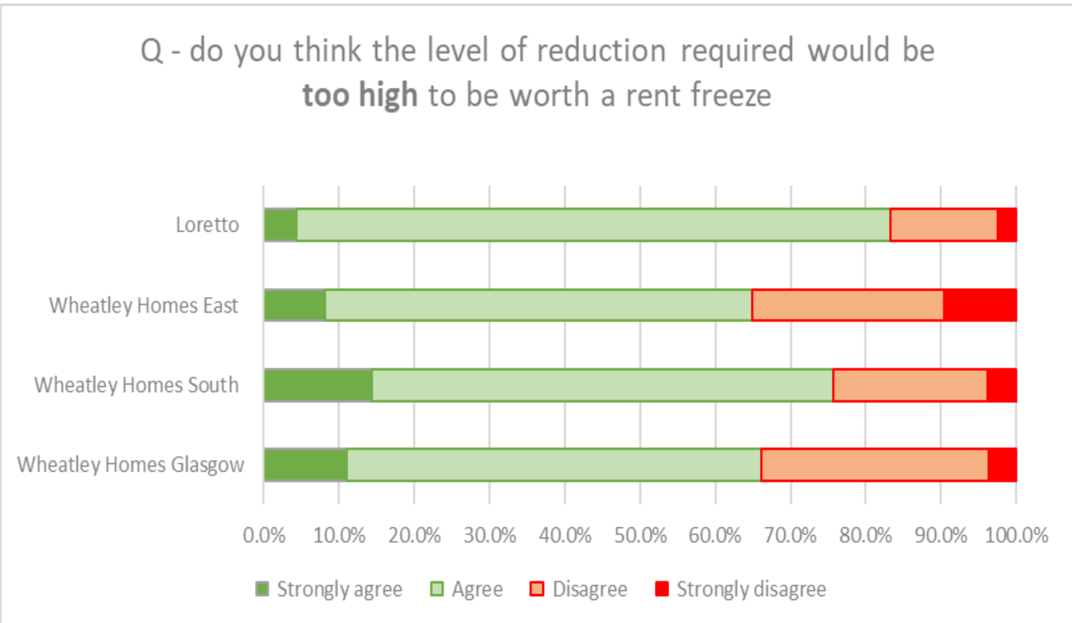
3) Key services customers want us to prioritise if difficult financial decisions need to be made.

4.7 The results of the interviews were as follows:



** Unsure is where the customer either did not wish to commit to a preference on either option*

4.8 In relation to the rent freeze, there were a number of customers who elected to not express a firm view (i.e. opting for the neither agree nor disagree option). Excluding those individuals*, the feedback of the interviewees was as follows:



**609/2351 neither agreed nor disagreed*

4.9 Across all RSLs the feedback clearly demonstrates that tenants are prepared to support a rent increase and a large proportion, at least 25% in all RSLs and the highest proportion in WH South and ex Cube Loretto, are prepared to pay a higher option to reduce the impact on services and investment. The results also firmly confirm that the majority of tenants do not support a rent freeze.

4.10 When we asked customers what services they wished us to prioritise the results were consistent across all RSLs: repairs; frontline staff (Housing Officers); the CFC; and 'major investment'. The same consistency applied to services that tenants considered less of a priority, such as: advice services; neighbourhood activities; employment/training programmes. The feedback from BMG was that although such services are high impact for those who receive them as they are not universally accessed, they are comparatively less of a priority for customers.

Focus groups

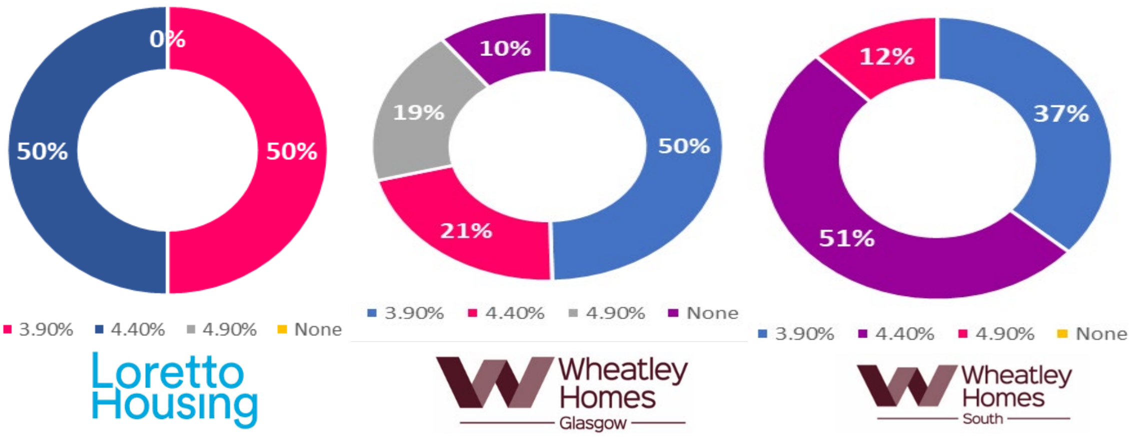
4.11 The focus groups provide an opportunity to have a more in-depth discussion with tenants and were within a group dynamic. Focus group attendance significantly exceeded expectations, with nearly 300 attending a total of 11 focus groups as follows:

	WH-Glasgow (inc ex Cube)	WH South	WH East	LHA (in ex Cube)	Total
Attendees	137	93	50	16	**296**
Focus groups	11	8	4	3	**26**

4.12 The focus groups followed the previously agreed structure as follows:

- Intro from senior staff member covering how rent was spent in 2021/22 and what it delivered, how we compare to other landlords and the key challenges informing our rent proposals;
- BMG facilitated discussion on the three options (base and two 0.5% increments) and seeking attendees' preference;
- Feedback sought from attendees on what services/investment they most value and want us to continue to prioritise;
- Setting out the impact a rent freeze would have, why we do not think it would be right to propose one but seeking attendees' views on whether they would support a freeze

4.13 It is important to note that during all discussions on the options and rent freeze no staff members were present and all the discussion and voting was facilitated independently by BMG. The results were as follows:



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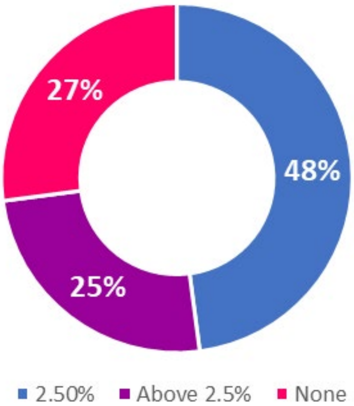

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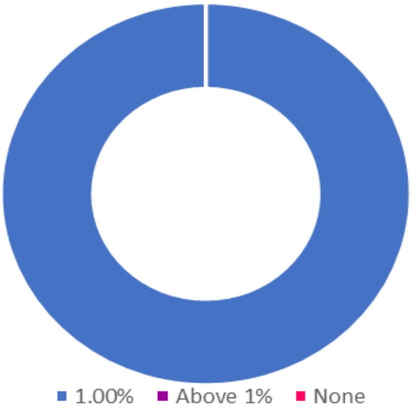
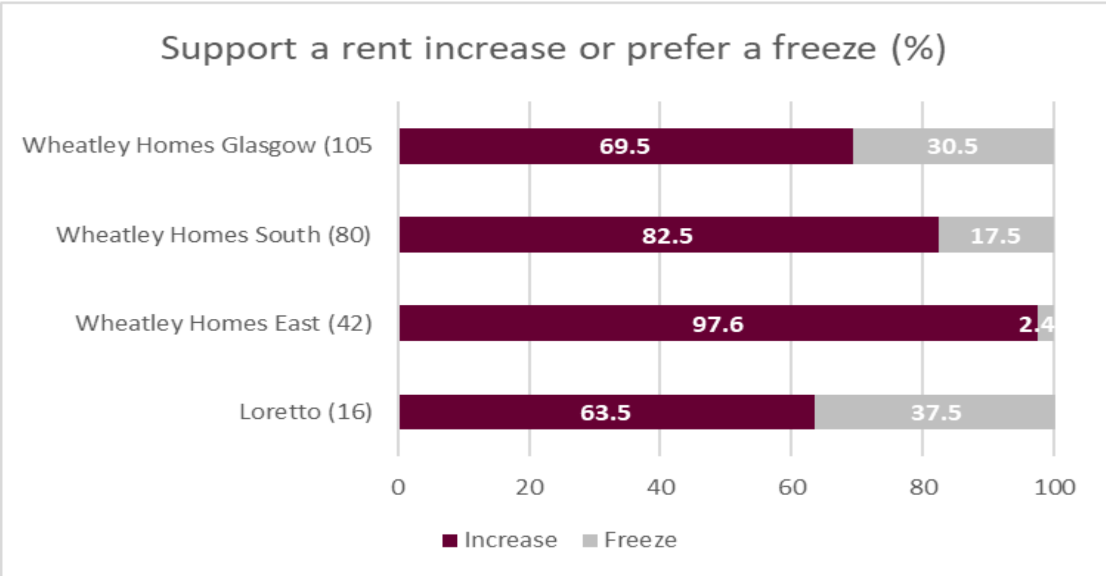


Ex Cube (WH-G and LHA)
(n11)



4.14 The focus group results are consistent with the results of the individual interviews. For every RSL a clear majority supported one of the rent increase options and did not support a rent freeze. The feedback from BMG was that there were some consistent themes from across the focus groups:

- Tenants recognised the challenges we are facing and that the proposals were all significantly below inflation;
- The vast majority of tenants in all RSLs value the services they receive and recognised that a rent increase was necessary to retain them;
- There was concern about the wider impact of the cost of living crisis on affordability for the wider tenant base

4.15 In WH South 57% of tenants supported one of the higher increase options. This followed the largest proportion of tenants in the interviews for WH South indicating they would rather have a 6.5% increase to maintain services and investment levels.

4.16 This is within the context of WH South having the lowest rents in the Group as set out in paragraph 3.1. Comparability at regional level also shows that WH South rents are comparably lower relative to other RSLs:

Dumfries & Galloway				
Social Landlord	**2 Apt**	**3 Apt**	**4 Apt**	**5+ Apt**
Cunningham HA	£77.03	£97.40	£105.85	£112.25
Homes in Scotland	£80.99	£97.91	£104.00	£111.44
Loreburn HA	£90.01	£96.74	£102.50	£116.14
Irvine HA	£80.67	£90.90	£96.30	£99.77
WH South	£76.85	£84.10	£90.27	£98.24

4.17 Based on this and the wider sector and local comparability information in the following sections a revised proposal for the WH South base increase is set out later in the report.

4.18 In terms of tenant priorities, the results were again consistent across RSLs and with the feedback from the interviews as follows:

- Repairs service
- Customer First Centre ("CFC")
- Staff community presence (Housing Officers)

4.19 These priorities also reflect the common themes of our first pulse survey. The focus groups allowed BMG the time to explore the priorities in further detail. A recurring theme for the CFC is that as it is very often the first point of contact it is very important. For Housing Officers in WH Glasgow for example BMG indicated that tenants see them as:

"*The interface when they really need to get something done – which is why it is felt to be so important that they are 'visible' and visit tenants in their own homes; but also to signpost services and help"*

4.20 Each Board will receive more detailed feedback from their specific focus groups at their rent setting meeting.

Summary

4.21 The interviews and focus groups have seen over 2600 tenants provide feedback on our rent setting proposals. They clearly show that the majority of tenants are prepared to support a rent increase to protect services and investment and do not support a rent freeze.

<u>National position</u>

4.22 A separate update to the Board confirmed that the Scottish Federation of Housing Associations ("SFHA") have coordinated a Statement of Intent ("SOI") to Scottish Ministers which has the support of a large number of RSLs.

4.23 The SOI states "*the average rent increase will be around 6.1% across the country*". We understand this is the average pf the highest options RSLs are consulting on. This is materially higher than our proposed options for all RSLs. Of particular significance is that in Dumfries and Galloway our understanding is that other comparable RSLs are planning to propose 5-6%.

4.24 Also of significance is that in the East, where we agreed a base option of 2.5% to improve comparability, our understanding is that we will be comfortably the lowest amongst East of Scotland RSLs.

Scottish Government rent cap confirmation

4.25 The Scottish Government is expected to confirm informally on or around the 14th of December what, if any, cap will apply for RSLs for 2023/24. Based on our engagement to date and the SFHA coordinated SOI we do not anticipate that any cap will be set, with Ministers making reference to the average figure in the SOI. By way of context, the cap in England has been set at 7% and at 6.5% in Wales.

4.26 There does however remain uncertainty on whether the social housing cap will be set at the same rate for Mid-Market Rent and further if they will be confirmed at the same time. We do not anticipate the cap for private rented homes will be finalised before the New Year.

RSL rent increases for tenant consultation

4.27 Each RSL Board has now met and confirmed their agreement to the base increase options agreed at the October meeting. The Wheatley Homes South Board considered the feedback from tenants, in particular the preference for a higher option in both the interviews and focus groups, and indicated it may wish to change the lowest level to 4.4%.

4.28 On the basis of the tenant feedback it is proposed that the WH South lowest option for consultation with tenants is increased to 4.4%, subject to the WH South Board formally agreeing this at its meeting to agree to initiate the tenant consultation. The options for consultation are proposed as follows:

RSL	Options
WH Glasgow	3.9%, 4.4% and 4.9%
Loretto Housing	3.9%, 4.4% and 4.9%
Ex Cube (WH Glasgow and LHA)	1%, 1.5% and 2%
WH South	4.4%, 4.9% and 5.4%
WH East	2.5%, 3.0% and 3.5%

4.29 In the unlikely event that a rent cap is set at a level below any of the options, any option higher than the cap would be removed.

4.30 The proposed key steps and timelines for the RSL consultation, subject to the social rent cap being confirmed prior to 9th January, are as follows:

Step	Timescale
Draft RSL booklet circulated to Boards for feedback and agreement (to allow time for it to be printed for issue)	w/c 19 December
RSL Boards meet virtually to formally approve commencing consultation.	9th January 23
Consultation period (Online form 13th January and hard copies issued as soon as practically possible thereafter)	13 - 31st January
RSL Boards receive consultation results and approve rent increases	5-15th February
Group Board agree all rent increases	22nd February
Rent increase letters issued	23rd Feb onwards

4.31 The timescales and consultation period are necessarily truncated. This does however allow us to consult tenants with the certainty that our proposals will not need to be amended or rescinded. We have already received detailed feedback from over 2300 tenants which provides a strong evidence base on tenant views.

4.32 It is intended that Civica will again independently validate and count the returns and provide us certified results. We will extend the option for tenants to provide their feedback by text message also.

<u>Mid-Market rent and private rental increases</u>

4.33 [paragraphs 4.33 – 4.36 redacted]

5. Customer Engagement

5.1 The combination of the individual interviews and focus groups has seen the highest ever number of customers involved in shaping our rent setting proposals. They have shown, as set out in the report, strong support for our proposals and the majority did not support a rent freeze.

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1 Our proposed rent increases strike a balance between affordability for our tenants during a period of pressure on household budgets, the preservation of appropriate levels of investment in our homes, services to tenants and the financial viability of the business.

8.2 To achieve this rent proposal additional cost efficiencies have been required as well as a decision taken on deferment of £6.4m from 23/24 of core investment spend out beyond 2025/26.

9. Legal, regulatory and charitable implications

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

10. Risk Appetite and assessment

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

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

10.3 The operating context is such that we needed to manage the risk associated with not meaningfully consulting with tenants and the practical restrictions on how we conduct the process. We are mitigating this risk to the extent possible with an approach which:

- Ensures we had a strong customer voice in shaping our final consultation proposal;
- Does not formally consult tenants on a proposal which may be subject to change;
- Maintains agility and flexibility to respond as the Scottish Government’s position solidifies; and
- Delivers Board decisions at the earliest possible point in the process.

11. Equalities implications

11.1 There are no equalities implications associated with this report.

12. Key issues and conclusions

12.1 Our engagement has given us a very strong sense of tenants’ views on our rent setting proposals and priorities more widely. Over 2600 customers having been involved in interviews and focus groups we can be confident that our proposals have been shaped by tenants ahead of a full tenant consultation.

12.2 The independently facilitated engagement has clearly identified that the majority are in favour of a rent increase to preserve services and investment as much as possible and do not support a rent freeze.

12.3 The continued uncertainty with regards to the extension of a cap for MMR and PRS will require us to be prepared to respond to an eventual Scottish Government decision. This will continue to be discussed with the Lowther Homes Board and arrangements will be in place to issue rent increase notifications at the earliest opportunity.

13. Recommendations

13.1 The Board is asked to:

1) Approve the options for consultation by each RSL as set out in paragraph 4.28, subject to formal agreement by each RSL Board and each option being below any Scottish Government rent cap for social landlords;
2) Note that an additional RSL Board meetings will be convened in early January to formally agree our rent consultation options for WH Glasgow, WH South, WH East and Lorreto Housing;
3) Approve the keys steps and timeline for consultation with RSL tenants as set out in paragraph 4.30;
4) [redacted]
5) [redacted] and
6) [redacted].

LIST OF APPENDICES:

None

Report

To: Wheatley Housing Group Board

By: Frank McCafferty, Group Director of Repairs and Assets

Approved by: Steven Henderson, Group Chief Executive

Subject: Mould and Damp Update

Date of Meeting: 14 December 2022

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1. Purpose

1.1 To update the Board on how we are building on our already strong processes for dealing with reports of mould and damp in our customers' homes.

2. Authorising and strategic context

2.1 Under the Group standing orders, the Group Board has an ongoing role monitoring our approaches to risk and performance across the Group.

3. Background

3.1. Ensuring we deal with any reports of damp and mould has always been a priority for the Group. A detailed Policy and Procedure was approved by the Group Board in December 2021, with a further update provided to the Board in August 2022. Since then, the coroner's report into the tragic death of a child, Awaab Ishak, at his social rented property in Rochdale was released. This cited that he died of a respiratory condition caused by mould in his home.

3.2. Following the Rochdale case, the Scottish Housing Regulator has written to ask all governing bodies and committees to consider the systems they have in place to ensure their tenants' homes are not affected by mould and dampness and that they have appropriate, proactive systems to identify and deal with any reported cases of timeously and effectively. This report sets out how we are building on our already strong approach in this area to ensure our culture and processes take a "zero tolerance" approach to mould and damp.

4. Discussion

4.1. Our Group dampness, mould and condensation policy recognises the four main causes of dampness:

- penetrating dampness,
- rising dampness,
- defective plumbing and
- condensation

4.2. All of these have the potential to lead to mould growth, which in turn is recognised as a potential public health issue.

4.3. These also take account of contributing factors such as fuel poverty, roof repairs, blocked or broken ventilation and customer management of the home etc. and provides detailed guidance on how reports of dampness, mould & condensation should be managed consistently across Group. This highlights the importance of using insight and intelligence to inform our proactive approach.

4.5. Our process was enhanced through August and September of this year as confirmed to Board in the report in August. This now includes an automatic visit for every complete damp and mould repair by a Housing Officer to ensure our customer is satisfied and that the repair has been effective in preventing the return of any mould and/or damp.

4.6. Having further reviewed our processes and procedures, we have taken further action to reinforce our strong approach to damp and mould. This includes:

- daily review of all cases, with actions on an individual property basis tracked and monitored by a central team comprising senior managers with expertise in property maintenance and housing management/tenant support
- we will visit a customer's home within **48 hours** of a report of mould
- if the customer reports – our if any of our staff members observe – a significant mould issue, this will be treated as an emergency and the customer will be visited by specialist trades staff **within 3 hours**
- a new target to **complete** repairs within 15 days, down from the previous target in our procedures of 30 days (noting that some repairs may be larger or more structural in nature – for example where a new roof is needed, in which case a management and monitoring regime will be instigated for every affected property to contain the issue and support the customer pending completion of these works; this may on occasion involve the decant of tenants)
- enhanced reporting arrangements – from the next cycle of Board meetings, mould and damp will be included as routine in Board performance reports
- increasing the resources within our repairs team with additional specialist resources such as in-house building surveyor skills, and integrating this with the City Building rot team in the west of Scotland
- augmenting our internal team with an on-call building surveyor firm to provide specialist technical input on an as-needed basis – this will include assistance in the diagnosis of root causes of damp, mould and condensation and with the verification and validation of our proposed actions
- refreshing the customer factsheet highlighting actions that can be taken to prevent mould and condensation
- training for staff and access to full range of support services for customers including access to the "Here for You" fund
- writing to all tenants to remind them of the support we have available over the winter months – including our Here for You fund – and to re-affirm that they should call us immediately if they are aware of any issues with mould, damp and condensation in their homes
- subsidiary RSL boards agreed at their November meetings to a new forced access approach, whereby in certain circumstances if a customer has reported mould but has not permitted access after 14 days, we will force access to the property to inspect on health and safety grounds

4.7. We have also established a short life working group to review and consider any other possible measures we could take to reinforce the **"zero tolerance"** approach to reports of mould and damp, including any other measures that can enhance the rapid rectification of reports of damp and condensation. This will include representatives from across the Group, together with colleagues from City Building, and will consider areas including:

- review of existing damp, mould and condensation policy and operational procedures
- review of the no access approach
- continue to improve format and IT processes supporting daily reporting and case management
- enhancement of the quality assurance process
- enhance staff and partner training materials to assist the identification, reporting and advice
- improved customer factsheets/support materials
- establish stocks of damp and mould prevention products for customer use

4.8. The first year of a rolling five-year survey of the condition of our housing stock across the Group has recently been completed by our independent property consultants JLL. This involved "in person" visits to assess the condition both internally and externally of over 2,600 of our homes. This will increase to cover over 13,000 inspections, representing 20% of our homes, over the five-year period of the contract. JLL worked together with qualified building surveyors from JMP Construction and Property Consultants, and the properties surveyed were spread across a variety of archetypes in Wheatley Homes Glasgow, Wheatley Homes East and Loretto. A large proportion of homes in Wheatley Homes South were surveyed in 2019 in conjunction with the partnership discussions at that time and were not included in the properties selected for survey this year, but will form part of the sample from year two (2023/24) onwards

4.10 The results of the surveys confirm a high level of confidence in the stock condition data held on our asset management system PIMMS and validate our lifecycle assumptions on component replacements. The inspections themselves provide an opportunity to highlight any specific issues within inspected properties including unreported damp and mould cases. Across the properties surveyed no systemic damp and mould issues were identified, however we have taken the decision to supplement the general stock condition surveys with targeted inspections by JMP of a sample of properties within archetypes that are more susceptible to damp and mould issues to provide additional third-party assurance. To date no issues have been identified and the full results of this exercise will be available early in the new year.

5. Customer Engagement

5.1 Customers will continue to be engaged through a number of means, including winter preparation information, newsletters and annual customer conversations.

6. Environmental and sustainability implications

6.1 This report has no environmental or sustainability considerations.

7. Digital transformation alignment

7.1 This report aligns with the Group digital strategy, where we will use our systems to support the monitoring, tracking and analysis of damp and mould cases.

8. Financial and value for money implications

8.1 Costs for repair and investment work related to remediating damp and mould in our properties including additional staffing resource is provided for in the 2022/23 business plan and annual budget.

9. Legal, regulatory and charitable implications

9.1 Ensuring tenant and resident safety is a critical part of the work of social landlords in Scotland. The Scottish Housing Quality Standard requires that the homes provided by social landlords:

- Meet the Tolerable Standards;
- Be free from serious disrepair;
- Be energy efficient;
- Have modern facilities and services; and
- Be healthy, safe and secure

9.2. All group RSL boards have approved that forced appointments can be used where customers do not allow access to enable reported issues of damp and mould to be addressed.

10. Risk Appetite and assessment

10.1 Our agreed risk appetite in investing in existing homes and environments is cautious. Ongoing financial strength is crucial to enable us to continue to improve, modernise and maintain our homes. We will revise our well-established investment processes to include more focus on what creates most value for our customers. Value for money will still be the key factor in our decision making, but wider benefits, such as reducing levels of emergency and reactive repairs and customer satisfaction, will also be considered.

11. Equalities implications

11.1 There are no equalities implications associated with this report.

12. Key issues and conclusions

12.1 Damp and mould are a serious health concern and are being treated across the Group in the same manner as other key compliance workstreams, such as gas safety checks and fixed electrical testing.

12.2 Each Group subsidiary has robust processes to deal with reports of mould and damp, and these have been strengthened over 2022. We will continue to keep the Board updated on our work in this area.

13. Recommendations

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

Wheatley Group

Report

To:	**Wheatley Housing Group Board**
By:	**Frank McCafferty, Group Director of Repairs and Assets**
Approved by:	**Steven Henderson, Group Chief Executive**
Subject:	**Group Sustainability Framework**
Date of Meeting:	**14 December 2022**

1. Purpose

1.1 To seek Board feedback and approval of a Group Sustainability Framework ("the Framework") and Action Plan.

2. Authorising and strategic context

2.1. Decisions on major group wide strategic areas are reserved to the Group Board. 'Setting the benchmark for sustainability and reducing carbon footprint' is a stated key outcome in Your Home, Your Community, Your Future. This draft Framework provides the direction for how this vision will be realised.

2.2. The draft Framework presented here has been considered and endorsed by Wheatley Solutions and by PNAG (Pathway to Net Zero Advisory Group).

3. Background

3.1. As a group we already undertake a wide range of actions that lead to positive sustainability outcomes include through our investment in existing homes, the quality of our new build properties and our varied programmes to improve neighbourhoods and communities.

3.2. To date our strategic direction on sustainability has been set through our commitment to 'setting the benchmark for sustainability' in Your Home, Your Community, Your Future and through related targets including to reduce emissions of CO_2 from our existing homes by 20,000 tonnes by 2026 and to be carbon neutral in our corporate estate by the same date.

4. Discussion

4.1. The draft Framework provided at Appendix 1 is therefore a first for our Group. It is intended to provide a focus on sustainability, group wide with particular emphasis on our main sources of emission - our existing homes and their heating systems, our new build properties and our business operations. The draft Framework, and its accompanying Action Plan (Appendix 2) also provide a basis for prioritising activities and monitoring progress.

4.2. The main themes in the draft Framework have been discussed previously by the Board and other Group partners, especially Wheatley Solutions, and PNAG. These discussions were have helped shape the Framework and key points and themes from the discussions included:

- that focus was essential and that we should not over commit ourselves to delivering against all global sustainability goals;
- the need to tailor approaches to improving fabric-first energy efficiency by property archetype;
- the prominent role that heat networks are likely to play in decarbonising heating systems in our properties;
- recognition of our willingness to go beyond challenging levels set through building standards in our specification for new build homes;
- that any particular activities to promote bio-diversity in our communities should involve extensive customer engagement to ensure buy in;
- that approaches in rural areas will differ from those in urban;
- the value of prioritising actions to ensure those of particular importance (e.g. to meet a regulatory requirement) were readily identifiable;
- the importance of developing behaviours to support sustainability objectives, alongside particular initiatives.

4.3. Subject to the Board agreeing the Framework, our intention would be to launch it in the final quarter of 2022/23. Launch activities will focus particularly on staff, with the customer and stakeholder focus being on projects – such as retrofitting homes, deploying connected response and green infrastructure (e.g. cycle stores, EV charging etc) – under our greener homes, greener lives banner.

4.4. Launch activities will include developing an easily accessible summary version for staff, engaging leaders through existing collaboration forums so they have the necessary understanding to share the Framework with their teams, and staff workshop session that build on the sustainability taster and mobilisation session we ran earlier this year in conjunction with Planet Mark.

4.5. We are also conscious that launching the Framework will not in itself ensure the priorities in it are delivered. To support delivery of the Framework and especially the Action Plan, we will take a programme management approach. This will be led at Executive level and will involve leaders from across the group. Early priorities will include developing a sustainability performance management framework, developing detailed implementation plans for identified actions and refining the Framework as necessary to reflect the evolving sustainability policy landscape.

4.6. In particular recognised that the Framework has a strong focus on EESSH 2, which is currently suspended. The national policy context will evolve in this area and the Framework and Action Plan will be subject to annual review to ensure it remains aligned to the policy landscape.

5. Customer Engagement

5.1. Discussions were held with our customers, through our Customer Voices network, on the main areas of the Framework. There was broad support for the ideas in the Framework and especially the importance of improving energy efficiency in existing homes, ensuring that customers were not financial disadvantaged by changes we make and providing on-going advice and guidance to help customers get the most from their heating systems.

5.2. These initial discussions are helpful in ensuring the Framework has relevance and in engaging customers in sustainability priorities. Further engagement with customers, and staff, will be essential in implementing the Framework to build understanding and to provide a platform for action in daily lives to address the climate emergency. This is a significant aspect of the draft Framework.

6. Environmental and sustainability implications

6.1 This report and the attached Framework focus on environmental and sustainability implications.

7. Digital transformation alignment

7.1 Where applicable digital techniques and innovation will be used to support execution of the Framework.

8. Financial and value for money implications

8.1 As set out our in the Framework there are significant financial implications in achieving sustainability outcomes, the cost of meeting EESSH2 is estimated at £300m - £400m more than provided for in the approved business plan. The Framework makes clear that we do not expect tenants to pay for this through increased rents or reduced services. As now, we will work closely with our funders, government, and other partners to identify funding sources that will be needed to achieve the objectives in the Framework.

9. Legal, regulatory and charitable implications

9.1 The Framework will help ensure we meet regulatory objectives relating to sustainability including EESSH2 which is currently under review by Scottish Government.

10. Risk Appetite and assessment

10.1 Our risk appetite for setting the benchmark for sustainability and reducing carbon footprint is as follows:

- ***Financial or VFM: Open*** *- A significant investment in retrofitting will be required to increase the energy efficiency and reduce the carbon footprint of our existing homes. In this context we are prepared to invest for reward, considering both the value and benefits which this investment will bring. However, we must still minimise the possibility of financial loss by managing risks to a tolerable level*
- ***Reputation and Credibility: Open*** *- We aim to establish Wheatley Group as a role-model for sustainability nationally and beyond, as well as influencing the rest of the sector to raise its standards. We seek to partner with the Scottish Government and other organisations (e.g. Sustainable Glasgow) to achieve our common climate change and sustainable development goals. We are prepared to be innovative to deliver these aims and take decisions that might expose us to additional scrutiny, but only where success is likely and we have taken appropriate steps to minimise any negative exposure.*

- ***Operational Delivery: Hungry*** *- We are eager to be innovative and pioneer new approaches to sustainability through the delivery of innovative energy generation opportunities. We will prioritise solutions that enhance control and cost savings for customers, and work with research partners to solve long standing challenges for improving energy efficiency in non-standard construction types. We are prepared to take greater risks where we believe opportunities will significantly support our aim to 'break the mould' and establish us as a leader in sustainability and reducing carbon footprint.*
- ***Compliance: Legal / Regulatory: Cautious*** *- this area is gaining more importance for stakeholders, including potential investors, staff and customers. We must be able to demonstrate that we have taken action to comply with all existing and emerging legislative and regulatory requirements in this area and be reasonably sure we would win any challenge.*

10.2 The draft Framework presented here is in keeping with this risk profile and provides direction for how these risks will addressed.

11. Equalities implications

11.1 Equalities implications will be assessed as part of the actions that are undertaken in implementing the draft Framework.

12. Key issues and conclusions

12.1 The draft Framework and its associated Action Plan are a first for Wheatley and are intended to define how we will 'set the benchmark for sustainability' as we have committed to in Your Home, Your Community, Your Future.

13. Recommendations

13.1 The Board is asked to:

1) consider and agree the draft Sustainability Framework at Appendix 1 and the Action Plan at Appendix 2; and
2) Note that the Wheatley Solutions Board will monitor of the implementation of the Framework and Action Plan.

Appendices

Appendix 1: Draft Sustainability Framework [redacted. Available here https://www.wheatley-group.com/__data/assets/pdf_file/0018/222327/GroupSustainabilityFramework.pdf]
Appendix 2: Draft Sustainability Action Plan [redacted]

Sustainability Framework

Initial Action Plan

Greener Homes, Greener Lives

<u>Group Sustainability Framework – *Greener Homes, Greener Lives*</u>

Action Plan

This Action Plan sets out the initial steps we will take to implement our Group Sustainability Framework. Actions, targets/outcomes and timescales are set-out under the three <u>primary focus</u> areas in our sustainability framework - existing homes; new homes; and business operations (e.g. procurement, finance, IT, people, facilities etc). In our Sustainability Framework, our primary focus is supplemented by <u>supporting contributions</u> including neighbourhood and environmental operations; housing operations; care operations; Wheatley Foundation; and third parties and suppliers. Actions in these areas are also included in the framework.

Actions in this plan are categorised into one of three priorities as follows:

Priority 1: those that are necessary to meet a regulatory or other similar obligation	
Priority 2: those with the potential to have a positive direct impact for customers in the short to medium term	
Priority 3: wider aims and aspirations	

We will take an agile approach to delivering actions. We believe this is necessary and in keeping with the evolving context in which we operate currently and the rapid development of policy and approaches relating to sustainability. The priorities we have set will help ensure our focus is on what matters most.

Our aim is that this action plan will develop over time and that what we have here is a current view, rather than every step on a route map to Net-Zero. Progress against the Action plan will be led at Group Director level with contributions and accountabilities in every part of our Group.

Primary focus

Existing homes

<table>
<tr><th>Sustainability Actions</th><th>Targets/outcomes and timescales</th></tr>
<tr><td>Reduce the emissions from our homes to net zero</td><td>Achieve by 2042/43 by increasing current target of reducing CO2 emissions from our homes from 4,000 tonnes a year to
<table><tr><th>from</th><th>to</th><th>Reduction per yr</th></tr><tr><td>2023/24</td><td>2026/27</td><td>6,000 tn</td></tr><tr><td>2027/28</td><td>2028/29</td><td>8,000 tn</td></tr><tr><td>2029/30</td><td>2039/40</td><td>12,000 tn</td></tr><tr><td>2040/41</td><td>2042/43</td><td>6,000 tn</td></tr></table></td></tr>
<tr><td>Develop architype segment investment plans for our stock – including defined energy input levels by properties / archetypes</td><td>- Pilot approach in 2022/23
- Full approach in place 2023/24</td></tr>
<tr><td>Work with third parties to leverage external funding</td><td>Ongoing</td></tr>
<tr><td>All applicable policy and regulatory requirements including revised EESSH2 are met</td><td>To be defined once revised targets set by Scottish Government</td></tr>
<tr><td>All properties, except where not technically/economically feasible, will meet required EPC ratings</td><td>At least 40,000 RSL properties at EPC B by end 2027/28

All Lowther Homes properties at EPC C by end of 2024</td></tr>
<tr><td>Have defined criteria for assessing where it is not cost effective or technically feasible for a property to achieve a required energy efficiency</td><td>2023/24</td></tr>
</table>

Develop a multi-year strategy for our distributed heat systems and networks to inform business, investment, and delivery plans.	2023/24
Migrate existing heating systems to low and zero carbon alternatives, and make use of modern control systems to reduce emissions, when cost effective and technically feasible,	On-going
Reduce the risk of fuel poverty through undertaking fuel poverty impact assessment before any proposed heating system changes take place	From 2023/24
Prioritise long lasting, robust, and sustainably sources materials, and introduce traceability for materials used in our repairs and investment service	On-going
Operate our heat networks with at least 60% efficiency and on a financial breakeven basis	2023/24

New homes

Sustainability Actions	Targets/outcomes and timescales
Continue to engage in consultation through representative bodies such as Homes for Scotland and the SFHA, for the Scottish Government's NPF4	Ongoing
Continue to engage with Local Authorities and Scottish Government in relation to grant availability to support the ambitions set out in the Strategy.	Ongoing
New build homes we build will meet the planning requirement in relation to no fossil fuel	After 2024
Develop innovative construction solutions and more modern methods through close working with suppliers and contractors, potentially through new routes or partnerships. Undertake a pilot in Glasgow and other areas	On-going 2024/25
Achieve not only Section 6 (to meet progressive energy and carbon targets) and Section 7 (sustainability and environmental impact of buildings) of the Building Regulations and push ahead in other key areas	by 2027
Size our solar PV systems to generate sufficient electricity to mitigate high cost of operating some systems	2023/24
Only build new district heating network systems that are zero emissions and work with partners including City Building to ensure the operational and maintenance expertise that is needed for these networks is available.	2024/25
Set a target for the embodied carbon of our new build using recommended guidance from Scotland and UK Governments.	2024/25
Explore the implication of design for manufacture and deconstruction and look to incorporate, where appropriate, requirements as part of future new build standards	2025/26
Our new homes will be at least EPC B	2022/23

Where large scale regeneration involves the demolition of existing properties, we will require a positive carbon reduction return before a project proceeds;	2023/24
All our urban sites will meet Scottish Government ‘20-minute neighbourhoods’ and other local requirements;	2023/24
In relation to compounds and chemical release, work with contractors and suppliers to remove the presence of VOCs (volatile organic compounds), solvents and off-gassing.	On-going
Train one of our staff to become accredited as a ‘Building with Nature’ assessor.	2023/24

Business operations

Sustainability Actions	Targets/outcomes and timescales
Key objective: Being a carbon neutral business	By 2026
Ensure all our vehicles meet the applicable requirements for the Glasgow and Edinburgh Low Emission Zones.	In advance of all-electric fleet
Develop an all-electric fleet, ensuring there is suitable charging infrastructure including at our depots and other corporate locations in advance, where applicable	By end of 2026
Only use renewable electricity	By end of 2025
Look to innovate in the area of eliminating emissions from gas through exploring the potential and economic viability of using 'green gas' that is covered by a 'RGGO (Renewable Gas Guarantee of Origin).	By end 2026
Reach EPC B for our corporate estate, where cost effective and technically feasible	no later than 2032
Work with our key suppliers to document the progress made in reducing emission from our IT infrastructure and develop insight on how emissions can be reduced yet further	2023/24
Eradicating white mail, except where legally necessary or requested by customers	2024/25
Review the environmental benefits of our new business model, as part of a wider review that will help us tune the model to ensure it serves staff and customers to the best extent possible.	During 2023
Minimising consumption so there is no waste in the first placed, followed by reduction, upcycling, and recycling	Targets will be developed and monitored for every business function and reported annually. .
Quantify the positive impact of activities including EV charging, supporting cycling and tree planting	2023/24.
Develop require for our suppliers to provide a base line of the whole life carbon emissions associated with their products Implement	2023/24 From 2024/25

Requiring alignment with Sustainability Framework to be evidence for all proposed expenditure of more than [£2 million] or where a change is sought to established policies or practice.	2023/24
Report to Boards including Wheatley Solutions and Group Board on progress against this framework Refresh the framework itself when public policy becomes clearer	Annually from 2023/24 First refresh expected in 2023 after updated guidance on EESSH2 is available from Scottish Government
Engage a third party to undertake a formal review of framework	In 2025 in advance of our next group wide strategy.
Look to identify and secure grant and loan necessary funding to support our journey to net zero	ongoing
Develop our data, and approaches to evaluating and piloting sustainability actions,	ongoing
Develop a sustainability performance measurement framework with progress against targets reported to Boards in the same way and at the same time as other key strategic group wide priorities.	Discussed with Wheatley Solutions Board in early 2023 before being rolled out group wide.
Continue ESG reporting and review and work with our auditors as wider sustainability related reporting standards come into force	Annually
Support our staff and communities to contribute fully to sustainability objectives through learning programmes	Annually
Launch network of sustainability champions	2023/24
Include sustainability responsibilities in the job outputs for our Directors and Managing Directors.	2023/24

Supporting contributors

Neighbourhood and environmental operations

Sustainability Actions	Targets/outcomes and timescales
Work to address lack of recycling facilities and encourage our customers to reduce their household waste. Measure baseline and set targets	On-going 2023/24
Develop a land quality and adaption plan	By 2025
Identifying locations, with community engagement, that can be ‘set-aside’ for habitat or where cutting cycles are arranged to provide most benefit to wildlife	2024/25
We will not use of pesticides or insecticides anywhere on our land or assets and only use peat free products	By 2026
Where weed-suppressant is used, it will only be to the highest regulated standards although we will seek to phase in sustainable alternatives as we continue to work closely with suppliers	On-going
We will not put waste to landfill, unless absolutely necessary	By 2025
Take steps to end our purchase of products that either in part or wholly include expanded polystyrene or which are solely intended as single use plastic items	2024/25

Housing Operations

Sustainability Actions	Targets/outcomes and timescales
Evaluate the likely impact of climate change on our communities and develop mitigation strategies	2025/26
Develop tailored training programmes for housing staff that give them expertise and confidence to engage customers in their communities on how to make local contributions to improving the environment	2023/24
Train housing staff in how to use different heating systems most effectively.	2024/25

Wheatley Foundation

Sustainability Actions	Targets/outcomes and timescales
Explore the potential to build on the Foundation's core contribution to include additional activities that build awareness and encourage action to address the climate crisis	2023/24

Wheatley Care

Sustainability Actions	Targets/outcomes and timescales
Continue to explore how 'green' rota scheduling approach can provide an increased contribution to the aims of this framework.	2023/24

Third parties and suppliers (including in house repairs providers)

Sustainability Actions	Targets/outcomes and timescales
Our repairs service including City Building will develop sustainability action plans	2023/24
Work with existing suppliers to increase the range and availability of fair and ethically traded goods and services where appropriate.	On-going
Develop our understanding and procurement approach/ monitoring to monitoring carbon emissions reduction	2023/24

Wheatley Group

Report

To: Wheatley Housing Group Board

By: Frank McCafferty, Group Director of Repairs and Assets

Approved by: Steven Henderson, Group Chief Executive

Subject: Warmworks contract award

Date of Meeting: 14 December 2022

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1. Purpose

1.1 To update the Board on a proposed programme of works to improve and reduce carbon emissions from 326 homes in Dumfries and Galloway, and seek approval to the award a contract for these works to Warmworks.

2. Authorising and strategic context

2.1 Under the Group Scheme of Financial Delegation the level of spend with Warmworks for the proposed works requires Group Board approval. Wheatley Homes South Board agreed to recommend the contract award to the Board for approval at their meeting on 30 November 2022.

2.2 The proposed investment supports our strategic outcome of *setting the benchmark for sustainability and reducing carbon footprint*.

3. Background

3.1. Improving the energy efficiency of our homes is required to meet EESSH2 and our stated strategic objective of reducing CO_2 emission from our homes by 20,000 tonnes by 2026. To help achieve this, we have been working with the Scottish Government to develop projects that are eligible for grant funding through the Social Housing Net Zero ("SHNZ") fund.

3.2. One such project covers Wheatley Homes South properties, and involves whole house retrofit of 326 low efficiency and high-carbon intensity homes which currently use oil, coal, or inefficient electric storage heaters. The proposed works will take place between now and March 2024 to meet requirements associated with the grant funding. The total value of the works is estimated £11.2 million which undertaken by both Warmworks and City Building Glasgow.

3.3. As part of the proposed works, various energy efficiency measures will be installed, including:

- External Wall Insulation ("EWI") installed at 279 properties
- Air Source Heat Pumps installed at 180 properties
- Solar PV installed at 326 properties
- Batteries installed at 326 properties
- Connected response storage heating installed at 26 properties

4. Discussion

4.1. These measures will reduce Co_2 emissions from our properties by an estimated 2,860 tonnes and raise the energy performance rating of the homes to EPC B from their current levels of D and E. The planned inclusion of electric and air source heat pumps will mean the properties can be categorised as "net-zero" and the inclusion of EWI, solar PV and battery storage will help reduce energy costs for customers.

4.2. The deep retro fit approach is similar to works already underway in Dumfries and Galloway, supported by earlier SHNZ funding, and delivered by Warmworks. Initial feedback from customers on these works, as part of a recent review of low carbon heating systems, indicated that they were happy with the result of the work and found the new heating systems easy to use and were saving money on their energy bills.

4.3. Both Warmworks and City Building Glasgow have the required expertise and have committed to the timescale required as part of accessing SHNZ funding. Having two delivery partners will provide additional resilience to the delivery of the programme within budget and to the required timescale.

5. Customer Engagement

5.1 Customer engagement will take place in planning and delivery of the proposed retrofit works and afterwards to ensure customer satisfaction with the improvements and to provide feedback to allow improvements to be implemented in future works of this nature.

6. Environmental and sustainability implications

6.1 As discussed in this report, the proposed works will contribute to meeting our sustainability objectives.

7. Digital transformation alignment

7.1 This project is not part of our digital strategy

8. Financial and value for money implications

8.1 Our match funding requirements as part of the SHNZ fund is included, as agreed with the Scottish Government, as part of sustainability measures in our group wide business plan. The additional £11.2 million funding through the SHNZ discussed here will allow us to deliver additional energy efficiency works.

9. Legal, regulatory and charitable implications

9.1 As indicated, delivery of the retro fit works will be through a combination of City Building Glasgow and Warmworks. Procurement of Warmworks has been undertaken in a compliant manner through directly awarding a call-off contract via Scottish Procurement Alliance's Energy Efficiency Consultancy Services Framework Agreement (N8C). This award was made on the basis of Warmworks, being the best value supplier on this framework.

9.2 The direct award of works to City Building Glasgow is consistent with Wheatley group being one of its owners in a joint venture with Glasgow City Council.

10. Risk Appetite and assessment

10.1 Our Group risk appetite in relation to operational delivery of investment in its existing homes is **open**. This level of risk is defined as:

‘We are eager to exploit technological innovations to enhance the efficiency and convenience of our investment and maintenance services. We will deliver ‘innovation at the point of investment’ in our existing homes. We are prepared to choose options that are most likely to result in successful delivery, while also providing an acceptable level of reward.’

10.2 The proposed retro fit measure and our delivery approach are in keeping with this risk appetite.

11. Equalities implications

11.1 There are no equalities implications associated with this report.

12. Key issues and conclusions

12.1 A proposal has been developed to undertake deep retrofit works to improve the energy efficiency of 326 homes in Dumfries and Galloway. This proposal is funded through the Scottish Government’s Social Housing Net Zero fund, along with other projects to improve energy efficiency.

12.2 Delivery of the retrofit work, with an estimated value of £11.2m, will be undertaken between now and March 2024 by Warmworks and City Building Glasgow.

13. Recommendations

13.1 The Board is asked to:

1) approve Wheatley Homes South entering into a contract with Warmworks to undertake deep retrofit works to improve the energy efficiency of up to 326 homes in Dumfries and Galloway for up to £9m in total.

Report

To: Wheatley Housing Group Board

By: Laura Pluck, Group Director of Communities

Approved by: Steven Henderson, Group Chief Executive

Subject: Reprovisioning of East Services

Date of Meeting: 14 December 2022

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1. Purpose

1.1. This report provides the Board with an update following the completion of the reprovisioning programme for 55 tenants in former Barony House of Multiple Occupancy ("HMO").

2. Authorising and strategic context

2.1. Under the Group Standing Orders, the Board has responsibility for monitoring delivery of strategic projects of subsidiary Boards.

2.2. Our 2021 - 2026 strategy, Your Home, Your Community, Your Future sets out the vision and commitment for customers to have increased control over their services, their communities, and their lives, with new opportunities for building skills and resilience.

3. Background

3.1. In 2018 the then Barony Board discussed the provision of services across its care stock with approval given to develop an approach to reconfigure the care model from shared living to individual tenancies. Barony had a number of HMO properties which were being utilised to deliver services for Local Authorities and Health and Social Care Partnerships in a shared living model of care and support.

3.2. While the services were viewed positively by purchasers the properties were not purpose built for care service delivery and as a result the design of the property was no longer considered suitable.

3.3. The reconfiguration of Barony's care model was a key strategic objective informed by feedback from a variety of sources including customer satisfaction, the Care Inspectorate, and commissioners.

3.4. Barony's Board approved the development of a test of change within the House of Multiple Occupancy ("HMO") at Mayfield Road, Edinburgh to demonstrate the approach applied would be successful in resettling individuals into their own accommodation. Following the approval of this test of change, people, we work for successfully transitioned to their own tenancy within Dunedin Canmore properties at Bolton Place in Edinburgh. Chapel Lane in Falkirk was the second HMO to be reprovisioned where three individuals moved into Loretto Housing properties in the Falkirk and Grangemouth area.

3.5. This provided a framework for future reprovisioning for the remaining HMO. This framework would offer increased independence for the people we work for with personalised packages of support co-produced to meet individual needs and aspirations, within a core and cluster style model, providing access to a staff hub on site.

3.6. In May 2019, Barony's Board considered a series of proposals on the stock classification because of this change in care model and successful reprovisioning within Edinburgh and Falkirk. Discussion centred around three main options for the remaining 9 HMO properties with options of; no change, retain the properties and consider conversion options, or sale of owned properties on the open market.

3.7. The Board agreed the following at that time:

- Disposal of the owned properties within Edinburgh
- The conversion of 2 properties in Armadale and Bathgate, West Lothian to mainstream housing
- A lease termination of the property in Livingston, West Lothian

3.8. Comparable properties in Falkirk, Stirling and Fife are currently still being used as accommodation-based services as agreed by the then Barony Board. This decision was influenced by several factors including the then condition of properties, the ability to sell or reprovision these properties and the 5-year development programme already approved by subsidiary Boards that could support the reprovisioning programme. The wider care review currently underway will consider these services from both an asset and service model perspective.

3.9. A core and cluster model, where there is access to a staff hub on site/nearby, has proved invaluable for individuals who require ongoing support to live in the community. As such, new build sites were identified across Group RSLs (Registered Social Landlords) that could facilitate a staff base, and where flats would be identified for care customers moving from shared living environments.

3.10. Close partnership working across the Group have been integral to the success of the reprovisioning programme. The smoothness of the programme and transition has been as a result of the intra-group arrangements.

3.11. **Appendix 1** provides an overview of all HMO properties that have been part of the reprovisioning programme including the associated new service locations. Over the course of its function, the programme has successfully seen the reprovisioning of 11 shared living properties (HMO), involved close integrated working with key stakeholders from across 3 local authority areas, and positively impacted on the outcomes of 55 care customers many of whom, had been living in shared accommodation for a considerable length of time.

4. Discussion

4.1. Within all of the HMO properties, people we work for required to share all living, kitchen and bathroom areas with each other. The buildings required staff on site 24/7 to satisfy fire safety and building management requirements. While staff always focus on personalised service provision, the sharing of small facilities limited the opportunities for greater independence and personalised support.

4.2. As is the case with all HMO, individuals were issued with Occupancy Agreements which offered less security in tenure for each tenant than Scottish Secured Tenancies.

4.3. The contracts for the service provision and the accommodation meant that individuals living there had no choice in respect of who was referred to the service. While staff teams worked with agencies to ensure the individual support and wellbeing needs were considered in this process, the tenant could not ultimately choose who shared the accommodation with them. This meant that managing relationships was challenging at times for the people we work for as they required to adapt and live with others that they would not have chosen to.

4.4. The staff accommodation within the HMO buildings offered no dedicated facilities for administrative work or rest breaks. The Care Inspectorate also expressed the view that the areas that staff operated from should be homely rather than in any way corporate. This meant that staff operational meetings such as supervision and team meetings were not conducted within these areas. As such, services were required to use these spaces as multi-purpose rooms to satisfy regulatory requirements and staff teams had limited use of space within the buildings for these purposes

People We Work For Outcomes

4.5. As individuals have moved from an HMO to their new homes, a reassessment of needs was required to ensure that the correct level of support was in place for everyone. Support Arrangements have been reviewed and refined to ensure that individuals receive genuinely personalised support that meets their individual support and wellbeing needs.

4.6. Work with individuals around their key personal outcomes is measured via our ‘Outcomes Stars’ approach, in this case the Recovery Star and Tenancy Star have been utilised to co-create personal outcomes plans. The tool enables personalised conversations between each individual and their key worker to co-create a bespoke outcomes plan that centres on all aspects of living including, but not limited to, mental wellbeing, physical wellbeing, social connection and managing a tenancy.

4.7. To capture the positive impact of the reconfiguration programme, Appendices 2 and 3 provide a selection of case studies linked to the people we work for, including one person’s written account of their personal journey. These case studies illustrate the diverse group of people Wheatley Care support and how the reconfiguration of services has significantly benefited them in their recovery journey and strengthening their connection with the community.

4.8. All of the services that have been part of the reprovisioning programme are now commissioned through a Health and Social care Partnership Self Directed Support Framework. The key principle of Self-Directed Support legislation is that people have greater choice and control over how they receive support. The new care model aligns with the Social Care (Self-Directed Support) (Scotland) Act 2013 and the various 'framework contracts' Wheatley Care hold across our Local Authority footprint. This means that the individuals we support, can continue to receive personalised supports with the knowledge that should their support needs increase or reduce in the future, or they choose to change support provider, their secure tenancy means there is no requirement to change or move to new accommodation. This is critical to protecting people's rights and choices.

4.9. In addition, Scotland's Independent Review of Adult Social Care (Feeley Report published in February 21) made a key recommendation relating to Models of Care. The recommendation laid out that '*Investment in alternative social care support models should prioritise approaches that enable people to stay in their own homes and communities, to maintain and develop rich social connections and to exercise as much autonomy as possible in decisions about their lives.'*

4.10. Individuals having their own tenancy has allowed for Self-Directed Support to be applied in the truest sense with bespoke personalised packages of support that reflect an individual's needs as opposed to shared resources with others living in the accommodation. Our model reflects the recommendations set out in the Feeley Report and was well under way when the review took place.

4.11. The floor plans attached in Appendix 4 demonstrate the shift that people we work for have experienced within their physical home environment when comparing the West Lothian based HMO premise of Mill Court to Jarvey Street in Bathgate as an example. The plans demonstrate that while support staff are still readily available to respond to the changing needs of the people we work for, the new reprovisioned homes promote enhanced independent living, greater ownership of space and enhanced privacy for customers of RSLs.

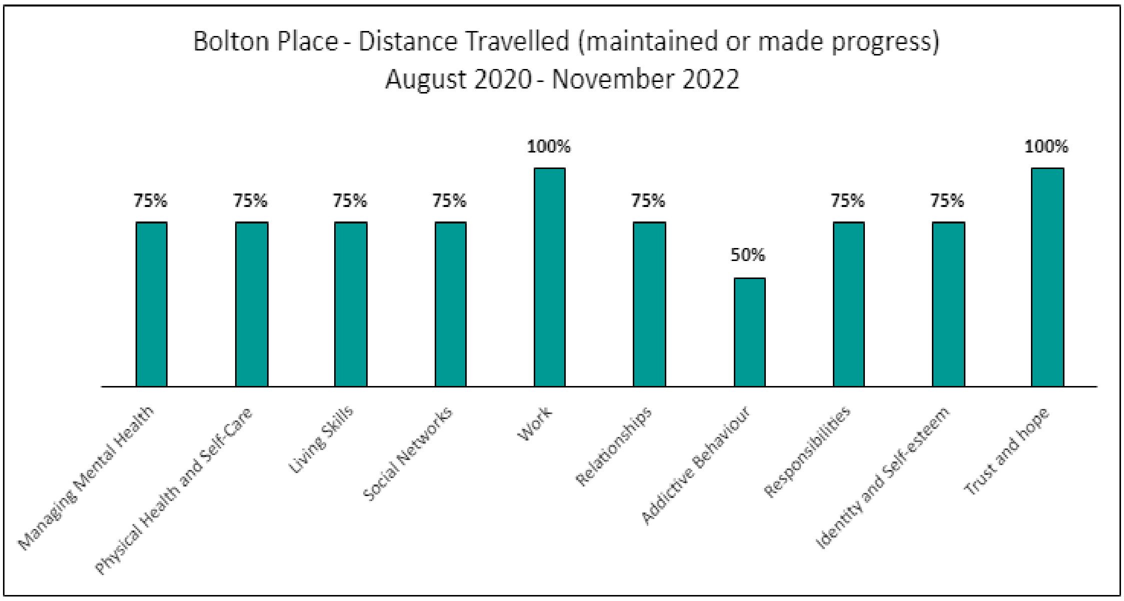
4.12. The provision of two bed flats provides customers with choice and opportunity to invite friends and relatives to stay. Of the 12 customers supported by Wheatley Care to move into their new tenancies in West Lothian, 11 of these customers have reconnected with family and friends that they were estranged from. An additional bedroom was also allocated for those who may require more intensive overnight one-to-one support in the future, meaning that they do not necessarily have to move from their home to have their changing support needs met.

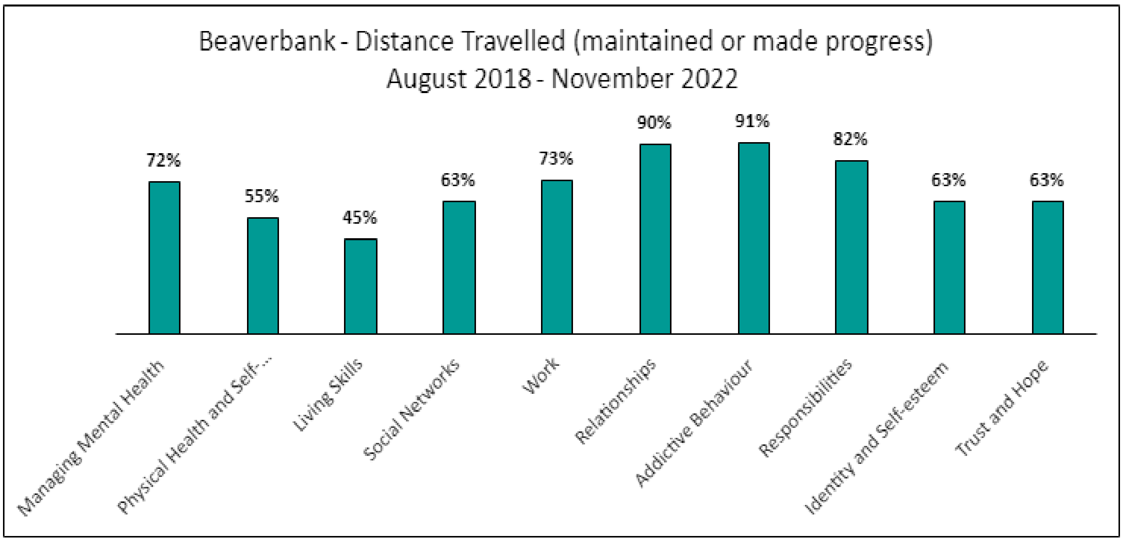
4.13. Again, in West Lothian, staff have been supporting the people we work for to engage with new local amenities. As a result of this enhanced community engagement and enhanced personal independence, the number of support hours for all 12 customers have decreased and, in some instances, more than halved. This is an excellent example of the aims of the self-directed support legislation being realised in practice.

4.14. Edinburgh East resettled in October 2020, and prior to reprovisioning, staff were regularly disturbed during sleepovers because of customers generally feeling unsettled in a shared living environment. Since the reprovisioning, there have not been any disturbances in the 2-year period.

4.15. Within Edinburgh East, the number of reportable accidents and incidents pertaining to the people we work for also decreased following re-settlement. There have been no reportable accidents or incidents at our Beaverbank site.

4.16. Again, within Edinburgh East, we have witnessed a significant increase in the positive attainment of outcomes for customers, as measured through our 'Outcomes Star' tool. The graphs below represent the percentages of maintenance or progress made towards individual outcomes before, through and after the reprovisioning at our Bolton Place and Beaverbank sites. The graphs show the distance travelled for 22 individuals. Ten who live at Bolton Place and 12 who reside at Beaverbank.





4.17. Detailed below is a sample of feedback we have collated from the people we work for which demonstrates the impact of this transformative project.

'I still do not think its sunk in properly that what I have is mine, it feels like a dream come true and I feel awesome. I am so grateful of everything Wheatley have done for me, including the amazing staff that have helped me along the way to make my dream become a reality'

‘Magical. It’s very good and it’s a two-bedroom flat. I love it and I’m very lucky. I have lots of space to walk about and keep my things. I can have visitors too, to stay.’

‘It gives me freedom. I have my own kitchen and my own toaster and my own microwave. And my own bathroom. It has a great shower. Yes, freedom. And I have a brand new hoover. I also like the area. It is nice and quiet. It’s very quiet. And there is a wood across the road. And I know all the staff. Familiar faces’

Staff Outcomes and Perspective

4.18. In addition to the positive outcomes for individuals who have moved into their own home, the program has also offered frontline staff a hugely improved working environment. We know the impact working environments can have on motivation and engagement of the workforce so this was a significant factor when designing our new model.

4.19. The creation of new staff hubs, central and accessible to the reprovisioned area has made a substantial difference to the day-to-day operations of each service. The new facilities now enable staff to have dedicated IT work areas making it easier to have privacy when making calls, space to meet with colleagues, individuals, and other stakeholders. The spaces also enable social engagement activities with the people we work with, such as celebrations and group activities. Each individual can choose to connect with others or enjoy their own space in their own home - this has delighted our customers

4.20. Throughout the development stages of each new team base, staff were kept fully up to date with on-going build progress as well as given details on the new property layouts. Staff were encouraged to actively be involved in the planning phase. Being involved in the planning processes to help create a comfortable and improved environment for staff and individuals to work from has sparked positive reactions from staff and a real sense of pride and ownership of their new and improved workspace.

4.21. Detailed below is excellent feedback we have received from team members about their workspace and the homes people we work for now live in.

‘Having worked in Templar Rise for over 4 years there is no comparison from then and now. The staff flat is a refreshing workspace, clean, airy and a sociable space for all staff, a good meeting room.’

‘Almondvale is a much better environment to work in, Less interruption, a much brighter area to work from. The staff team are much happier.’

‘The flats are a far cry from before. They are open, warm inviting homes where people can enjoy time with friends and family.’

‘Since moving into their flats, we have all seen a remarkable difference in each person’s outlook on life despite the fact they were very wary and perhaps a bit scared of living in a community independently.’

‘Most have flourished and are now happy to go into the community whether it is to groups or to the local shops. An example of this is a person who did not feel able to leave the supported living environment without staff.

She tried to hold onto staff for added security, but she is now going out to the local shops each morning, this morning she managed to walk to the local post office to pay a bill independently. This is a great outcome for her.'

'The HMO were outdated, and when you see the huge difference in some people and the way they are living their life now, it has been a worthwhile exercise and is the way forward.'

Stakeholder Outcomes

4.22. Health and Social Care Partnerships (HSCP) strategies and Self-Directed Support (SDS) legislation is aimed at encouraging providers to support individuals in a home of their own, rather than in shared living tenancies or in tenancies linked only to support from a key provider. This approach aims to give people engaged in services a sense of ownership and security of tenure, whilst promoting their right to choose their provider of care and change this at any time.

4.23. The Barony HMO reprovisioning programme has offered an opportunity to showcase the values of Wheatley Care in promoting excellent outcomes for the people we work for regardless of the challenges they may face.

4.24. Wheatley Care's reprovisioning programme was widely welcomed during the initial discussion stages commissioners and key roles with HSCPs. It highlighted that our programme aligned with Local Authority strategic aims which are grounded in a human rights-based approach and closely link with the National Health and Wellbeing Outcomes.

4.25. The success of the reprovisioning programme and the success of the opportunities provided to individuals with more complex needs referred to the service (requiring a permanent home with regular and flexible support), has been acknowledged by Health and Social Care Partners. In Edinburgh this has created further scope for Wheatley Care to potentially develop other core and cluster models of support across the city with a specific focus on individuals in receipt of self- directed support and those leaving long term hospital stays.

5. Customer Engagement

5.1. Throughout the reprovision programme opportunities for co-creation were maximised. Individuals were offered a choice regarding the location of their new home.

5.2. Key to the success of the programme was the ongoing development of coproduced outcome plans that have flexed and changed in response to individual's needs and aspirations. Effective communication alongside practical and emotional support was in place at each step of an individual's journey. Examples include:

- Individuals were kept regularly informed of the progress of developments at their identified new accommodation site.
- They were supported to prepare for their move, which included support to purchase furniture and soft furnishings to help personalise their new home

- Where required, the people we work for were supported to apply for financial support (such as the Scottish Welfare Fund) so that they could acquire what items they needed to help furnish their new home.
- Once the moves took place, individuals were supported to settle into their new homes and community environment, and to adjust to any new routines and unfamiliarity of living on their own.
- Individualised support was tailored to meet any change in circumstances, or any necessary adjustments / additional support they required while they settled into their new home.

5.3. Related to the moves was a degree of trepidation and anxiety, particularly as this was seen as an incredibly meaningful change to people's lives and support. However, many individuals including family members, expressed both enthusiasm and gratitude for the support they were given, both emotionally and, before, during and after the process was completed.

5.4. Liaison and fully keeping people we work for, frontline staff, stakeholders, and in particular family / other carers informed at all steps of the process, has been key to the success of the reprovisioning programme. The transition from shared living to a home of their own, for some individuals and stakeholders, felt vast. One of the greatest challenges for the services was reassuring individuals, and in some instances key stakeholders / family / support, that the moves would be of benefit to the people we support. As such our strategy had a truly clear focus on enhancing our customer engagement and a significant element of co-development and co-design with our customers and their key stakeholders.

6. Environmental and sustainability implications

6.1. This report does not have any environmental or sustainability implications.

7. Digital transformation alignment

7.1. Aligned with our strategic outcome of - '*evolving digital platforms to support our activities*', the staff hubs are all designed to ensure staff have all relevant technology and systems available to them with all hubs broadband and wi-fi enabled. Care staff have access to mobile technology and the customer management system is available on a bespoke care app which allows staff to have access to all information they require whether they are working within staff hubs or in customer homes.

8. Financial and value for money implications

8.1. Prior to the Reprovisioning Programme, it was recognised that the existing model of care at that time was not sustainable across the portfolio of HMO stock in their current condition.

8.2. The approval to progress with the programme to dispose of the owned properties within Falkirk and Edinburgh and to terminate the lease of the property in Livingston, West Lothian, has enabled the delivery of transformational service improvements to both the people we work for and key frontline staff without the need for external funding.

8.3. The disposal programme / sale of assets also helped fund the overall costs and expenditure associated with reprovisioning programme. This includes - initial design / professional fees, building modification work, removal costs, flooring / blinds, staff flat set-up, IT infrastructure, etc. A total of £2.9 million was made directly from the sale of reprovisioned HMO properties across Edinburgh and Falkirk which became part of the capital budget. It is worth noting that there are properties within West Lothian (including Mill Court and Buttries View) and Edinburgh (including two terraced properties at Ardmillan Terrace and one Terraced property at Lauriston Place) that have yet to be marketed and sold.

9. Legal, regulatory, and charitable implications

9.1. During the reconfiguration process West Lothian moved from having 2 Registered Managers over four services to 1 Registered Manager responsible for the now single registered "West Lothian Supported Living and Outreach Support Service". Within Edinburgh, the reconfiguration process did not change the number of Registered Managers which remains as two.

9.2. A reduction in HMO across the 2 areas has resulted in a reduction of teams and reduction in the number of sleepover and waking night duties required, but not a reduction in staffing. With both geographical areas successfully tendering to join West Lothian and Edinburgh's SDS framework in the past 2 years, the scope for further growth of our outreach work and potentially further core and cluster models remains an ongoing opportunity.

9.3. During the reconfiguration process, appropriate discussion with the Care Inspectorate took place to process and implement changes to the structure of our registered services and to positively collaborate with all stakeholders involved.

9.4. Local Authority Planning was considered throughout the duration of the reprovision programme and was led by colleagues from Wheatley's Development team. Architect and legal advice was sought and building regulations linked to domestic premises 'change of use' for each identified staff base were responded to and adhered to fully. Relevant documentation was issued to support this which gave assurance to the proposals and the plan. As such there is no legal risk associated with the core and cluster model and property occupied by Wheatley Care as a work base.

10. Risk Appetite and assessment

10.1. The strategic risk register sets out risk appetite and relevant mitigation for our strategic theme of 'changing lives and communities'.

Risk Area	Risk Appetite	Definition & Mitigation
Reputation and credibility	Minimal	We are committed to enhancing our reputation as a trusted provider and role model for quality and innovation, and promoting our strengths to raise our profile, influence and impact. Therefore, we must be very sure that there is little chance of any significant reputational repercussion from our actions.

Compliance: Legal / Regulatory	Minimal	We must also be able to demonstrate that we take appropriate actions to comply with relevant legislation and the requirements of the Care Inspectorate.

10.2. **Reputation and credibility -** The reprovisioning programme has strengthened our position as a trusted provider who have delivered on local authority strategic aims.

10.3. **Compliance: Legal / Regulatory –** Effective communication with the Care Inspectorate through the programme including the merging of 2 registrations into 1 and changes to locations and registered addresses has ensured our regulatory obligations.

11. Equalities implications

11.1. There are no implications from the contents of this report.

12. Key issues and conclusions

12.1. The programme has successfully seen the reconfiguration of 11 shared living properties (HMOs), involved close integrated working with key stakeholders from across 3 Local Authority areas, and positively impacted on the outcomes of 55 care customers.

12.2. The new care model aligns with the Social Care (Self-Directed Support) (Scotland) Act 2013 and the various 'framework contracts' Wheatley Care hold across our Local Authority footprint. This means that the individuals we support can continue to receive personalised support with the knowledge that should their needs change, or they choose to change support provider, their secure tenancy means there is no requirement to change or move to new accommodation.

13. Recommendations

13.1. The Board is asked to note the content of the report.

LIST OF APPENDICES:

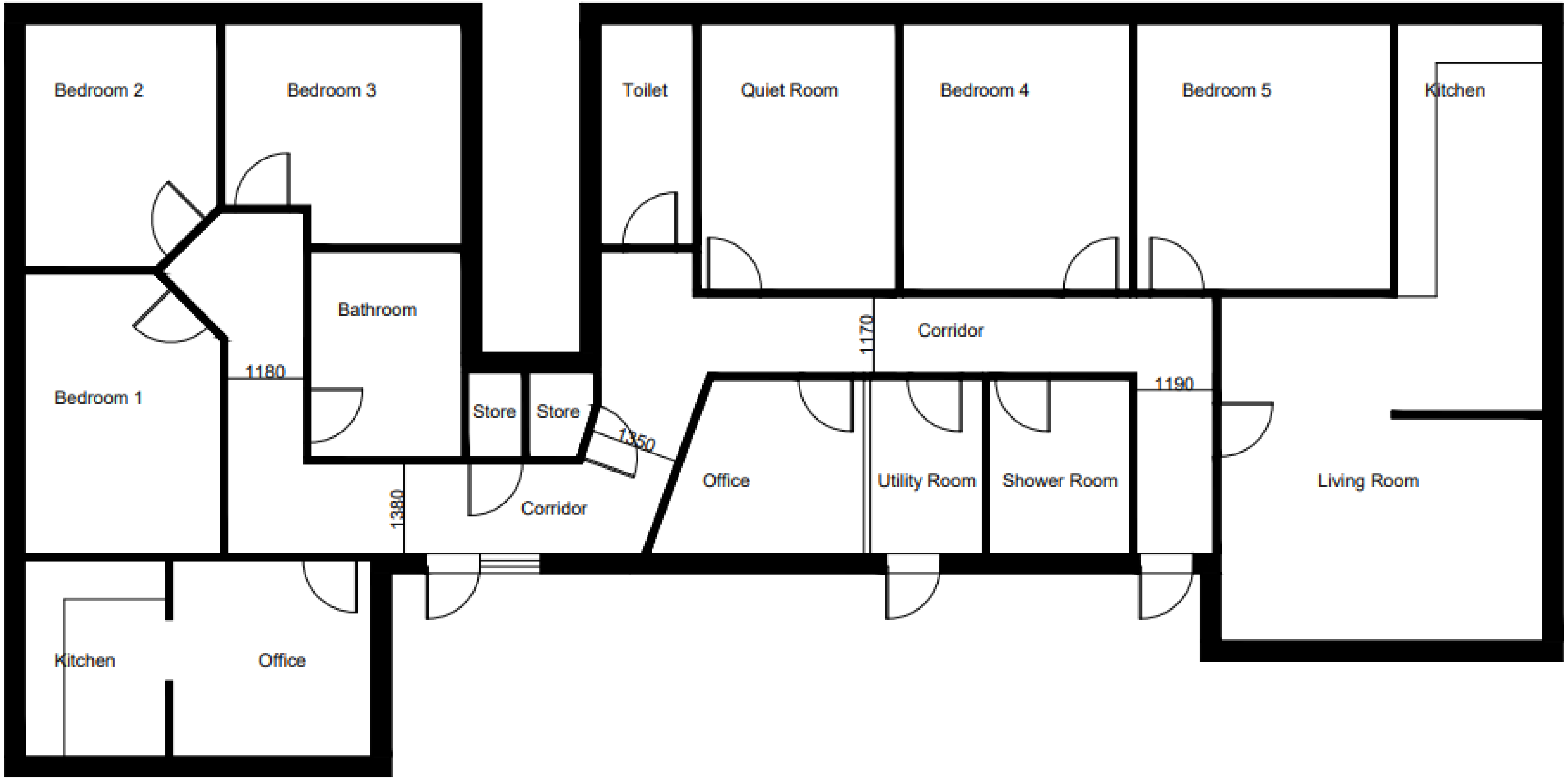
Appendix 1 – HMO Reprovision Overview Table
Appendix 2 – People We Work For - Personal journey account [redacted]
Appendix 3 – People We Work For Outcome Case Studies [redacted]
Appendix 4 – West Lothian Floor Plans

Appendix 1 – Overview of HMO Reprovision

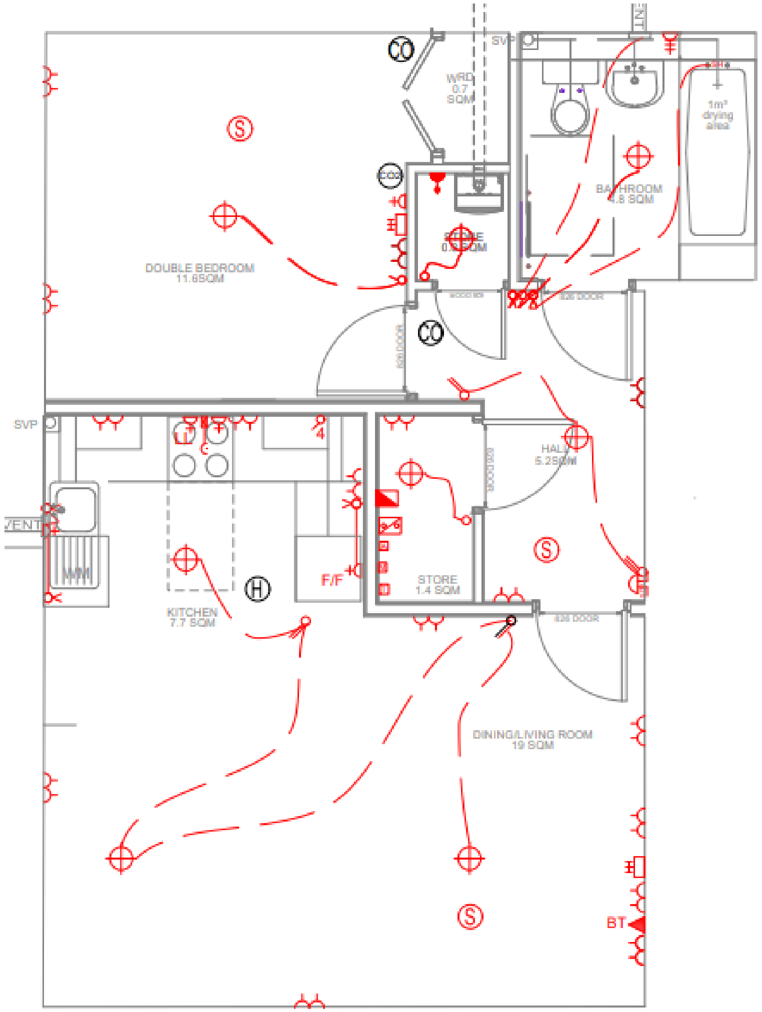
Original Service & Location	Property Address	No. of PWWF	Approved Option	Reprovision Plan	Outcome / Conclusion	New Service Location
Edinburgh Services	Mardale Crescent Mayfield Road,	10	Mardale (end rental agreement) Disposal in current condition	Relocate staff and people we work for to suitable accommodation.	Rental ended Completed (property sold)	Bolton Place, Edinburgh
Falkirk SDS	3, Chapel Lane, Falkirk.	3	Disposal in current condition	Relocate people we work for to suitable accommodation provided by Loretto HA.	Completed (property sold)	Falkirk / Grangemouth
Edinburgh East	12, 14 and 19, Upper Gray Street, Edinburgh	12	Disposal in current condition	Relocate staff and people we work for to suitable accommodation provided by Wheatley Homes East (formerly Dunedin Canmore).	Completed (properties sold)	Greendykes and Beaverbank Place, Edinburgh
Edinburgh West	4 Lauriston Park & 12 - 13 Ardmillan Terrace, Edinburgh.	13	Disposal in current condition.	Relocate staff and people we work for to suitable accommodation provided by Wheatley Homes East.	Moves took place in October 2022. Properties to be sold	South Gilmerton, Edinburgh
Bathgate – West Lothian	22 Buttries View Armadale.	5	Convert to Social Housing	Relocate staff and people we work for to suitable accommodation provided by Wheatley Homes East (formerly WLHP)	Property returned to Wheatley Homes East for conversion	Tartan House, Bathgate
	1 Mill Court, Bathgate	5	Convert to Social Housing.			
Livingston - West Lothian	45 Templar Rise, Livingston.	7	Termination of lease.		Lease terminated	Almondvale, Livingston.

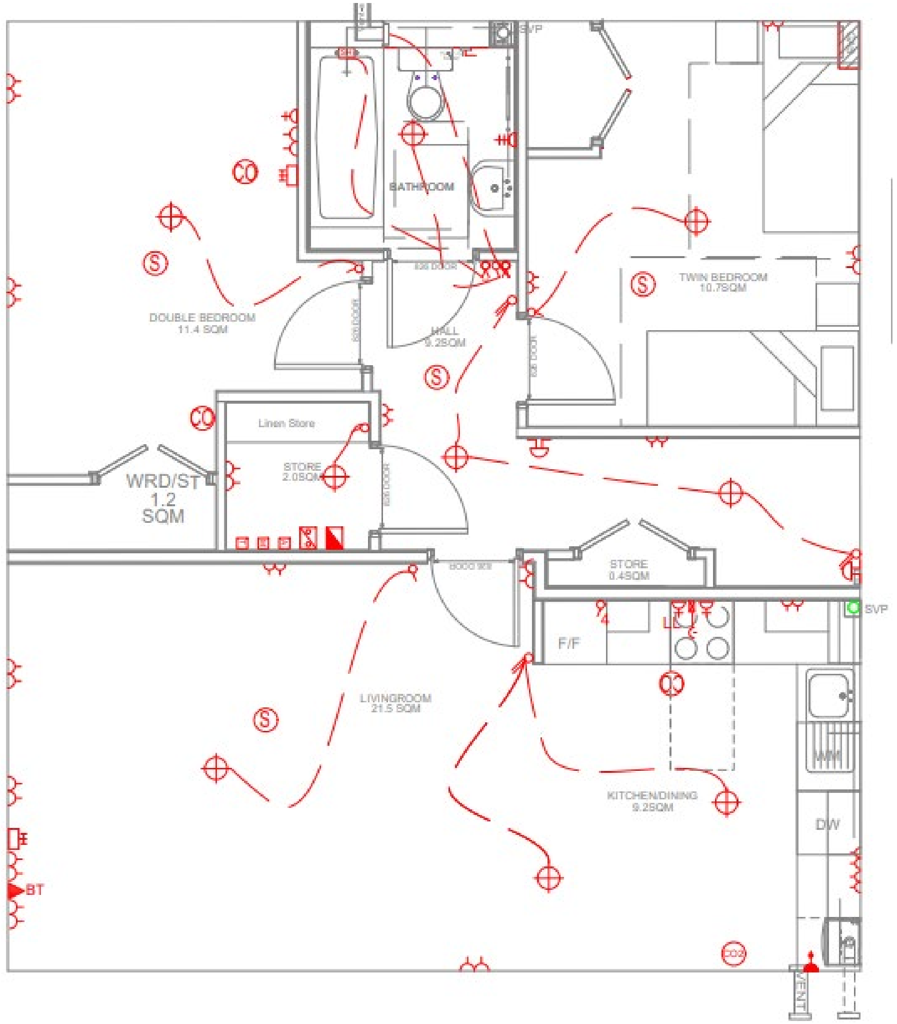
Appendix 4 – West Lothian Floor Plans

Mill Court HMO



Mill Court Reprovisioned Site – 1 and 2 bed flats at Jarvey Street, Bathgate





Wheatley Group

Report

To: **Wheatley Housing Group Board**

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

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

Subject: **Funding update**

Date of Meeting: **14 December 2022**

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1. Purpose

1.1 The purpose of this report is:

- to seek the Board's approval for Wheatley Funding No 1 ("WFL1") to enter into a loan facility for £[redacted];
- to seek approval for and updated Authorised Signatory list for our various loan facilities given recent senior staff changes; and
- to provide an update on the restructuring of existing fixed rate loan arrangements.

2. Authorising and strategic context

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

2.2 The WFL1 Board will be asked to approve the Allia loan application, subject to Group Board approval, at its meeting on 14 December 2022. All RSL Boards (as guarantors to the WFL1 Limited loan arrangements) will be asked to approve the proposed WFL 1 loan in the February board round. The proposed drawdown date of the new facility will be 28 February 2023.

3. Background

3.1 The Scottish Government re-appointed Allia C&C to run their new charitable bond programme to fund the construction of affordable homes in Scotland on a fixed rate basis on unsecured terms. Allia have recently announced the launch of an £80m programme for 2023/24 with the potential for further tranches of the programme to be released over the next three years.

3.2 Existing funding capacity for our new build programme from 2023/24 onwards is provided through our revolving cash facilities ("RCFs") which are priced at variable rates. Given the recent volatility in short-term floating interest rates and the likelihood of further base rate, funding from Allia is preferable to drawing down our RCFs in the current operating environment. Allia funding has the added benefit of not requiring security to be granted over existing properties which simplifies the process and preserves financial capacity on our balance sheet which helps our new build programme.

3.3 Our lenders require periodic updates for authorised signatories to approve large payment requests, covenant returns and other administrative matters. Given the recent changes in the executive team and staff within the finance directorate, we have taken the opportunity to refresh these lists, which require Board approval.

3.4 The Board agreed at the October meeting to progress an opportunity to restructure some of our fixed rate loan arrangements which had become available as a result of higher market expectations for future interest rates. This was agreed on the basis that any changes to existing terms must meet the following criteria:

- deliver short term cashflow improvements for 2023/24 and 2024/25
- be below the assumed cost of funds as assumed in the business plan
- not run beyond 2038 preserving the two-year liquidity Golden Rule (syndicate facilities expire in 2040)
- have no upfront cost, and fees to be embedded into the new rate
- apply to loans within the Syndicate tranche A or B with RBS or BoS
- be benchmarked by our financial advisors Chatham
- remain within the maximum hedged amount as set out in the Treasury Management Policy

4. Discussion

£[redacted] Allia loan facility

4.1 Allia provides financing to the Scottish social housing sector, acting as an intermediary for the Scottish Government's 'charitable bond' programme to fund the construction of affordable homes. We have existing bilateral facilities in place for Wheatley Homes East and Wheatley Homes South with the following headline details:

Borrower	Amount	Expiry Date	Interest rate
WH-South	[redacted]	[redacted]	[redacted]
WH-South	[redacted]	[redacted]	[redacted]
WH-South	[redacted]	[redacted]	[redacted]
WH-South	[redacted]	[redacted]	[redacted]
WH-East	[redacted]	[redacted]	[redacted]

4.2 Allia has recently been awarded the contract by Scottish Government for a new four-year programme and has been tasked with arranging up to £80 million of loan funding to the Scottish sector before the end of 2022/23. More funding is likely to be available (depending on the settlement with Westminster and demand from the sector) for the subsequent three financial years.

4.3 Our existing funding model anticipates the drawdown of our £[redacted] Revolving Credit Facilities ([redacted]) to finance the new build programme. These loans are payable at SONIA (a floating interest rate) plus lending margin. SONIA is currently c. [redacted]%. Our weighted average lending margin for the RCFs is [redacted]%, making the current all-in variable cost of funds [redacted]%.

4.4 The Bank of England is expected to increase the base rate by a further 0.75% in their next meeting on 15 December and SONIA would be expected to rise in line with this change. Additional interest rate increases are expected with base rates forecast to rise to between 4.25% to 4.50% in the first half of 2023 increasing the cost of our available RCF funding to above [redacted]%.

4.5 Allia funding is priced with reference to the prevailing gilt rate plus a lending margin. We have negotiated pricing to be benchmarked against the 10 year gilt, rather than the more expensive 10.5 year gilt (the current difference in rate is around [redacted]%). At the time of writing the gilt rate is currently in the region of [redacted]% to [redacted]%, and on top of this we have negotiated a lending margin for the proposed Allia trade at [redacted]%. This gives an "all in" rate of [redacted]% or lower based on current market conditions.

4.6 We have requested a loan with the following headline terms:

Borrower	Amount	Expiry Date	Interest rate
WFL1	[redacted]	[redacted]	[redacted]

- WFL1 is permitted to arrange additional unsecured lending provided that the current WFL1 lenders are given four weeks' notice and the new debt will not result in a breach of financial covenants. There would be a consent requirement were we to arrange the debt with one of the RSLs as Borrower
- We have requested £[redacted] for this tranche of debt as this amount will fund number build projects and will not leave WFL1 with an excess cash balance at financial year end and gives scope for an additional drawdown in 2023/24 to support more new build projects
- The expiry date in [redacted] will coincide with the maturity date of the £[redacted] [redacted] private placement, which will allow us to combine both the [redacted] expiries and approach the market to refinance together
- The pricing is linked to gilt rates, which will vary until we agree to fix the rate with Allia following Board approval. The business plan assumes floating rates (excluding margin) at [redacted]% increasing to [redacted]% over the medium-term, so fixing a rate at [redacted]% or lower (inclusive of margin) will outperform the business plan assumption plan by c£250k per annum.

4.7 There are four main advantages to the Allia lending proposal when compared to traditional debt funding:

- No security requirement
- Competitive pricing on a fixed rate basis
- No interest is paid over the life of the loan – interest is rolled up and paid on maturity, which provides a cashflow benefit during the life of the loan.
- Limited documentation requirement – there is a 'standard' Master Agreement between WFL1 and Allia, and then a stand-alone loan document for each drawdown from the funding thereafter.

4.8 Associated loan documentation is appended to this paper. This includes a copy of a new Master Facility Agreement for WFL1, a copy of the Loan drawdown (a 'live' document until the loan is finalised) and the Compliance Certificate.

4.9 There are no security impacts for WFL1's existing lenders and no lender consents are needed in this regard.

Updated authorised signatories for loan agreements

4.10 We have taken the opportunity to update the authorised signatory lists in relation to all our loan facilities given the recent changes to the executive team and senior management. Our lenders require that this is approved by Group Board.

4.11 To remain consistent with previous updates, we have prepared the authorised signatories with "A" and "B" signatories for funders to ensure we meet the requirements of lenders who request this format. The authorised signatories list is set out in Appendix 2.

Fixed rate loan restructure

4.12 Following the approval granted at the previous meeting, we have secured an offer from [redacted] for the restructure of their syndicate A tranche of £[redacted] This extends the current term by [redacted], meeting our two year liquidity rule, and provides a reduction in the interest rate from [redaced]% to [redacted]%, generating an annual interest saving of £420k.

4.13 The terms of the new arrangement meet the criteria set out in the October Board paper and all fees are embedded within the new rate.

5. Customer Engagement

5.1 Not directly applicable as not related to customer service.

6. Environmental and sustainability implications

6.1 The Allia loan does not have a direct sustainability link, however, it is a requirement from Scottish Government that the funding is used for the supply of new social rent homes which meet stretching energy efficiency standards.

7. Digital transformation alignment

7.1 No direct impact on the digital transformation programme.

8. Financial and value for money implications

8.1 The proposed new £[redacted] facility with Allia will be arranged at a rate below our alternative available facilities with a margin of [redacted]% compared to [redacted]% on the RCF arrangements and linked to the 10 year gilt rate. A rate of [redacted]% provides a c£250k saving on the assumed future business plan funding costs.

8.2 The restructure of £[redacted]of fixed rate loans within Syndicate tranche A with [redacted] extends the current term by [redacted] generating a reduction in the rate from [redacted]% to [redacted]% and providing an annual saving of £420k on our interest costs.

9. Legal, regulatory and charitable implications

9.1 We have appointed Brodies to assist with the legal work on the funding agreement. The proposed facility qualifies as Permitted Financial Indebtedness as it is unsecured. While there is no formal consent requirement from existing WFL1 lenders, we are required to give four weeks' notice of our intention to draw this funding, and confirm that the loan will not result in a breach of any financial covenants.

9.2 There are no charitable implications arising from the proposed loan facility.

10. Risk Appetite and assessment

10.1 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".

10.2 The proposals in this report reduce short-term exposure to floating SONIA rates as the Allia facility will be on a fixed rate basis, at an all-in rate below the assumed cost of funds in the business plan and will be used to fund the new build programme. Savings on the fixed rate loan restructure have been achieved in line with the delegated authority granted to officers in October.

11. Equalities implications

11.1 No direct impact on equalities.

12. Key issues and conclusions

12.1 The Allia funding is a relatively low-cost, unsecured, covenant-lite debt facility which provides a cashflow benefit as interest is not serviced until the maturity date of the loan. Funding must be used for the delivery of new build across our RSLs. The funding, on a fixed rate basis, will alleviate our requirement to draw floating rate RCFs to fund the new build programme in the short-term.

12.2 Given the level of change in senior staff members, the authorised signatories have been updated to ensure we can instruct payments and make other administrative changes without undue delay.

12.3 The fixed rate loan restructure reduces the rate on £[redacted] loan tranche with [redacted] providing interest rate savings of £420k per annum to the business plan.

13. Recommendations

13.1 The Board is requested to:

1) Approve the proposed Allia £[redacted] facility;
2) Approve a delegation of authority to the Group Director of Finance and the Director of Treasury to execute the proposed Allia facility on behalf of WFL1 subject to a rate including lending margin of no higher than [redacted]%;
3) Approve the Authorised Signatory list for Group loan agreements; and
4) Note the terms of the fixed rate loan restructuring.

LIST OF APPENDICES

Appendix 1: Allia loan master agreement and associated documentation [redacted]

Appendix 2: Authorised Signatory list [redacted]

Wheatley Group

Report

To: Wheatley Housing Group Board

By: Pauline Turnock, Group Director of Finance

Approved by: Steven Henderson, Group Chief Executive

Subject: Strategic Risk Register

Date of Meeting: 14 December 2022

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1. Purpose

1.1. This report asks the Board to consider and approve the proposed changes to the Strategic Risk Register.

2. Authorising and strategic context

2.1. In accordance with the Group Standing Orders, the Group Board is responsible for the approval of the Group Risk Management Policy and Strategic Risk Register. This paper presents the latest Group Strategic Risk Register following the Group Audit Committee's most recent review.

2.2. The Scottish Parliament passed the Cost of Living (Protection of Tenants) (Scotland) Act on 6 October, which introduces uncertainty around the level of rent increases for 2023/24. The Scottish Government has undertaken to confirm the position in relation to the extent of any potential rent freeze or rent cap for social landlords by 14 January 2023.

2.3. This legislation may impact on the achievement of a number of the Group's strategic objectives, by potentially creating financial pressures on the delivery of services and investment and on the viability of our new build programme. A new risk has been added to the Group's Strategic Risk Register to capture this change in the policy environment.

3. Background

3.1. The paper gives an overview of the Group's current risk position for consideration by the Board. As set out in the Group Risk Management approach, this update focuses on risks management wishes to bring to the Board's attention.

3.2. This includes risks in the following categories:

A. Risks out with risk appetite; and

B. Risks with a residual risk score of 12 of more or an inherent risk score of 20 or more, for which the Board has not received an update on the operation of the controls in the last 6 months.

C. Risks highlighted by management for consideration. This will include This will include new risks, risks to be removed from the Strategic Risk Register, or risks with a significant change in scoring. It will also include brief details of any significant changes to the external environment that may impact on the Board's risk profile.

4. Discussion

4.1. The chart below shows all risks within the Strategic Risk Register. These are colour-coded as follows:

- Red font – risks highlighted for Member consideration (as set out in paragraph 4.7) and discussed further below;
- Purple font – risks with a high residual risk or inherent risk score where Boards have received an update on the operation of the controls in the last 6 months;
- Black font – lower scoring risks that have remained stable within the current period.

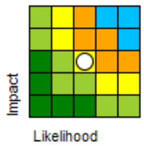
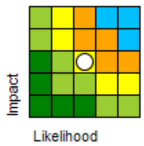
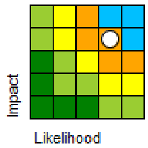
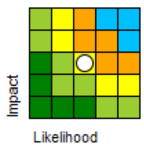
Impact	1	2	3	4	5
5					
4			•Failure to recruit, develop, retain & succession plan	•Cyber Security (A) •Financial impact of rent control legislation (A) •Impact on our customers of Cost-of-Living crisis •Reduced availability of financial support from S Gov't / Local Gov't	
3		•Rent arrears arising from UC •BC/DR •Commercial Operations •Damp and mould (C) •Pension contributions (C)	•Fire Safety (A) •Future waves of pandemic •Group Credit Rating (A) •Care and support services (A) •Customer Satisfaction •New Operating Model •Securing new funding •Compliance with funders requirements •Governance Structure •Political & Policy changes	•Climate change impact on Group Assets and Services	• Supply chain disruption (B)
2			•Implementation of partnership promises	•Laws and Regulations	
1					

Likelihood

4.2. The remainder of this section provides additional commentary on those risks highlighted in red font. A full description of each of these risks, and associated controls, is set out in Appendix 2.

A - Risks out with risk appetite

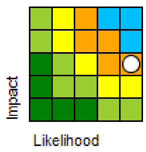
4.3. There are five risks with a residual risk score that is greater than the approved risk appetite. These are set out in the table below:

Risk	Residual Risk Score	Risk Appetite Level	Commentary
[redacted]			
RISK005 – Care and support services		Minimal	Management will review the scoring of this risk following the full roll out of the Care Quality Framework, approved by the Care Board in April 2022. It is anticipated that the fully embedded Framework will result in a reduced residual risk score.
RISK010 – Group Credit rating		Minimal	The residual risk score has increased due to the uncertainty within the external economic and policy environment. Management will continue to monitor the potential impact on business plans and keep the scoring of this risk under review.
RISK022 – Financial impact of rent control legislation		Minimal	**NEW RISK** – This risk has been added following the Cost of Living (Protection of Tenants) (Scotland) Act passed by the Scottish Parliament on 6 October. The extent of the impact will not be certain until the Scottish Government's changing policy position is confirmed. Further detail on this risk is set out in paragraph 4.9 below.
RISK003 – Fire Safety		Minimal	The residual risk scoring reflects the high potential impact associated with fire and the Group's limited ability to influence the behaviour of those external to the organisation.

4.4. The implementation of any identified actions will be monitored by management and residual risk scores will be reviewed as part of the scheduled quarterly review of all risks.

B – High scoring risks with controls due for review.

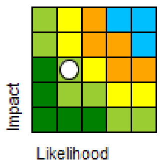
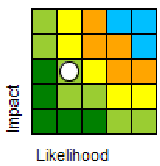
4.5. There is one risk with a residual risk score that is greater than the 12, or an inherent risk score of 20 or more, for which the Board has not received an update on the operation of the controls in the last 6 months, which is set out in the table below:

Risk	Residual Risk Score	Risk Appetite Level	Commentary
RISK018 Supply chain disruption		Open	This risk score reflects ongoing uncertainty to due global events including the war in Ukraine, the UK cost-of-living crisis and rising inflation. Wheatley Developments Scotland and subsidiary Boards will continue to receive regular updates on performance and financial exposure within standing agenda items.

4.6. Management will review the controls in place and provide updates to relevant Boards as outlined above.

C - Horizon Scanning

4.7. Following management's review of the operating environment, the following risks have been highlighted for consideration by the Board. We will no longer ask the Board to approve minor changes. The table below summarises the key changes to the risks within the Strategic Risk Register:

Risk	Residual Risk Score	Risk Appetite Level	Commentary
Flagged for removal from SRR: RISK017- Pension contributions		Minimal	This risk has an inherent score of 9, residual score of 6 and is being managed within risk appetite. A Group Pensions Policy is in place, the Group Pension Strategy was reviewed by the Group Board in December 2021 and Business plans with sensitivity analysis are reviewed annually. At the last valuation the Group's DB schemes were either fully funded or close to a fully funded position and the funding position is monitored annually. We propose this risk should be removed from the SRR and monitored at an operational level.
NEW RISK: RISK 053 – Damp and Mould		Minimal	This risk has been added to the Strategic Risk Register in response to the risk to tenant health caused by damp and mould. The cost-of-living crisis, and in particular the increased cost of heating, increases the risk that tenants may face such issues, as properties become colder and less ventilated.

4.8. Two new risks have been identified in the period. One relates to damp and mould, as shown in the table at 4.7 above. Full details of this risk are available in Appendix 2.

4.9. The second new risk relates to the potential financial impact of rent control legislation, as noted in the table at 4.3 above. The Scottish Government's legislation in the Cost of Living (Protection of Tenants) (Scotland) Act which was passed by the Scottish Parliament on 6 October. This introduces uncertainty around the level of rent increases for 2023/24. Scottish Government have undertaken to confirm the position for social landlords by 14 January 2023.

4.10. The Group has reviewed the business plan to confirm it maintains a balance between keeping rents affordable, maintaining the standard of our homes, and ensuring the organisation remains financially viable. The resulting below inflation rent increase proposal of 3.9% has been achieved through identification of cost efficiencies as well as a decision taken on deferment of core investment spend out beyond 2025/26. Each RSL Board will be considering its rent setting within the context of any previous commitments such as tenant ballots and its overarching financial viability.

4.11. Should Scottish Government extend the rent cap beyond 31 March 2023 at a level below the proposed increase for 2023/24, further financial contingency measures would require to be enacted. Discussions are ongoing with Scottish Government, both directly and through the Scottish Federation of Housing Associations. Given the ongoing uncertainty we will keep this risk under review and provide updates to the Committee and the Group Board as more information becomes available.

4.12. The Board is asked to consider whether any matters discussed elsewhere during the meeting result in additional risks to be captured in the risk register.

5. Customer Engagement

5.1. No customer engagement implications arise directly from this report.

6. Environmental and sustainability implications

6.1. No environmental or sustainability implications arise directly from this report.

7. Digital transformation alignment

7.1. No digital transformation alignment implications arise directly from this report.

8. Financial and value for money implications

8.1. No financial or value for money implications arise directly from this report.

9. Legal, regulatory, and charitable implications

9.1. No legal, regulatory, or charitable implications arise directly from this report.

10. Risk Appetite and assessment

10.1. There is no single risk appetite associated with this paper. Instead, 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.

11. Equalities implications

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

12. Key issues and conclusions

12.1. Management's review of the Strategic Risk Register has resulted in identification of five risks that are outwith risk appetite, the addition of one new risk, and the removal of one risk, for the Board's consideration.

13. Recommendations

13.1. The Board is asked to:

1) Note the contents of this report; and

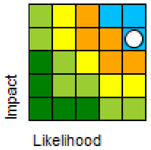
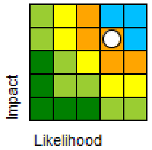
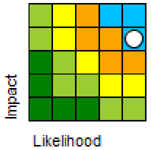
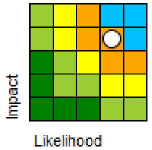
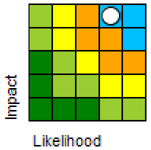
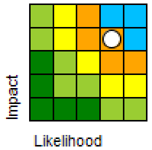
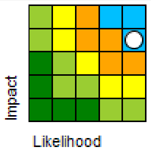
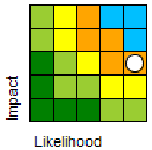
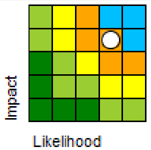
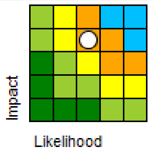
2) Approve the proposed changes to the Strategic Risk Register.

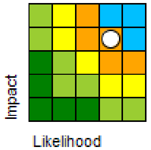
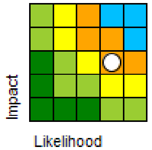
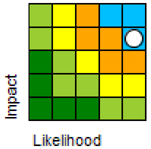
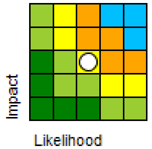
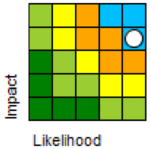
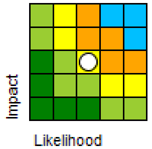
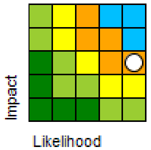
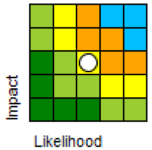
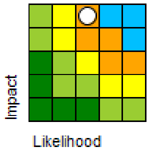
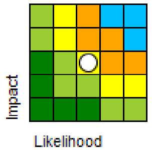
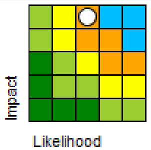
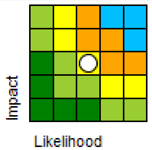
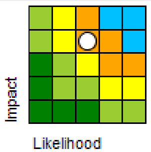
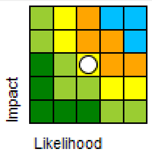
LIST OF APPENDICES:

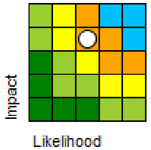
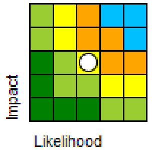
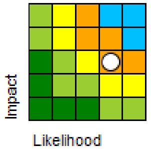
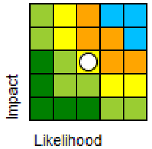
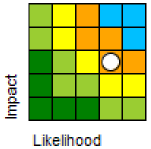
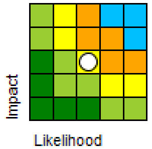
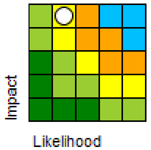
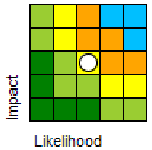
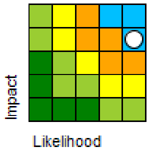
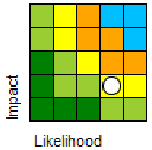
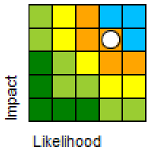
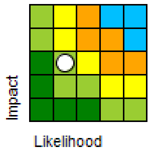
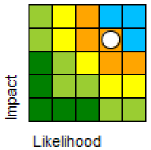
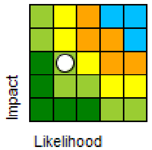
Appendix 1 – Summary status of Wheatley Group Strategic Risk Register

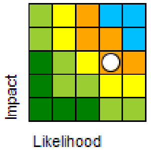
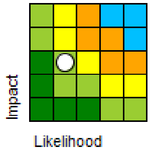
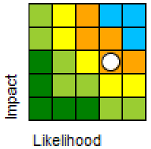
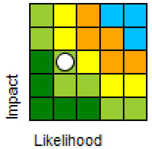
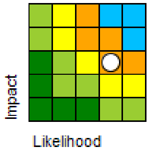
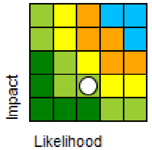
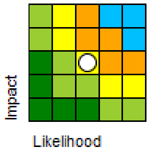
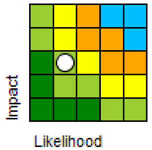
Appendix 2 – Wheatley Group Strategic Risk Register

Appendix 1 – Summary status of Wheatley Group Strategic Risk Register

Code	Title	Original Score	Risk Appetite	Current Risk Score	Owner	Strategic Outcome	Ref to Appendix 2
[redacted]							
RISK 022	Financial impact of rent control legislation		Risk Appetite is **MINIMAL** (Light Green)		Group Director of Finance	Maintaining a strong credit rating and managing financial risk	Page 12 (NEW RISK and Outwith Risk Appetite)
RISK 001	Impact on our customers of the cost-of-living crisis		Risk Appetite is **HUNGRY** (Blue)		Group Director of Communities	Supporting economic resilience in our communities	N/A (High inherent and residual risk scores; Boards have received an update within the last 6 months)
RISK 021	Reduced availability of financial support from Scottish Government and / or local government		Risk Appetite is **OPEN** (Orange)		Group Director of Finance	Raising the funding to support our ambitions	N/A (High inherent and residual risk scores; Boards have received an update within the last 6 months)
RISK 018	Supply chain disruption		Risk Appetite is **OPEN** (Orange)		Group Director of Governance & Business Solutions	Increasing the supply of new homes	Page 13 (High inherent and residual risk scores)
RISK 015	Failure to recruit, develop, retain and succession plan		Risk Appetite is **HUNGRY** (Blue)		Group Director of Finance	W.E. Work – strengthening the skills and agility of our staff	N/A (High residual risk score; Boards have received an update within the last 6 months)

Code	Title	Original Score	Risk Appetite	Current Risk Score	Owner	Strategic Outcome	Ref to Appendix 2
RISK 023	Climate change impact on Group assets and services		Risk Appetite is OPEN (Orange)		Group Director of Repairs and Assets	Setting the benchmark for sustainability and reducing carbon footprint	N/A (High residual risk score; Boards have received an update within the last 6 months)
RISK 004	New operating model implementation		Risk Appetite is HUNGRY (Blue)		Group CEO; Group Director of Finance	W.E. Work– strengthening the skills and agility of our staff	N/A (High inherent risk score; Boards have received an update within the last 6 months)
RISK 005	Care and support services		Risk Appetite is MINIMAL (Light Green)		Group Director of Communities	Shaping Care Services for the future	Page 14 (Outwith risk appetite)
RISK 002	Ongoing threat of future waves of COVID-19 and / or another pandemic		Risk Appetite is HUNGRY (Blue)		Group Director of Repairs and Assets; Group CEO	W.E. Work– strengthening the skills and agility of our staff	N/A
RISK 003	Fire Safety		Risk Appetite is MINIMAL (Light Green)		Group Director of Repairs and Assets	Developing peaceful and connected neighbourhoods	Page 15 (Outwith risk appetite)
RISK 008	Compliance with funders' requirements		Risk Appetite is OPEN (Orange)		Group Director of Finance	Raising the funding to support our ambitions	N/A
RISK 006	Customer Satisfaction		Risk Appetite is OPEN (Orange)		Group Director of Housing & Property Management	Enabling customers to lead	N/A

Code	Title	Original Score	Risk Appetite	Current Risk Score	Owner	Strategic Outcome	Ref to Appendix 2
RISK 009	Governance Structure		Risk Appetite is <u>CAUTIOUS</u> (Yellow)		Group Director of Governance & Business Solutions; Group CEO	W.E. Work– strengthening the skills and agility of our staff	N/A
RISK 011	Securing new funding and adverse market changes		Risk Appetite is <u>OPEN</u> (Orange)		Group Director of Finance	Raising the funding to support our ambitions	N/A
RISK 014	Political and Policy changes		Risk Appetite is <u>OPEN</u> (Orange)		Group Director of Governance & Business Solutions; Group CEO	Influencing locally and nationally to benefit our communities	N/A
RISK 010	Group Credit Rating		Risk Appetite is <u>MINIMAL</u> (Light Green)		Group Director of Finance	Maintaining a strong credit rating and managing financial risks	Page 16 (Outwith risk appetite)
RISK 016	Laws and Regulations		Risk Appetite is <u>CAUTIOUS</u> (Yellow)		Group Director of Governance & Business Solutions	Progressing from Excellent to Outstanding	N/A (High inherent risk score; Boards have received an update within the last 6 months)
RISK 012	Business Continuity / Disaster Recovery		Risk Appetite is <u>HUNGRY</u> (Blue)		Director of People Services	W.E Work – Strengthening the skills and agility of our staff	N/A
RISK 053	Damp and Mould		Risk Appetite is <u>MINIMAL</u> (Light Green)		Group Director of Repairs and Assets	Investing in existing homes and environments	Page 17 (New risk)

Code	Title	Original Score	Risk Appetite	Current Risk Score	Owner	Strategic Outcome	Ref to Appendix 2
RISK 007	Rent Arrears arising from Universal Credit		Risk Appetite is <u>**MINIMAL**</u> (Light Green)		Group Director of Housing & Property Management	Maintaining a strong credit rating and managing financial risks	N/A
RISK 013	Commercial Operations		Risk Appetite is <u>**MINIMAL**</u> (Light Green)		Group Director of Housing & Property Management	Maintaining a strong credit rating and managing financial risks	N/A
RISK 020	Implementation of partnership promises		Risk Appetite is <u>**MINIMAL**</u> (Light Green)		Group Director of Governance & Business Solutions; Group CEO	Progressing from Excellent to Outstanding	N/A
RISK 017	Pension contributions		Risk Appetite is <u>**MINIMAL**</u> (Light Green)		Group Director of Finance	Maintaining a strong credit rating and managing financial risks	Page 18 (Flagged for removal)

Appendix 2 – Detailed Risk Register for High Scoring Risks/ Risks highlighted for Board consideration

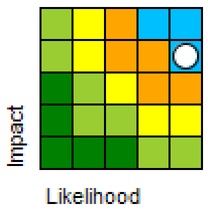
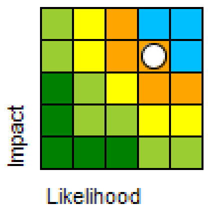
[redacted]

Strategic Outcome	Evolving digital platforms to support our activities	Risk type	Compliance: Legal/Regulatory	Risk owner	Group Director of Governance & Business Solutions
Description			***Controls***		

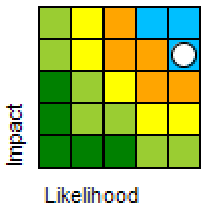
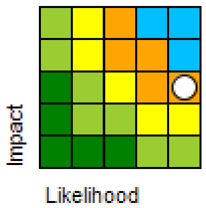
RISK 022 Financial impact of rent control legislation – *NEW RISK and Outwith Risk Appetite*

Strategic Outcome	Maintaining a strong credit rating and managing financial risk	Risk type	Financial / VFM	Risk owner	Group Director of Finance

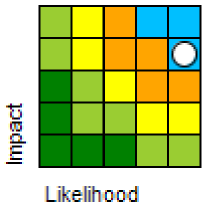
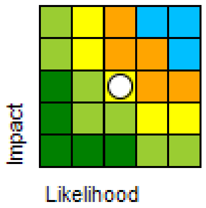
Description	*Controls*
There is a risk that the Group is required to significantly curtail future planned expenditure as a result of rent controls imposed by the Scottish Government, resulting in reduced spend on the new build programme, reduced capital investment in existing properties, and reduced services to customers, all of which may reduce customer satisfaction.	The Group is involved in discussions with the Scottish Government, both directly and through the Scottish Federation of Housing, about its plans in relation to the extent and period of any rent controls applied after 1st April 2023. This includes the Group Chief Executive's membership of a Scottish Government-convened working group. The Group has developed a flexible approach to the rent consultation so that customers contribute to the process in a meaningful way, within the constraints of the current period of uncertainty. The Finance team has reviewed financial plans against a variety of assumptions and will continue to review business plans as additional information becomes available.

Inherent risk	Residual risk	Risk Appetite level:	Previous / Next detailed Board update on operation of controls listed above:
		Risk Appetite is **MINIMAL** (Light Green) **Outwith Risk Appetite**	• Group Board workshop including discussion of cost-of-living crisis (August 2022) • Group Board paper on rent setting approach (October 2022)

RISK 018 Supply chain disruption – *High inherent and residual score*

<table>
<tr><td>Strategic Outcome</td><td colspan="2">Increasing the supply of new homes</td><td>Risk type</td><td>Operational Delivery</td><td>Risk owner</td><td>Group Director of Governance & Business Solutions</td></tr>
<tr><td colspan="3">Description</td><td colspan="4">Controls</td></tr>
<tr><td colspan="3">There is a risk that the Group faces disruption to its supply chain (including delays to supply deliveries, increased costs of supplies, or supplier business failure) due to global events such as the war in Ukraine, ongoing post-Covid manufacturing challenges, the UK cost of living crisis and rising inflation, resulting in delays or an inability to deliver operational targets and potential financial loss or reputational damage.</td><td colspan="4">General: Procurement procedures include assessment of suppliers’ financial health. Contract and supplier management guidance and e-learning module available. Active use of Contract Management System which contains system generated alerts to flag risk. Proactive monitoring of supply chains by Operational leads with regular contract management meetings. Regular engagement with Scottish Government on cost or delay impact as potential issues emerge. In the event of supplier insolvency, procurement frameworks / approved supplier listings would be used to identify alternative suppliers.
Repairs Service: Manage stock levels including, where possible, advance purchase of components and materials. Engagement with key suppliers. Specific contingency plans for key services e.g. lifts. Local staff directly employed by CBG or DCPS.
Investment Programme: Manage stock levels of components and materials. Engagement with key suppliers.
New Build: Regular engagement with new build contractors where the Group’s financial exposure is greatest to test financial standing. Monitor on a site basis the availability and adequacy of contactor’s resource on site – consider increased clerk of works site monitoring to ensure quality of workmanship.
Operational Supplies: Utilisation of Group and 3rd party frameworks to minimise price increase risk. Engagement with key suppliers on stock levels.
Wheatley Care: Working with SG via membership organisations to understand potential level of risk. Contingency plans to mitigate locally and maintaining a 15-week stock of PPE.</td></tr>
<tr><td>Inherent risk</td><td>Residual risk</td><td>Risk Appetite level:</td><td colspan="4">Previous / Next detailed Board update on operation of controls listed above:</td></tr>
<tr><td></td><td></td><td>Risk Appetite is <u>OPEN</u> (Orange)</td><td colspan="4">Group DevCo - tenders/ programme performance/ Contractor financial exposure. These are standing items at each meeting. (Ongoing)
Wheatley Solutions Board (Procurement strategy) (Jan/Feb 22)
All Boards performance, finance, and development updates (Ongoing standing items)</td></tr>
</table>

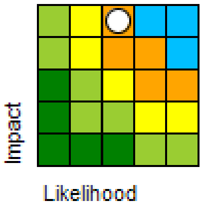
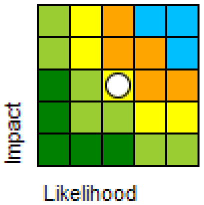
RISK 005 Care and support services – *Outwith Risk Appetite*

<table>
<tr><th>Strategic Outcome</th><th colspan="2">Shaping Care Services for the future</th><th>Risk type</th><th>Compliance: Legal/Regulatory</th><th>Risk owner</th><th>Group Director of Communities</th></tr>
<tr><td colspan="3">Description</td><td colspan="4">Controls</td></tr>
<tr><td colspan="3">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.</td><td colspan="4">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. Care Quality Framework approved by Care Board April 2022 is being implemented.
The Care Inspectorate has remobilised inspections of registered services as part of its scrutiny arrangements.
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.</td></tr>
<tr><td>Inherent risk</td><td>Residual risk</td><td>Risk Appetite level:</td><td colspan="4">Previous / Next detailed Board update on operation of controls listed above:</td></tr>
<tr><td></td><td></td><td>Risk Appetite is <u>MINIMAL</u> (Light Green)

Outwith risk appetite
Management will review the scoring of this risk following the full roll out of the Care Quality Framework, approved by the Care Board in April 2022. It is anticipated that the fully embedded Framework will result in a reduced residual risk score.</td><td colspan="4">Finance reports are standing items at the Wheatley Care and Group Boards. (Ongoing)
Care business plan and ongoing care performance reporting to Group and Wheatley Care Board (minimum quarterly)</td></tr>
</table>

RISK 003 Fire Safety – *Outwith risk appetite*

<table>
<tr><td>Strategic Outcome</td><td colspan="2">Investing in existing homes and environments</td><td>Risk type</td><td>Compliance: Legal / Regulatory</td><td>Risk owner</td><td>Group Director of Repairs and Assets</td></tr>
<tr><td colspan="3">Description</td><td colspan="4">Controls</td></tr>
<tr><td colspan="3">There is a risk that a failure to comply with relevant fire safety standards for our buildings results in harm to the health or safety of our customers and/or staff, leading to injuries or fatalities, enforcement action and reputational damage</td><td colspan="4">Group Fire Safety Team focuses on identification of fire preventions actions for implementation by MDs.
Fire Working Group attended by Snr Mgt teams every 2 months feeds into a Group Executive Fire Liaison Meeting chaired by Executive Lead and attended by Directors to review performance, emerging issues and escalate matters as required.
Quarterly Bi-annual reporting of implementation of actions to Group Audit Committee.

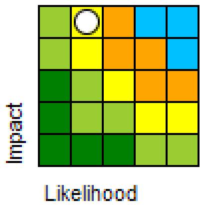
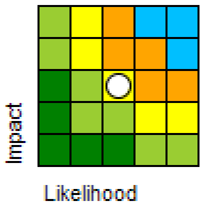
Outwith relevant premises, Fire Prevention and Mitigation Framework, including our approach to high rise block inspections and Livingwell, and Fire Risk Assessments are completed on a rolling cycle.
Daily, weekly and monthly inspections of high-rise domestic premises maintained by Environmental Teams in between Fire Risk Assessments being completed.
Extensive compliance and investment regime to achieve compliance with building safety regulations (as required) and best practice guidance.</td></tr>
<tr><td>Inherent risk</td><td>Residual risk</td><td>Risk Appetite level:</td><td colspan="4">Previous / Next detailed Board update on operation of controls listed above:</td></tr>
<tr><td></td><td></td><td>Risk Appetite is <u>MINIMAL</u> (Light Green)

Outwith Risk Appetite</td><td colspan="4">Standing item at Group Audit Committee meetings. (Ongoing)
Annual Report to RSL and Lowther Boards on Fire Prevention and Mitigation Framework
Group, RSL and Lowther Boards - Fire safety performance related KPIs (ADFs and FRAs) as part of standing performance updates. (Ongoing)</td></tr>
</table>

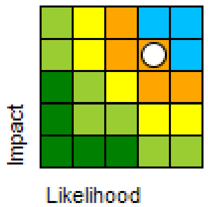
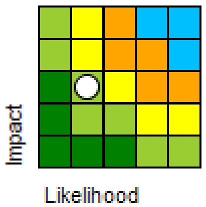
RISK 010 Group Credit Rating – *Outwith Risk Appetite*

Strategic Outcome	Maintaining a strong credit rating and managing financial risks	Risk type	Financial or VFM	Risk owner	Group Director of Finance

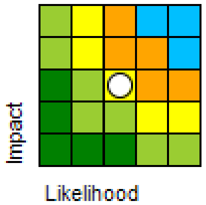
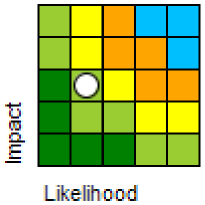
Description	***Controls***
There is a risk that external factors such as a downgrade of the UK's credit rating or a default by another organisation within the social housing sector results in a downgrading of the Group's credit rating to BBB+ or below, resulting in a potential requirement to repay our European Investment Bank loans, a reduction in the availability of future borrowing, and/ or an increase in the cost of current debt.	The Group's business plan is designed to maintain a strong standalone credit rating, for example excluding build for sale. Our financial Golden Rules include maintaining strong levels of liquidity to mitigate refinance risks. Ongoing dialogue is maintained with relevant credit rating agencies in order to mitigate the risk of unexpected rating changes which are controllable. Mitigation drafting used in legal clauses - in the event the rating fell to BBB+, the legal clauses are specific that this is not an event of default (thereby avoiding cross-default). Negotiation period – the legal clauses provide for a period to negotiate with EIB on mitigating measures, such as revisions to covenants or posting of increased security/collateral. Standby funders to replace EIB if necessary - A strong relationship is maintained with EIB to mitigate future risk from external factors causing a credit rating downgrade. Strong investor/lender relationships are maintained with a number of other organisations at all times in case of unanticipated funding need. Annual review (April) and quarterly meetings held with the S&P ratings team to enable pre-emptive actions where required.

Inherent risk	**Residual risk**	**Risk Appetite level:**	**Previous / Next detailed Board update on operation of controls listed above:**
		Risk Appetite is **MINIMAL** (Light Green)	Business plan projections for all Boards set out how we will maintaining financial position (Feb 22) The Group and WFL1 Boards receive quarterly treasury reports on the current credit market conditions and any credit rating updates. (Quarterly through 2021 and 2022)

RISK 053 Damp and Mould – *NEW RISK*

<table>
<tr><td>Strategic Outcome</td><td>Investing in existing homes and environments</td><td colspan="2">Risk type</td><td>Compliance – Legal / Regulatory</td><td>Risk owner</td><td>Group Director of Assets and Repairs</td></tr>
<tr><td colspan="3">Description</td><td colspan="4">Controls</td></tr>
<tr><td colspan="3">There is a risk that housing stock is in a poor-quality condition as a result of damp and mould, resulting in harm to tenants' health.</td><td colspan="4">Existing controls
The Group has a Damp and Mould Policy, which is supported by detailed procedures.
Mould and damp are recorded as specific work order descriptions, with agreed timescales for completion of the works. Timescales for completion of mould works have been reduced from 30 to 15 days and all jobs include a full inspection is arranged by the RICO team within 48 hours. Additional staff, who will specialise in mould and damp, are being recruited to provide additional resource to the existing team.
A process in in place to contact tenants with completed mould and damp jobs to determine whether the reported issue has been resolved.
Trades staff are made aware of condensation and its causes, as well as being trained in application of products used to manage it.
There are annual visits to all properties as part of technical compliance programme, with those in attendance advised to report any issues noted while in a property, including damp and mould.
Housing Officers also access properties at least once per annum (usually more frequently). Housing Officers have access to information about current mould and damp jobs, factsheets to provide to tenants and are able to direct tenants to videos on how to manage issues. These are also available on Group websites.
A No Access Policy to cover the Group's approach to forced access, including in instances where repeated issues of damp and mould are raised but access is refused, has been recently rolled out.
Planned controls
The Group Health & Safety team has sourced products that can be made available to tenants to help manage condensation, such as dehumidifiers, air dryers for clothes and anti-mould sprays. These will be stored locally and fuel advisors will be able to issue these products to assist tenants.
All staff with reason to visit customer homes are being trained to recognise signs of damp and mould.
Daily PowerBI reporting on numbers of mould and damp work orders is in development.
The group is developing a pilot exercise to test environmental sensors in a small number of properties.</td></tr>
<tr><td>Inherent risk</td><td>Residual risk</td><td>Risk Appetite level:</td><td colspan="4">Previous / Next detailed Board update on operation of controls listed above:</td></tr>
<tr><td></td><td></td><td>Risk Appetite is <u>MINIMAL</u> (Light Green)</td><td colspan="4">Property Condition Assurance Approach reported to Subsidiary Boards in November 2022</td></tr>
</table>

RISK 017 Pension contributions – *Proposed for removal from SRR*

<table>
<tr><td>~~Strategic Outcome~~</td><td colspan="2">~~Maintaining a strong credit rating and managing financial risks~~</td><td>~~Risk type~~</td><td>~~Financial or VFM~~</td><td>~~Risk owner~~</td><td>~~Group Director of Finance~~</td></tr>
<tr><td colspan="3">~~*Description*~~</td><td colspan="4">~~*Controls*~~</td></tr>
<tr><td colspan="3">~~Increases in the required pension contributions for all Group pension funds may lead to potential cost pressures for the Group.~~</td><td colspan="4">~~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.~~</td></tr>
<tr><td>~~Inherent risk~~</td><td>~~Residual risk~~</td><td>~~Risk Appetite level:~~</td><td colspan="4">~~Previous / Next detailed Board update on operation of controls listed above:~~</td></tr>
<tr><td></td><td></td><td>~~Risk Appetite is **MINIMAL** (Light Green)~~</td><td colspan="4">~~Group pensions strategy was reviewed at Group Board. (Dec 21)~~
~~Business plans with sensitivity analysis are reviewed by all Board who are members of pension schemes annually. (Feb and Sept 2021 and 2022)~~</td></tr>
</table>

Wheatley Group

Report

To: **Wheatley Housing Group Board**

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

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

Subject: **Finance report**

Date of Meeting: **14 December 2022**

1. Purpose

1.1 The purpose of this paper is to provide the Board with the financial results for the period to 31 October 2022.

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 Standing Orders.

2.2 The strategic context is one of a challenging external environment, with inflation remaining rising to over 11% and most recently the announcement in the Scottish Government Programme for Government of a rent freeze for all tenants until at least 31 March 2023; a decision on the level of the legislative rent cap from April 2023 is expected to be confirmed by mid January 2023.

2.3 The key themes and aims of our 2021-26 strategy set the context for the preparation of the 2022/23 budget. The 2022/23 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. Background - Financial performance to 31 October 2022

3.1 The results for the period to 31 October as presented in Appendix 1 are:

	Year to Date (Period 7)		
£m	**Actual**	**Budget**	**Variance**
Turnover	245.2	239.9	5.3
Operating expenditure	(186.7)	(186.6)	(0.1)
Operating surplus	**58.5**	**53.3**	**5.2**
Operating margin	*23.8%*	*22.2%*	
Net interest payable	(34.8)	(37.1)	2.3
Surplus	**23.7**	**16.2**	**7.5**
Net Capital Expenditure	**(75.4)**	**(74.2)**	**(1.2)**

4. Discussion

4.1 We are reporting a statutory surplus of £23.7m, £7.5m favourable to budget. Higher overall grant income on new build completions, strong letting performance lowering levels of void rent loss and lower running costs, bad debts and interest payable for the year to is offset by higher costs in delivering the increased customer demand for repairs and maintenance.

4.2 Key variances against budget include:

- within turnover, grant income recognised on new build completions is £4.2m higher than budget with 386 units (307 social rent and 79 MMR) being completed by end of October.
- net rental income is £0.7m favourable to budget with a stronger performance in void rent loss levels driving the variance across social rentals in the RSLs and [redacted]. Year to date rent loss on voids at 1.05% is lower than 1.70% assumed in the budget.
- in operating expenditure, total costs are £0.1m unfavourable to budget, with lower expenditure than budget across staff costs, running costs and bad debts offset by higher spend on revenue repairs and maintenance.
- staff costs are £0.6m favourable to budget due to employee care contract costs in Wheatley care. This relates to a number of services operating with staff vacancies against budget.
- running costs are £0.9m favourable, linked to group service costs where a number of departments are currently reporting lower costs across Wheatley Solutions.
- bad debt costs are £0.8m lower than budget. As in previous years our approach has been to include a prudent level of provision for costs.
- revenue repairs and maintenance spend is £2.7m unfavourable budget. The variance primarily relates to a higher than budgeted spend across responsive repairs which is £5.0m higher than budget, with cyclical and compliance spend £2.3m lower than budget. There is a higher demand for repairs with increasing number of new jobs coming through our Customer First Centre and increasing inflationary pressure on the cost of materials in the in-house services in the south and east. The higher level of demand driven repairs spend is being managed across the overall financial capacity within the 2022/23 budget. An update on projected repairs volumes and the associated budgetary impact for 2023/24 and future years will be included as part of the 2023/24 business plan discussion at the February meeting.

4.3 Net capital expenditure is £1.2m higher than budget. Within this, new build spend is £5.2m lower linking through to grant income claimed which is £6.3m lower than budget. Key points include:

- new build spend reflects delays in planning approvals impacting site start dates and slower progress on certain sites due to continuing supply issues. Greater spend had been anticipated across sites at WH Glasgow including Shawbridge Arcade and Calton; at Loretto including Maddison (now golden brick) and Forfar Avenue due to delays; and at WH East including underspend at Penicuik, Rowanbank, Winchburgh BB and Westcraigs due to a combination of spend being accelerated into 2021/22 and site delays.

- investment in our existing homes of £46.7m was £2.6m higher than budget with higher spend across adaptations, void improvements and capitalised repairs in the RSLs. Spend to date includes £1.6m of fully funded decarbonisation projects which were not budgeted with the income reported in the operating statement.

5. Customer Engagement

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

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1 As noted above.

9. Legal, regulatory and charitable implications

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

10. Risk Appetite and assessment

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

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

11. Equalities implications

11.1 There are no equalities implications arising from this report.

12. Key issues and conclusions

12.1 This paper presents the financial performance position for the period to 31 October 2022.

13. Recommendations

13.1 The Board is asked to note the management accounts for the period ended 31 October 2022 at Appendix 1

List of Appendices: Appendix 1: Financial Report to 31 October 2022

Appendix 1: Wheatley Group Financial Report To 31 October 2022 (Period 7)

•Classified as Internal

1a) Wheatley Group – Year to date

	Period to 31 October 2022			Full Year Budget £'000
	Actual £'000	Budget £'000	Variance £'000	
INCOME				
Net Rental Income	183,738	183,011	727	312,908
Grant income	36,972	32,728	4,244	40,539
Other Income	24,456	24,165	292	42,270
Total Income	**245,166**	**239,904**	**5,263**	**395,717**
EXPENDITURE				
Employee Costs	52,436	53,070	634	90,056
ER/VR	495	495	-	5,149
Running Costs	25,516	26,415	899	46,239
Repairs & Maintenance	41,050	38,360	(2,690)	64,096
Bad debts	2,744	3,587	843	6,127
Depreciation	63,822	63,822	-	109,624
Demolition Programme	656	871	215	2,205
Total Expenditure	**186,719**	**186,620**	**(99)**	**323,495**
NET OPERATING SURPLUS	**58,447**	**53,284**	**5,164**	**72,222**
	23.8%	22.2%		18.3%
Net interest payable	(34,786)	(37,069)	2,283	(65,511)
STATUTORY SURPLUS/(DEFICIT)	**23,661**	**16,215**	**7,447**	**6,711**
INVESTMENT				
Total Capital Investment Income	19,681	25,946	(6,265)	53,452
Core Investment Programme	46,688	44,092	(2,596)	73,406
New Build Programme	41,049	46,212	5,163	96,789
Other fixed assets	7,343	9,849	2,506	17,146
Total Capital Investment Expenditure	**95,080**	**100,153**	**5,073**	**187,341**
NET CAPITAL INVESTMENT SPEND	**(75,399)**	**(74,207)**	**(1,192)**	**(133,889)**

Key highlights year to date:

The Group operating surplus for the period ended 31 October was £58,447k which is £5,164k favourable to budget. At the statutory surplus level, a surplus of £23,661k is reported showing a favourable variance of £7,447k to budget. The variance reflects higher grant income recognised from delayed new build completions and favourable variances across a number of other expenditure lines offset by costs in delivering the increased demand for repairs and maintenance.

Total income of £245,166k is £5,263k favourable to budget:

- Net rental income is £727k favourable to budget across the RSLs. Year to date rent loss on voids at 1.05% is lower than budget of 1.70% across all RSLs and Lowther, driving the favourable variance.
- New build grant income recognised to date relates to 386 units completed in the RSL borrower group. This includes 146 units delayed from 2021/22. Grant recognised relates to completions at Damshot, Hurlford Ave and Watson for WHGlasgow; Dargavel, Hallrule, Queens Quay, Vellore Road and Sawmill for Loretto; Almondvale, South Gilmerton and Blackness Road for WH East; and Eastriggs and Nursery Avenue for WH South.

Total expenditure of £186,719k is £99k unfavourable to budget:

- Staff costs (direct and group services) are £634k lower than budget driven by a favourable variance in employee care contract costs from budget in Wheatley care due to a number of services operating with staff vacancies against budget and lower staff costs across Wheatley Solutions.
- Running costs (direct and group services) are £899k favourable to budget with the variance largely linked to lower than budgeted group recharges where a number of departments are currently reporting lower costs across Wheatley Solutions.
- Revenue repairs and maintenance spend is £2,690k unfavourable to budget. The variance primarily relates to a higher than budgeted spend across responsive repairs which is £5,029k higher than budget, with cyclical and compliance spend £2,376k lower than budget. There is a higher demand for repairs with increasing number of new jobs coming through the Customer First Centre and increasing inflationary pressure on the cost of materials in the in-house services in the south and east. Across the RSLs there is an increase in reactive repairs jobs completed in the year to date compared to the same period in 2019/20.
- Bad debts are £843k favourable to budget across the Group with a prudent provision set aside for increases in arrears.

Net interest payable is £2,283k lower than budget linked to lower loan balances drawn and lower floating interest rates in the year to October 2022 than assumed in the budget.

Net capital expenditure of £75,399k is £1,192k unfavourable to budget.

- Capital investment income relates to the cash receipt of new build grants and is £6,265k lower than budget. The lower levels of grants claimed are linked to the lower level of new build spend as noted below.
- Total Core investment spend is £2,596k higher than budget driven by higher spend in the RSLs due to higher adaptations, capitalised voids and capitalised repairs. Of the additional spend reported £1,552k of it is grant funded (across adaptations and decarbonisation and renewables projects). The full year repairs and investment budgets will be managed within the budgetary capacity across both lines.
- New build spend reflects delays in planning approvals and slow progress on sites due to supply issues. Greater spend had been anticipated across sites at WH Glasgow including Shawbridge Arcade and Calton; at Loretto including Maddison (now golden brick) and Forfar Avenue due to delays; and at WH East including underspend at Penicuik, Rowanbank, Winchburgh BB and Westcraigs due to a combination of spend being accelerated into 2021/22 and delays.

Wheatley Group Financial Report
To 31 October 2022 (Period 7)

RSL Borrower Group

2a) RSL Borrower Group – Year to date

	Period to 31 October 2022			Full Year Budget £'000
	ACT £'000	BUD £'000	VAR £'000	
INCOME				
Net Rental Income	173,573	172,749	824	295,179
Grant income	36,972	32,728	4,244	40,539
Other Income	9,310	8,398	911	14,874
Total Income	**219,855**	**213,875**	**5,980**	**350,592**
EXPENDITURE				
Employee Costs	39,252	39,074	(178)	66,213
ER/VR	495	495	-	5,149
Running Costs	19,292	20,163	870	34,955
Repairs & Maintenance	37,863	35,064	(2,799)	58,395
Bad debts	2,451	3,408	957	5,820
Depreciation	63,822	63,822	-	109,624
Demolition Programme	656	871	215	2,205
Total Expenditure	**163,831**	**162,896**	**(935)**	**282,361**
NET OPERATING SURPLUS	**56,024**	**50,979**	**5,045**	**68,231**
	25.5%	23.8%		19.5%
Net interest payable	(33,093)	(35,376)	2,283	(62,608)
STATUTORY SURPLUS/(DEFICIT)	**22,931**	**15,603**	**7,328**	**5,623**

INVESTMENT				
Total Capital Investment Income	19,681	23,190	(3,509)	49,259
Core Investment Programme	46,028	43,621	(2,407)	72,598
New Build Programme	40,776	43,456	2,680	90,929
Other fixed assets	7,218	9,756	2,538	16,986
Total Capital Investment Expenditure	94,022	96,833	2,811	180,513
NET CAPITAL INVESTMENT SPEND	**(74,341)**	**(73,643)**	**(698)**	**(131,254)**

Key highlights year to date:

The operating surplus to 31 October is £56,024k, £5,045k favourable to budget. At the statutory surplus level, a surplus of £22,931k is reported showing a favourable variance of £7,328k compared to the budget. The variance reflects higher grant income recognised from delayed new build completions and favourable variances across a number of other expenditure lines offset by costs in delivering the increased demand for repairs and maintenance.

Total income of £219,855k is £5,980k favourable to budget:

- Net rental income is £824k favourable to budget across the RSLs. Rent loss on voids at 1.02% is lower than the overall 1.61% budget driving the favourable variance.
- New build grant income recognised to date relates to 386 units completed in the RSL borrower group. This includes 146 units delayed from 2021/22.
- Other income is £911k favourable to budget linked to unbudgeted income in WHSouth for decarbonisation and renewables projects (Cavity Wall Insulation (CWI) and LCITP works) of £537k, L&A damages for Sighthill and continuation of the furnished let service generating income in WHGlasgow favourable to budget. This furnished let income is offset by additional service costs included in direct running costs.

Total expenditure of £163,831k is £935k unfavourable to budget:

- Employee costs (direct and group services) are £178k unfavourable to budget arising from additional public holiday overtime costs (2 additional days this year), in the NETS team and temporary staff costs in the W360 Money Advice Team. Lower staff costs across Wheatley Solutions are being reported reducing the overall unfavourable variance.
- Running costs are £870k favourable to budget with the variance largely linked to lower than budgeted group recharges where a number of departments are currently reporting lower costs across Wheatley Solutions contributing to the underspend against budget.
- Revenue repairs and maintenance spend is £2,799k unfavourable to budget. The variance primarily relates to a higher than budgeted spend across responsive repairs which is £5,229k higher than budget, with cyclical and compliance spend £2,430k lower than budget. There is a higher demand for repairs with increasing number of new jobs coming through the Customer First Centre and inflationary pressure on the cost of materials in the in-house services in the south and east. There is an increase in reactive repairs jobs completed in the year to date compared to the same period in 2019/20.
- Bad debts are £957k favourable to budget across the Borrower Group with a prudent provision set aside for increases in arrears.

Interest payable is £2,283k favourable to budget linked to lower balances drawn than assumed in the budget and a lower floating rate than assumed in the business plan at this point in the year.

Net capital expenditure of £74,341k is £698k higher than budget.

- Capital investment income relates to the cash receipt of new build grants and is £3,509k lower than budget. The lower levels of grants claimed are linked to the lower level of new build spend as noted below.
- Total Core investment spend is £2,407k higher than budget driven by higher spend in the RSLs due to higher adaptations, capitalised voids and capitalised repairs. Of this additional spend £1,552k relates to grant funded adaptations and funded decarbonisation projects in WH South.
- New build spend reflects delays in planning approvals and slow progress on sites due to supply issues. Greater spend had been anticipated across sites at WH Glasgow including Shawbridge Arcade and Calton; at Loretto including Maddison (now golden brick) and Forfar Avenue due to delays; and at WH East including underspend at Penicuik, Rowanbank, Winchburgh BB and Westcraigs due to a combination of spend being accelerated into 2021/22 and delays in site start dates.

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

The Wheatley Group and RSL Borrower Group operating Statement (Income and Expenditure Account) on pages 2 and 4 are prepared in accordance with the requirements of accounting standards (Financial Reporting Standard 102 and the social housing Statement of Recommended Practice 2014).

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

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

In the period to 31 October 2022, an underlying surplus of £3,753k has been generated using this measure which is £677k favourable to budget. The variance is driven by interest payable being lower than budget offset by higher levels of core investment expenditure.

Borrower Group Underlying Surplus - October 2022

	YTD Actual £ks	YTD Budget £ks	YTD Variance £ks	FY Budget £ks
Net operating surplus	56,024	50,979	5,045	68,231
add back:				
Depreciation	63,822	63,822	0	109,624
less:				
Grant income	(36,972)	(32,728)	(4,244)	(40,539)
Net interest payable	(33,093)	(35,376)	2,283	(62,608)
Total expenditure on Core Programme	(46,028)	(43,621)	(2,407)	(72,598)
Underlying surplus	**3,753**	**3,076**	**677**	**2,110**

2c) Wheatley Homes Glasgow – Year to date

	Period To October 2022 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INCOME				
Rental Income	119,311	119,227	83	203,455
Void Losses	(1,177)	(1,815)	638	(3,097)
Net Rental Income	118,133	117,412	721	200,358
Grant Income	10,304	7,029	3,275	7,269
Other Income	6,088	6,019	69	10,653
Total Income	**134,525**	**130,459**	**4,065**	**218,279**
EXPENDITURE				
Employee Costs - Direct	21,022	20,673	(349)	35,196
Employee Costs - Group Services	8,953	9,025	72	15,397
ER / VR	344	344	0	4,408
Direct Running Costs	7,927	8,170	242	14,183
Running Costs - Group Services	5,098	5,663	565	9,745
Revenue Repairs and Maintenance	26,357	24,521	(1,836)	40,294
Bad debts	1,685	2,412	727	4,114
Depreciation	43,945	43,945	0	75,334
Demolition	563	710	147	1,517
TOTAL EXPENDITURE	**115,895**	**115,463**	**(432)**	**200,188**
NET OPERATING SURPLUS / (DEFICIT)	**18,629**	**14,996**	**3,634**	**18,091**
Net operating margin	*13.8%*	*11.5%*	*2.4%*	
Interest payable & similar charges	(23,652)	(25,575)	1,923	(46,257)
STATUTORY SURPLUS / (DEFICIT)	**(5,022)**	**(10,579)**	**5,557**	**(28,165)**

INVESTMENT	Period To October 2022 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
Total Capital Investment Income	**4,577**	**4,644**	**(67)**	**10,711**
Investment Programme Expenditure	29,394	26,800	(2,595)	44,287
New Build Programme	10,640	12,813	2,173	25,748
Other Capital Expenditure	3,612	5,714	2,102	10,093
TOTAL CAPITAL EXPENDITURE	**43,646**	**45,327**	**1,681**	**80,128**
NET CAPITAL EXPENDITURE	**39,068**	**40,683**	**1,614**	**69,417**

Wheatley Homes Glasgow

Key highlights year to date:

Net operating surplus of £18,629k is £3,634k favourable to budget. Statutory deficit for the period to 31 October is £5,022k, which is £5,557k favourable to budget. The main drivers of the variance are the favourable position on void rent losses, higher grant income from new build completions and lower interest payable; offset by an increase in repairs and maintenance spend.

- Net rental income of £118,133k is £721k favourable to budget. Higher rental income is reported relating to the timing of the clearance of the 4 Wyndford blocks. Void losses are £638k lower than budget and represent a 0.99% void loss rate compared to the budgeted rate of 1.5%.
- Grant income recognised relates to 99 units completed by October: 26 SR units at Damshot, 27 MMR units at Hurlford (both delayed from last year) and 46 MMR units at Watson. The YTD budget includes grant for 56 MMR units at Sighthill and completion is delayed until Q4, noting that this unfavourable variance is offset by the grant released for Damshot and Hurlford.
- Total employee costs (direct and group services) are £277k unfavourable to budget. The overspend to budget in direct employee costs relates to temporary staff costs in the W360 Money Advice Team and the cost of two additional public holidays. The group services recharge is £72k favourable to budget at October and reflects WH-Glasgow's share of changes in Wheatley Solutions staff from the budgeted structure.
- Total running costs (direct and group services) are £807k favourable to budget. Group recharges are £565k favourable to budget due to several departments currently reporting lower costs across Wheatley Solutions, leading to the underspend against budget.
- Revenue repairs and maintenance spend is £1,836k unfavourable to budget. The variance relates to higher than budgeted spend across responsive repairs which is £3,594k higher than budget, with cyclical and compliance spend £1,758k lower than budget. The overspend on reactive repairs is linked to the clearance of the repairs backlog and higher demand for repairs with increasing number of new jobs coming through the Customer First Centre.
- Gross interest payable of £23,652k represents interest due on the loans due to Wheatley Funding No.1 Ltd. Costs are £1,923k lower than budget linked to lower loan balances drawn and a lower variable rate than assumed in the budget.

Net capital expenditure of £39,068k is £1,614k lower than budget. The variance is driven by lower other capital expenditure and new build, partially offset by higher investment spent.

- Investment programme spend is £2,595k unfavourable to budget, driven by higher spend in adaptations and capitalised voids and repairs.
- New build spend is £2,173k lower than budget following delays on sites for several projects including Watson, Shawbridge Street and Arcade and Calton. Capital investment income (grants) is £67k lower than budget due to timing of claims for the Shawbridge Arcade project.
- Other capital expenditure of £3,612k is £2,102k lower than budget. Other capital spend includes work on local touchdown hubs.

2d) Loretto Housing – Year to date

Loretto Housing

	Period To 31 October 2022			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Rental Income	8,497	8,545	(48)	14,823
Void Losses	(123)	(278)	154	(478)
Net Rental Income	**8,374**	**8,267**	**107**	**14,345**
Grant Income	**15,441**	**16,544**	**(1,103)**	**18,875**
Other Income	**270**	**184**	**86**	**315**
Total Income	**24,085**	**24,995**	**(911)**	**33,535**
EXPENDITURE				
Employee Costs - Direct	778	807	29	1,384
Employee Costs - Group Services	347	347	0	596
ER / VR	0	0	0	185
Direct Running Costs	1,054	1,108	54	1,812
Running Costs - Group Services	202	224	22	385
Revenue Repairs and Maintenance	1,608	1,478	(130)	2,569
Bad debts	111	230	119	394
Depreciation	4,270	4,270	0	7,320
TOTAL EXPENDITURE	**8,371**	**8,465**	**94**	**14,645**
OPERATING SURPLUS / (DEFICIT)	**15,713**	**16,530**	**(817)**	**18,890**
Interest Payable	(1,888)	(2,006)	118	(3,320)
STATUTORY SURPLUS / (DEFICIT)	**13,826**	**14,524**	**(698)**	**15,571**

	Period To 31 October 2022			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INVESTMENT				
Total Capital Investment Income	**2,886**	**3,245**	**(359)**	**8,088**
Investment Programme	1,472	2,339	867	5,339
New Build Programme	6,571	5,865	(706)	14,115
Other Capital Expenditure	120	195	74	434
TOTAL CAPITAL EXPENDITURE	**8,164**	**8,398**	**235**	**19,888**
NET CAPITAL EXPENDITURE	**5,278**	**5,153**	**(125)**	**11,800**

Key highlights year to date:

Net operating surplus of £15,713k is £817k unfavourable to budget. Statutory surplus for the year is £13,826k, £698k unfavourable to budget. The main driver of the unfavourable variance is lower grant income, linked to the timing of new build completions.

- Gross rental income of £8,497k is £48k unfavourable to budget. A reduction in rental income is reported due to ongoing delays in completions at the Dargavel new build, in addition to earlier delays in completions at Hallrule and Queens Quay. The impact of this is partially offset by additional service charge income for two supported sites.
- Void losses in the year to date are 1.45% against a budget of 3.25%.
- Grant income mainly relates to the release of grant for new build completions; YTD grant has been released for 4 units at Dargavel delayed from 2021/22 plus a further 11 (out of a total of 45 budgeted YTD), 32 units at Hallrule, 80 units at Queens Quay, 12 units at Sawmill (6 completed ahead of schedule) and 8 units at Vellore Rd (not in this year's programme).
- Employee costs are £29k favourable to budget due to the recharge of NETs staff income, linked to the service provided to owners in Loretto mixed tenure blocks. Employees recharged from Group Services are for Loretto's share of Wheatley Solutions staff.
- Direct running costs are £54k favourable to budget, with most budget lines showing underspends. Group Services running costs are £202k YTD and favourable to budget due to several departments currently reporting lower costs across Wheatley Solutions, contributing to the underspend against budget.
- Revenue repairs and maintenance expenditure is £130k unfavourable to budget due to an overspend on reactive maintenance, reflecting an continued increase in customer demand.
- Bad debts are £119k favourable to budget. A prudent approach was taken when setting the budget.

Gross interest payable of £1,888k represents interest due on the loans due to Wheatley Funding No 1. Costs are £118k lower than budget linked to lower loan balances drawn and a lower ytd variable rate than assumed in the budget.

Net capital expenditure of £5,278k is £125k unfavourable to budget due to the timing of the new build programme.

- New build spend is £706k higher than budget. This mainly relates to the Vellore Rd turnkey project, which was not anticipated in this financial year plus the timing of spend at Hallrule and Dargavel. Although the spend for Maddiston and Forfar is below budget, and Sawmill Field above budget, these variations are offset by grant income for Maddiston and Forfar being below budget too and grant for Sawmill Field being above budget.
- Investment programme expenditure of £1,472k relates to core programme works, capitalised repairs and voids. The budget includes Duke Street refurbishment which will commence in 2023/24.
- Other capital expenditure of £120k relates to the Loretto contribution to Wheatley Group IT and office refurbishments.

2e) West Lothian Housing Partnership – Year to date

WEST LOTHIAN Housing Partnership

	Year to 4th September 2022			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Rental Income	1,805	1,988	(183)	1,988
Void Losses	(2)	(27)	25	(27)
Net Rental Income	**1,803**	**1,961**	**(158)**	**1,961**
Grant Income Recognised in the Year	3,376	3,275	101	3,275
Other Income	2	33	(31)	33
TOTAL INCOME	**5,181**	**5,269**	**(88)**	**5,269**
EXPENDITURE				
Employee Costs - Direct	206	209	3	209
Employee Costs - Group Services	36	36	(0)	36
ER/VR	0	0	0	0
Direct Running Costs	172	182	10	182
Running Costs - Group Services	21	23	2	23
Revenue Repairs and Maintenance	310	304	(6)	304
Bad Debts	3	28	25	28
Depreciation	963	963	(0)	963
TOTAL EXPENDITURE	**1,711**	**1,745**	**34**	**1,745**
NET OPERATING SURPLUS / (DEFICIT)	**3,470**	**3,524**	**(54)**	**3,524**
Net Operating Margin	*67%*	*67%*	*0%*	*67%*
Interest receivable	0	0	(0)	0
Interest payable	(488)	(555)	67	(555)
STATUTORY SURPLUS / (DEFICIT)	**2,982**	**2,969**	**13**	**2,969**

	Year to 4th September 2022			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INVESTMENT				
Total Capital Investment Income	**173**	3,103	**(2,930)**	**3,103**
Total Expenditure on Core Programme	229	347	118	347
New Build & Other Investment	2,847	4,633	1,786	4,633
Other Capital Expenditure	31	33	2	33
TOTAL CAPITAL EXPENDITURE	**3,107**	**5,013**	**1,906**	**5,013**
NET CAPITAL EXPENDITURE	**2,934**	**1,910**	**(1,024)**	**1,910**

Key highlights year to date:

Full year budget includes the activities of WLHP up to the transfer to Wheatley Homes East.

Net operating surplus of £3,470k is £54k adverse to budget. Statutory surplus for the period to 4 September 2022 is £2,982k, is £13k favourable to budget. The main driver being favourable variance relating to interest payable.

- Rental income is £183k adverse to budget primarily due to delayed handovers at Almondvale in 2021/22.This includes £16k relating to 22 Almondvale properties which were leased to Wheatley Homes East prior to the transfer. To date, 48 units have completed with 23 units handed over in September post transfer.
- In other income the variance relates to amounts budgeted for lease income from Almondvale MMR properties from Lowther, however these units are delayed until November 2022.
- Grant income recognised in the year relates to the 48 units completing at Almondvale and £23k of medical adaptation grant claimed in the year.
- Revenue repairs and maintenance are £6k adverse to budget, following an increase in demand for repairs services in the year.
- Bad debts are £25k favourable with a prudent approach taken when setting the budget.
- Interest payable of £488k is £67k lower than budget linked to lower loan balances drawn than assumed in the budget.

Net capital expenditure of £2,934k is £1,024k higher than budget. The variance is driven by lower levels of grant income claimed offset in part by lower spend on the new build programme.

- Core investment expenditure of £229k is £118k lower than budget mainly due to the actual timing of the spend on bathrooms in the year to date against programmed spend as well as only emergency boiler installations going ahead.
- New Build expenditure of £2,847k is £1,786k lower than budget driven by lower spend at Winchburgh BB (£2m) caused by a delay to projected start date, offset by overspend at Almondvale and Jarvey St.

2f) Wheatley Homes East – Year to date

	Year to 31 October2022			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Rental Income	19,157	19,303	(146)	34,545
Void Losses	(322)	(317)	(5)	(560)
Net Rental Income	**18,835**	**18,986**	**(151)**	**33,985**
Grant Income Recognised in the Year	3,865	2,006	1,859	6,996
Other Income	1,935	2,004	(69)	3,363
TOTAL INCOME	**24,635**	**22,996**	**1,639**	**44,344**
EXPENDITURE				
Employee Costs - Direct	2,561	2,569	8	4,537
Employee Costs - Group Services	1,217	1,219	2	2,116
ER/VR	0	0	0	556
Direct Running Costs	2,269	2,307	38	4,011
Running Costs - Group Services	710	787	77	1,367
Revenue Repairs and Maintenance	3,524	2,749	(775)	5,068
Bad Debts	189	188	(1)	341
Depreciation	6,682	6,682	0	12,358
TOTAL EXPENDITURE	**17,152**	**16,501**	**(651)**	**30,354**
NET OPERATING SURPLUS / (DEFICIT)	**7,483**	**6,495**	**988**	**13,990**
Net Operating Margin	*30%*	*28%*	*2%*	*16%*
Interest receivable	2	4	(2)	7
Interest payable	(3,874)	(4,032)	158	(7,303)
STATUTORY SURPLUS / (DEFICIT)	**3,611**	**2,467**	**1,144**	**6,694**

	Year to 31 October2022			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INVESTMENT				
Total Capital Investment Income	**11,275**	**11,353**	**(78)**	**22,306**
Total Expenditure on Core Programme	4,172	3,667	(505)	5,851
New Build & Other Investment	15,848	16,533	685	37,042
Other Capital Expenditure	2,868	1,267	(1,601)	1,510
TOTAL CAPITAL EXPENDITURE	**22,888**	**21,467**	**(1,421)**	**44,403**
NET CAPITAL EXPENDITURE	**11,613**	**10,114**	**(1,499)**	**22,097**

Key highlights year to date:

The results and budget includes activities transferred from WLHP from 5th September 2022.

Net operating surplus of £7,483k is £988k favourable to budget. Statutory surplus for the period to 31 October is £3,611k, £1,144k favourable to budget. The main drivers of the variance are higher than budgeted grant income recognised offset in part by higher than budgeted repairs and maintenance costs.

Total income is £1,639k favourable to budget:

- Gross rent is £146k adverse to budget due to delayed completions at South Gilmerton, Wisp 3C and Almondvale. Void losses are £5k higher than budget with the variance relating to voids in DC Harbour while fire mitigation works were completed. The works completed in October.
- Grant income recognised is £1,859k favourable to budget due to handovers at Almondvale (23 units) and South Gilmerton (18 units) which were expected to complete in 2021/22, completing in 2022/23. Prior to date of transfer WLHP completed 48 units at Almondvale. 8 SR at Blackness Rd completed ahead of schedule in October, while 6 MMR units at the same development also due for completed earlier in September.
- Other income of £1,935k is £69k adverse to variance mainly due to local authority income at WH East Harbour being £56k under budget. This is subject to ongoing contract discussions. WHEPS surplus is also currently £22k under budget.

Total expenditure is £651k unfavourable to budget:

- Total running costs (direct and group services) are £115k favourable to budget. Within Group recharges a number of departments currently reporting lower costs across Wheatley Solutions, contributing to the underspend against budget.
- Revenue repairs and maintenance spend is £775k unfavourable to budget. The variance primarily relates to a higher than budgeted spend across responsive repairs which is £819k higher than budget, with cyclical and compliance spend £44k lower than budget. The increase in spend in responsive repairs is due to the clearance of repairs backlog by c600 jobs, an increase in demand (13% ytd increase in job numbers v ytd 2019/20) and inflationary pressures on the cost of materials.

Interest payable of £3,874k is £158k lower than budget linked to lower floating interest rates and lower loan balances drawn than assumed in the budget.

Net capital expenditure of £11,613k is £1,499k higher than budget.

- Investment programme spend is £505k unfavourable to budget due to accelerated core programme spend, as well as higher capitalised voids and repairs. The programme is being managed within the full year forecast spend.
- New build spend of £15,848k is £685k lower than budget due to underspend at Penicuik and Rowanbank (£1.9m & £1.5m respectively, partially due to budgeted 2022/23 spend being accelerated in Q4 21/22), Westcraigs (£1m) and Winchburgh BB (£1.2m). This is partially offset by overspend at MacMerry (£1.9m), Raw Holdings (£1.3m), Roslin Ph2 (£0.9m) and Wallyford (£0.9m).
- Other Capital Expenditure includes accelerated refurbishment works and environmental works and spend will be delivered within the reprofiled full year forecast.

2g) Wheatley Homes South – Year to date

OPERATING STATEMENT	Year to October 2022 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INCOME				
Rental Income	26,596	26,507	89	45,184
Void Losses	(169)	(384)	214	(654)
Net Rental Income	**26,426**	**26,123**	**303**	**44,529**
Grant Income	3,986	3,874	112	4,124
Other Income	2,064	1,275	789	2,240
TOTAL INCOME	**32,476**	**31,273**	**1,204**	**50,893**
EXPENDITURE				
Employee Costs - Direct	3,077	3,068	(9)	5,258
Employee Costs - Group Services	1,635	1,645	10	2,807
ER/VR	151	-	(151)	-
Direct Running Costs	1,219	1,282	63	2,203
Running Costs - Group Services	953	1,054	101	1,813
Revenue Repairs and Maintenance	6,200	6,170	(30)	10,248
Bad debts	463	550	87	943
Depreciation	7,962	7,962	(0)	13,649
Demolition	93	161	68	688
TOTAL EXPENDITURE	**21,753**	**21,891**	**137**	**37,608**
NET OPERATING SURPLUS	**10,723**	**9,382**	**1,341**	**13,285**
Net operating margin	*33%*	*30%*	*3%*	*26%*
Interest Receivable and similar income	14	19	(5)	33
Interest payable & similar charges	(3,207)	(3,231)	24	(5,213)
STATUTORY SURPLUS	**7,530**	**6,170**	**1,360**	**8,105**

INVESTMENT	Actual £ks	Budget £ks	Variance £ks	Budget £ks
TOTAL CAPITAL INVESTMENT INCOME	**770**	**845**	**(75)**	**5,063**
Core Programme	10,761	10,468	(293)	16,775
New Build Programme	4,870	3,612	(1,258)	9,391
Other Fixed Assets	587	2,547	1,960	4,916
TOTAL CAPITAL INVESTMENT EXPENDITURE	**16,218**	**16,627**	**410**	**31,082**
NET CAPITAL EXPENDITURE	**15,448**	**15,783**	**335**	**26,019**

Key highlights :

Net operating surplus of £10,723k is £1,341k favourable to budget. Statutory surplus for the period to date is £7,530k, which is £1,360k favourable to budget. The key drivers of the variance are reduced void rent loss and unbudgeted grant income for Net Zero decarbonisation investment works.

Net Rental income is £303k favourable to budget with YTD Void losses being £214k favourable to budget representing a 0.6% void loss rate compared to the budgeted rate of 1.45%.

- Grant income recognised in the year relates to 37 social rent units completed with 18 units at Eastriggs and 19 units at Nursery Avenue. The YTD budget is £112k higher than budget due timing of adaptation grant income received.
- Other income is £789k favourable to budget with unbudgeted income recognised for the decarbonisation and renewable project of £537k, including Cavity Wall Insulation (CWI) and LCITP works, and higher than budgeted Care (Temp Accommodation and Young Persons) rental income.
- Total employee costs (direct and group services) are broadly in line with budget. The group services recharge is £10k favourable to budget and reflects WH-South's share of changes in Wheatley Solutions staff from the budgeted structure.
- ER/VR costs are £151k adverse to budget following the commitment of four members of staff to take ERVR in 2022/23. This cost will yield future revenue savings.
- Total running costs (direct and group services) are £164k favourable to budget. Group recharges are £101k favourable to budget due to several departments currently reporting lower costs across Wheatley Solutions, leading to the underspend against budget.
- Repair costs are £30k over budget with higher than budgeted spend across responsive repairs which is £609k over budget. Increased responsive repairs is driven by increased job numbers, higher material and subcontractor costs. Cyclical, compliance and overhead spend is £579k lower than budget.
- Demolition costs are £68k lower than budget relating to timing of works at Troqueer and Kelloholm. The £93k relates to buy back of final property at Lochside and home loss and disturbance costs.

Gross interest payable of £3,193k represents interest due on the loans due to Wheatley Funding No.1 Ltd and external funders.

Net capital expenditure of £15,448k is £335k lower than budget.

- Total core investment spend of £10,761k is £293k higher than budget due to increased spend on adaptations and capitalised voids, partly offset by the deferral of boiler replacements to 2023/24.
- New Build expenditure is £1,258k over budget driven by Curries Yard now on site (not part of 2022/23 budget) partly offset by deferral of Glenluce and Corsbie Rd to 2023/24. Capital investment income is £75k lower than budget as a result of reprofiling the development programme.
- Other capital expenditure of £587k is £1,960k lower than budget. Other capital spend includes work on local touchdown hubs.

2h) Wheatley Developments Scotland

Wheatley Developments Scotland Limited

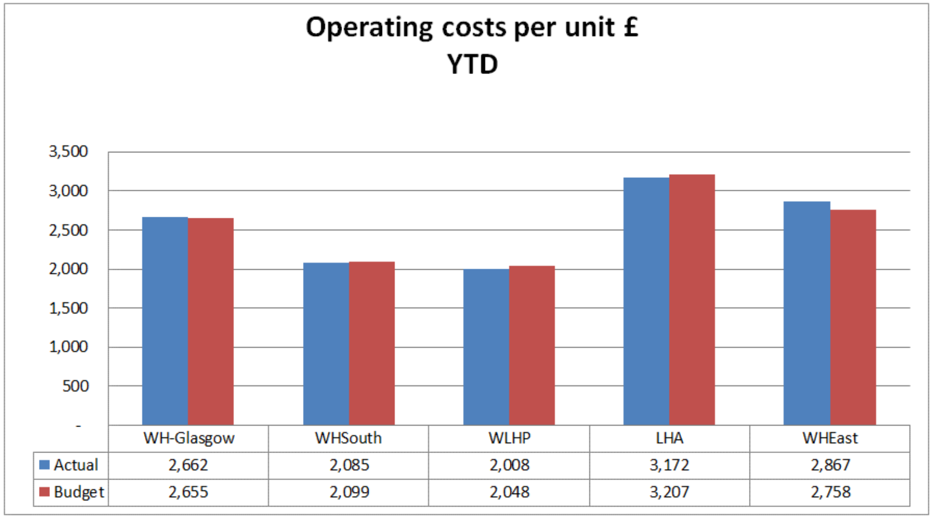
	Year to 31 October 2022			FY Budget
	Actual £ks	Budget £ £ks	Variance £ks	FY Budget £ks
INCOME				
Staff recharges	250	1,272	(1,022)	2,181
Design and Build recharges	6,920	10,588	(3,668)	27,731
Other Income	1	42	(41)	72
Total Income	**7,171**	**11,902**	**(4,731)**	**29,984**
EXPENDITURE				
Staff Costs	250	1,272	1,022	2,181
Staff Expenses	-	40	40	69
Contractor Expenditure	5,883	9,566	3,683	25,578
New Build Professional Fees	707	539	(168)	833
Total Expenditure	**6,840**	**11,417**	**4,577**	**28,660**
Statutory Surplus / (Deficit)	**330**	**486**	**(156)**	**1,324**

Key highlights – year to date:

This table presents the financial performance of Wheatley Developments Scotland Ltd (WDS) for the period to October 2022.

- Statutory Surplus of £330k is £156k unfavourable to budget. The main driver of this unfavourable variance relates to the timing of developments which impacts both income recharges and the contract/professional development fees expenditure.
- Contractor expenditure and new build professional fees are fully recharged to the applicable RSL at a mark up of 5%.
- WDS income of £7,171k is £4,731k lower than budget. This variance mainly relates to the Design and Build recharges, due to projects which have been delayed versus the original budget. Staff recharges are £1,022k unfavourable to budget with actuals only reflecting the share of development staff working on WDS projects recharged back to the RSLs. The budget assumed all development staff would be recharged from WDS to the RSLs.
- In the year to date the main developments invoiced are WH South projects; Eastriggs, Nursery Avenue, Curries Yard, and WH East projects; Westcraigs and Wallyford Area 5.
- Expenditure of £6,840k is £4,577k lower than budget. Delays to the start of forecasted developments across the RSL group and only staff costs being incurred for development staff working on WDS projects, as noted above, are the main drivers of the variance.

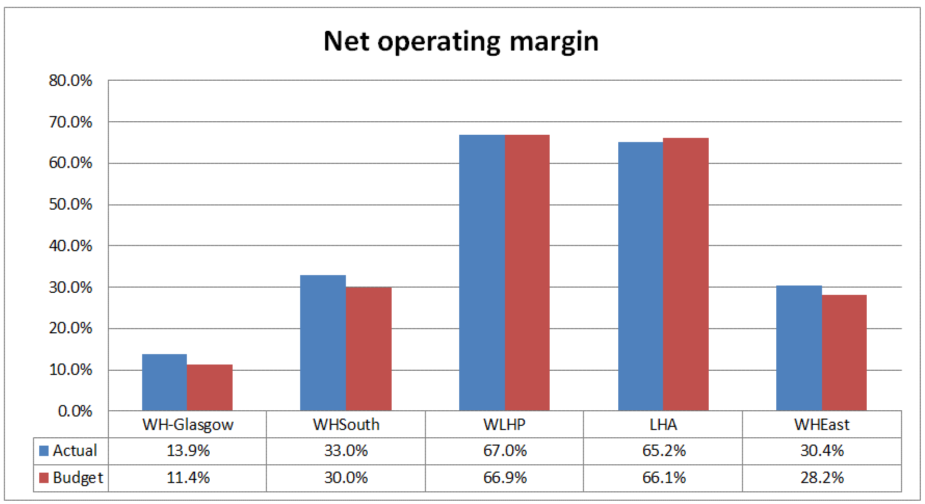
3) Summary of RSL operating costs and margin v budget



	WH-Glasgow	WHSouth	WLHP	LHA	WHEast
Actual	2,662	2,085	2,008	3,172	2,867
Budget	2,655	2,099	2,048	3,207	2,758

Operating costs per unit:

- At October 2022 operating costs per unit are broadly in line with or favourable to budget with the exception of WH East where operating costs are higher driven by higher repair costs.
- Operating costs per unit vary across the RSLs depending on the stock profiles and types of accommodation offered.



	WH-Glasgow	WHSouth	WLHP	LHA	WHEast
Actual	13.9%	33.0%	67.0%	65.2%	30.4%
Budget	11.4%	30.0%	66.9%	66.1%	28.2%

Net operating margin:

- Net operating margin is in line with or favourable to budget across all the RSLs.
- In addition similar to operating costs, favourable variances across expenditure lines is contributing to the higher margins in the RSLs.

Wheatley Group Financial Report
To 31 October 2022 (Period 7)

Care and Commercial

4a) Wheatley Care – Year to date

WHEATLEY CARE - COMPANY	Year to 31 October 2022 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INCOME				
Care Projects	12,062	12,390	(328)	21,113
COVID 19 PPE Reclaim Income	29	-	29	-
Head Office	69	69	-	119
TOTAL INCOME	**12,160**	**12,459**	**(299)**	**21,232**
CARE CONTRACT COSTS				
Employee Costs - Care Contracts	9,120	9,745	625	16,634
Running Costs - Care Contracts	1,494	1,401	(93)	2,396
TOTAL CARE CONTRACT COSTS	**10,614**	**11,146**	**532**	**19,030**
EXPENDITURE				
Employee Costs - Head Office	763	751	(12)	1,288
Employee Costs - Group Services	109	109	-	186
ER/VR	-	-	-	-
Head Office Running Costs	144	120	(24)	206
Running Costs - Group Services	70	70	-	120
Group recharges - PPE	64	-	(64)	-
Group recharges - IT	37	37		63
Management fee payable to LHA	120	120	-	207
TOTAL EXPENDITURE	**1,307**	**1,207**	**(100)**	**2,070**
SURPLUS/(DEFICIT)	**239**	**106**	**133**	**132**

Wheatley Care

Key highlights to date:

- Net operating surplus of £239k is £133k favourable to budget for the period to October 2022. Total income is £299k adverse to budget but offset by lower than budgeted employee costs. Employee costs reflect the agreed cost of living increase with unions

- Total **Care Project income** of £12,062k is £328k adverse to budget. In total, external services are £307k adverse to budget but there are notable variances for specific services within this:
  - Glasgow Mental Health, Glasgow SDS, West Lothian and Edinburgh SDS services are reporting adverse income to budget of £129k, £63k, £152k and £97k respectively. This is due to the nature of these SDS services with fewer hours being delivered against budget. In addition, Falkirk & Grangemouth Homelessness Tenancy Support Service is reporting income £29k adverse to budget; this service is based on client outcomes and therefore income can vary month on month.
  - Uplifts were announced to cover the payment of £10.50/hr to living wage staff from 1 April, and the budget reflects this income uplift for all applicable services. Confirmation of uplift has been received from local authorities and applied to income, with the exception of Falkirk Homelessness services. We are awaiting confirmation that this service will receive an uplift from the local authority and have not accrued the uplift in order to be prudent.

- **Employee Costs – Care Contracts** expenditure of £9,120k is £625k favourable to budget. The staff cost saving relates to a number of services operating with staff vacancies against budget, inclusive of TSS. Staff savings are largely linked to fewer hours being delivered at services, with staffing levels being monitored monthly and adjusted to meet individual service needs**.** Glasgow, West Lothian & TSS services are the main contributors to the year to date underspend with favourable variances against budget of £178k, £120k & £211k respectively.

- Employee costs for the year to date reflect the higher than budgeted wage uplifts that have now been agreed with the unions.

- **Running Costs – Care Contract** costs of £1,494k are £93k adverse to budget. Included within this are higher than budgeted costs for utilities, cleaning and telephone costs.

- **Employee Costs – Head Office** expenditure of £763k is £12k adverse to budget. Whilst there are vacancies in the structure, this has been offset by accruals for staff Christmas vouchers.

- **Head Office Running Costs** of £144k are £24k adverse to budget and include £22k of unbudgeted consultancy costs for a review of the Alertacall system.

- **Group recharges – PPE** unbudgeted costs total £64k. Claims have been submitted to local authorities and the position will remain under review.

4b) Lowther – Year to date

[redacted]

5) Wheatley Solutions – Year to date

	Oct 2022			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
EXPENDITURE				
Employee costs				
Executive Team	934	843	(91)	1,438
Employee Relations and WFP	1,258	1,240	(18)	2,114
Marketing and Communications	420	438	18	747
Assurance	392	379	(13)	647
Academy	316	352	37	601
Finance	1,547	1,593	45	2,716
Company Secretary	1,055	1,051	(4)	1,793
Information Technology	838	889	52	1,517
Litigation	446	479	33	818
Customer First Centre	4,746	4,834	89	8,251
Property	607	509	(98)	868
Wheatley 360	193	226	33	386
Total employee costs	12,679	12,762	83	21,772
Running costs				
Executive Team	53	155	102	265
Employee Relations and WFP	406	595	188	1,019
Marketing and Communications	168	240	73	412
Assurance	37	50	13	86
Academy	262	334	73	573
Finance	493	498	6	854
Company Secretary	387	486	99	833
Information Technology	3,538	3,648	111	6,337
Litigation	156	195	38	334
Customer First Centre	210	200	(10)	343
Property	855	974	119	1,670
Wheatley 360	15	11	(4)	20
Total running costs	7,248	8,056	808	13,862
Regulated insurance activities	2,020	2,008	(12)	3,522
Head office costs	1,043	1,043	0	1,789
TOTAL EXPENDITURE	**22,990**	**23,869**	**879**	**40,945**

Key highlights year to date:

The table presents the financial performance of Wheatley Solutions for the first seven months of 2022/23 financial year. 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 £22,990k. This is £879k lower than budget for the period with lower running costs being the key reason for this variance.

- Employee costs of £12,679k are £83k favourable to budget for the year to date:
    - A number of departments are lower than budget as they are currently operating with vacant posts (e.g. Academy, IT, Litigation).
    - The Customer First Centre reports spend that is £81k lower than budget as a lower number of staff joined the pension scheme than assumed in budget.
    - Executive Team cost are higher during the current transition period. Within Property there are additional Health & Safety roles and Hub Officers linked to the new operating model.
- Running costs of £7,248k are favourable to budget by £808k for the period:
    - A number of the departments report lower costs across Wheatley Solutions. Reduced activity in Academy, Company Secretary (customer consultation) and Employee Relations (lower health and wellbeing claims) are the areas contributing most to the favourable variance against budget. IT is lower due to timing of when revenue costs for new systems move from capital to revenue.
    - Savings are also reported against Property and these relate to running cost savings as a result of the new operating model. As a result of Wheatley House being upgraded, there has been reduced planned maintenance costs ytd as well as a new office cleaning contract being awarded which is delivering efficiencies.
    - Executive Team is where the Group wide consultancy budget sits and due to lower activity in the current year is reporting £102k below budget.
- Regulated insurance activities are overall better than budget by £31k.

6) Wheatley Foundation – Year to date

	Oct 2022			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Donations from Wheatley subsidiaries	2,204	2,204	0	4,118
External income	695	745	(50)	1,558
TOTAL INCOME	**2,898**	**2,948**	**(50)**	**5,676**
EXPENDITURE				
Overheads	681	707	26	1,220
Tackling Poverty & Social Inclusion	122	50	(72)	72
Education	0	0	0	65
Digital Inclusion	0	0	0	66
Employability	201	218	17	533
Sports / Arts	0	0	0	21
Money/Welfare Benefits advice	1,093	1,093	0	1,818
Here For You Fund	972	1,100	127	1,970
TOTAL EXPENDITURE	**3,069**	**3,167**	**98**	**5,765**
NET OPERATING SURPLUS / (DEFICIT)	**(171)**	**(219)**	**48**	**(89)**

Key highlights to date:

The Wheatley Foundation reports a deficit of £171k for the period to October 2022. This is favourable to budget for the period by £48k and results in a closing reserve of £1,827k.

Income of £2,898k is reported, which is £50k lower than budget.

- Donations from Wheatley Group subsidiaries total £2,204k and are in line with budget.
- External income of £695k is £50k lower than budget. This is due to delays in receipt of community benefit donations from new build schemes, although this has been partially offset with SFHA fuel poverty award to value of £235k. This award was not assumed in the budget but there was a £170k target for new external income which the SFHA award exceeds.

Expenditure of £3,069 incurred to date is £98k lower than budgeted.

- Overhead costs of £681k are £26k favourable to budget due to lower than budgeted team running costs and lower Wheatley Solutions recharges.
- The **Here For You Fund** is made up of £1,970k of existing Foundation budgets, £530k held by RSLs for Think Yes and an additional £3,500k in RSL donations, which are not yet received. The fund started 1st October, however, to ensure consistency, existing budgets have been reallocated for the YTD. The main project spend for the period relates to:
    - Helping Hand Fund spend of £334k against a YTD budget of £347k.
    - Home Comforts spend of £85k against YTD budget of £112k.
    - Eat Well spend of £137k which is £35k higher than budget.
    - Customer bursary expenditure of £46k against a YTD budget of £50k.
    - Here For You spend of £135k (rent - £25k, fuel - £101k, food - £9k)
- Tackling Poverty & Social Inclusion spend of £122k is reported against a budget of £50k, which is £72k higher than budget. The main reason for this are emergency fuel top ups to the value of £58k. This is unbudgeted spend as it is funded by GCC grant where an unspent balance was carried forward from 2021/22.
- Employability expenditure of £201k is £17k lower than budget, with lower modern apprenticeship costs being the driver for the variance. The main item of expenditure for the period relates to £171k for the ESF Way Ahead programme.
- The Money Advice team costs of £1,093k represent a fixed donation to Wheatley RSLs towards the costs of providing this service across the Group and are in line with budget.
- Sports and Arts, Education and the Digital Inclusion themes report no spend to date in line with budget phasing.

7) City Building (Glasgow) LLP – Period to 7 October 2022 [redacted]

8) Wheatley Group – Consolidated Balance Sheet

	As at 31 October 2022 £ks	As at 31 March 2022 £ks
Fixed Assets		
Social Housing Properties	2,518,266	2,496,586
Investment properties	263,569	262,635
Other tangible fixed assets	71,005	63,053
Investments -other	116	116
Fixed Assets	**2,852,956**	**2,822,390**
Debtors Due More Than One Year		
Inter Company Loan	0	0
Pension Asset	58,166	58,166
Current Assets		
Stock	1,511	1,412
Trade debtors	3,090	1,848
Rent & Service charge arrears	26,501	28,883
less: Provision for rent arrears	(14,049)	(12,517)
Prepayments and accrued income	11,608	5,176
Intercompany debtors	(0)	0
Other debtors	24,055	32,200
	52,716	**57,002**
Bank & Cash	39,061	64,724
Current Assets	**91,776**	**121,726**
Current Liabilities		
Trade Liabilities	(4,432)	(15,056)
Accruals	(65,073)	(60,082)
Deferred income	(43,744)	(60,580)
Rents & service charges in advance	(15,702)	(14,785)
Intercompany creditors	(0)	(0)
Other creditors	(18,139)	(20,724)
	(147,091)	**(171,227)**
Net Current Assets	**(55,314)**	**(49,501)**
Long Term Liabilities		
Contingent efficiencies grant	(46,764)	(46,764)
Bank finance	(1,211,092)	(1,210,196)
Bond finance	(300,000)	(300,000)
Provisions	(9,070)	(9,070)
Deferred income	(31,714)	(31,543)
Intercompany creditors	0	0
Pension liability	(388)	(388)
Long Term Liabilities	**(1,599,028)**	**(1,597,961)**
Net Assets	**1,256,780**	**1,233,094**
Funding Employed		
Capital & Reserves		
Share Capital	0	0
Retained Income b/fwd	755,777	670,828
Income & Expenditure	23,661	84,924
Revaluation Reserves	477,342	477,342
Funding Employed	**1,256,780**	**1,233,094**

Key highlights:

- Group net assets are £1,256.8m at 31 October 2022.
- The Balance Sheet as at 31 March 2022 is in line with the audited 2021/22 financial statements, and includes the year end statutory adjustments for property and pension valuations as well as the fair value calculation on the Scottish Government loan.
- The fixed asset movements from the year end reflects investment in the core programme, the new build programme, and any other fixed asset additions, less depreciation to date.
- Current assets (excluding cash) are £4.3m lower than the year end position mainly driven by the reduction in other debtors due to the timing of grant receipts and rent and service charge arrears from the 2021/22 year end. The March 2022 housing benefit payment from GCC was not received until 1 April 2022. This is offset by an increase in prepayments in Solutions relating to annual support contracts for IT software. These are paid annually and then released as a charge to the operating statement across the financial year.
- Current liabilities are £24.1m lower than the year end position, with a reduction in trade creditors in WH South and a reduction in deferred income following the recognition of new build grants on completion of units.
- Income and expenditure of £23.7m relates to the group surplus for the year to date.

Report

To: Wheatley Housing Group Board

By: Anthony Alison, Group Director of Business Solutions and Governance

Approved by: Steven Henderson, Group Chief Executive

Subject: Wheatley Group Technical Consultancy Services Framework

Date of Meeting: 14 December 2022

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1. Purpose

1.1 The purpose of this report is to seek approval to award a new multi-lot framework for the provision of construction technical consultancy services for a contracted period of up to four years to a value of approximately £[redacted].

2. Authorising and strategic context

2.1 Under the Scheme of Financial Delegation, within the Group Standing Orders, approval of revenue contracts over £1 million is reserved to the Group Board.

2.2 Based on a review of the historic requirement and the anticipated investment in new build, as well as maintenance and repair programs on existing builds, it is projected that spend over the four-year duration of the framework agreement will be about £[redacted] (excluding VAT). VAT was excluded as variable rates apply.

3. Background

3.1 We currently contract with several firms through a 6-lot framework agreement to access construction technical consultancy services as follows:

Lot	Appointed Suppliers
Lot 1 – Architects	▪ Anderson Bell Christie Ltd ▪ Assist Design Ltd ▪ Collective Architecture Ltd ▪ Coltart Earley Ltd ▪ John Gilbert Architects Ltd ▪ MASTARCH Ltd
Lot 2 – Landscape Architect	▪ Land Use Consultants Ltd ▪ Raeburn Farquhar Bowen ▪ TGP Landscape Architects Ltd
Lot 3 – Engineering Services	▪ Clancy Consulting Ltd ▪ G3 Consulting Engineers Ltd ▪ Harley Haddow (Glasgow) Ltd

Lot 4 – Employers Agent / Surveying Disciplines	▪ NBM Construction Cost Consultants Ltd ▪ Reid Associates LLP ▪ Summers-Inman Construction & Property Consultants LLP
Lot 7 – Design Team	▪ Anderson Bell Christie Ltd ▪ Hypostyle Designs Ltd ▪ Elder & Cannon Architects Ltd ▪ John Gilbert Architects Ltd ▪ MASTARCH Ltd ▪ Smith Scott Mullan + Associates Ltd
Lot 8 – Clerk of Works	▪ Hickton Consultants Ltd ▪ Ross Quality Control Ltd

3.3 Since the establishment of the current consultant framework, we have continued to grow our development programme and maintain our position as a major developer of new affordable housing in both the Scottish and U.K context. We intend to support the target of 4,000 new homes over the period of the current strategy with an ambition to deliver over 10,000 new homes over the next 10 years.

3.4 The quality of the homes delivered through the current framework have been recognised on numerous occasions. The most notable of these being our Bell Street development in the Merchant City, Glasgow winning Best Renovation and Conversion at the Herald Property Awards and the Saltire Medal for Housing Design in 2021.

3.5 Since the current Framework was awarded, Wheatley Homes South has joined the group, adding a large presence in terms of their development programme across the large geographic area of Dumfries and Galloway. We are also aiming to expand our development footprint into East Ayrshire and East Dunbartonshire in order to maximise our profile of site opportunities. To deliver our growing programme across our operating area and at pace, we require direct access to consultants that have the resource and capacity to work across the programme, working dynamically with Wheatley and our stakeholders to bring forward some challenging sites.

3.6 During the period of the existing framework, Scottish Government policies have increasingly focussed on delivery of Zero Carbon Homes and consideration of offsite construction. Aligning with these policies demands that our consultants have the appropriate skills to deliver against this ambition.

3.7 Feedback on the current framework, that is due to end on 5th February 2023, highlighted the requirement to re-structure the Lots to meet other specialist services.

3.8 Following an analysis of our requirements and the technical consultancy services market, it was determined that the optimal route for procurement would be through a competitively tendered framework agreement. The competitive process allows us to ensure we receive value for money and a framework is necessary as no single supplier would be able to satisfy all our requirements.

3.9 A range of options for procurement of these services were identified and assessed:

- Option 1 – do nothing
- Option 2 – procure a new, bespoke framework agreement
- Option 3 – utilise an existing framework agreement
- Option 4 – utilise existing Dynamic Purchasing Supply Agreements

3.10 Following a review of the identified options, it was agreed that undertaking a regulated above-threshold procurement process to secure a new bespoke framework was the preferred route to market. This allowed us to ensure full control on the design of a framework which reflected our future needs.

4. Discussion

4.1 We procure a number of suitably qualified and experienced technical consultancy services providers to support our construction, maintenance and repair programmes. The new framework will allow for both direct award and mini competitions where this is considered appropriate.

4.2 The lotting strategy reflected the range of services and expertise required and were structured in lots, as set out below, to maximise value for money:

- Lot 1 Masterplanner
- Lot 2 Architect
- Lot 3 Landscape Architect
- Lot 4 Structural & Civil Engineer
- Lot 5 Mechanical & Electrical Engineer
- Lot 6 Quantity Surveyor & Employers Agent
- Lot 7 Multi-disciplinary Design Team
- Lot 8 CDM Advisor
- Lot 9 Clerk of Works
- Lot 10 Energy Advisor
- Lot 11 Planning Consultant

Further detail on the types of activities covered in each lot is set out in more detail in Appendix 1.

4.3 We received strong interest in the tender, which increased competition and our ability to drive value for money and quality. A total of 126 submissions from 90 individual suppliers across the 11 lots as follows:

Lot	Description	Tenders Received	Anticipated Number of Appointments	Projected Spend per Lot over 4 Years
Lot 1	Masterplanner	9	3	£400,000
Lot 2	Architect	28	6	£17,500,000
Lot 3	Landscape Architect	8	3	£5,00,000.00
Lot 4	Structural & Civil Engineer	14	4	£7,000,000
Lot 5	Mechanical & Electrical Engineer	11	3	£6,500,000
Lot 6	Quantity Surveyor & Employers Agent	15	6	£4,000,000
Lot 7	Multi-disciplinary Design Team	18	6	£2,500,000
Lot 8	CDM Advisor	14	4	£1,500,000
Lot 9	Clerk of Works	3	3	£7,000,000
Lot 10	Energy Advisor	4	3	£600,000
Lot 11	Planning Consultant	2	3	£200,000
	Total	**126**	**44**	**£52,200,000**

Mandatory Criteria (Pass/fail)

4.4 Following the initial financial and compliance pass/fail checks on the Single Procurement Document responses, qualifying submissions were taken forward for evaluation of Quality responses in the 2-staged procurement procedure. The organisations that were successful following the quality evaluation (Stage 1) were invited to submit their filled health and safety questionnaires and pricing information for Stage 2 evaluation. A summary of the quality and price evaluation criteria applied to each lot has been outlined below.

Quality – [redacted]

4.5 The Stage 1 quality evaluation was based on weighted scoring questions for all lots. Following completion of the quality evaluation, organisations with submissions that exceeded the minimum threshold of [redacted]% and within the top 10 for the lot tendered were invited for the 2nd stage that included submission of Pricing information and Health & Safety questionnaires

Price – [redacted]%

4.6 Stage 2 submissions were evaluated based on hourly rates and percentage fees for the provision of main and additional services for set ranges of construction values. The returned health and safety questionnaires were also evaluated on a pass/fail basis to ensure alignment to set standards and the Group's Health, Safety and Environment policies. The outcome of the evaluation process is detailed in Appendix 2.

4.7 For Lots 1 – 8, we have secured the anticipated number of consultants as set out within the Procurement tender documentation. However, for Lots 9, 10 and 11 there was a limited number of suitable applications received; as such, we have reduced the number of appointments as detailed below.

- Lot 9 (Clerk of Works) – we have reduced from 3 to 2 appointments
- Lot 10 (Energy Advisors) – we have reduced from 3 to 2 appointments
- Lot 11 (Planning Consultant) – we have reduced from 3 to 1 appointment

4.8 All lots will be monitored closely to ensure that they are preforming as required. We may look to engage with the market via smaller bespoke procurement competitions should the group require additional technical advisors and consultants to support the development programme.

5. Customer Engagement

5.1 Engagement with customers was not directly applicable to the procurement exercise at this stage, which follows a formal regulated process. However, as part of the framework award all contracted providers have committed to work with our Community Benefits team to deliver on real economic and social benefits for our customers and communities during the lifecycle of the framework agreement, subject to set spend thresholds.

5.2 The delivery of this community benefit offerings will be monitored by the Foundation and appointed Lot Leads in liaison with the providers' named delivery managers as part of the framework Key Performance Indicators. Community Benefits that may be secured include but not limited to:

- Educational support (including career development workshops, and training/support for unemployed persons living within our communities)
- Employment opportunities (including graduate positions, apprenticeships, and work experience placements)
- Donations to the Wheatley Foundation, community events and charitable organisations supported by the Group
- Voluntary support for community enhancement projects; and
- Advocacy support for customers

5.3 The delivery of our Community Benefits can be integrated to our wider customer engagement, such as the donations for community events, linking commitments to priorities identified by customers during engagement activity and raising awareness of the opportunities more widely during engagement.

6. Environmental and sustainability implications

6.1 The service providers will work with the Group to ensure that working practices and service delivery methodologies align with our Sustainable Procurement Policy, such as off-site manufacture and delivery of emerging and innovative net-zero carbon housing technologies.

7. Digital transformation alignment

7.1 There are no direct implications to digital transformation alignment for this framework. However, the service providers have pledged to utilise relevant information technology tools, including client portals to ensure efficient service delivery, communication, back-up/archiving, and data security.

7.2 Data relating to the framework can be accessed and updated by the Procurement team and the framework user groups on our new Contract Management System (CMS Portal).

8. Financial and value for money implications

8.1 The rates submitted by providers are fixed for the duration of the framework agreement. This process has been focused on delivering value and providing certainty for future costs.

8.2 Expenditure will be closely monitored on our new CMS Portal throughout the duration of the framework to ensure that spend does not exceed the agreed budget for the respective lots.

8.3 The service providers have committed to providing access to value-add activities, including trainings, and Continuous Professional Development (CPD) for the Group's employees. This will reduce the requirement for additional spend in these areas.

9. Legal, regulatory and charitable implications

9.1 Setting up of the framework was subject to a regulated over-threshold procurement process. The risk of procurement challenge is considered low, and it is intended that the Group will progress to Award after approval from the Group Board for commencement.

9.2 Equifax finance checks have been conducted to ensure that there are no current concerns relating to the financial standing of any provider proposed for appointment to the framework.

9.3 The Framework Terms and Conditions are industry standard and allow for call off by all of the Group. Post contract implementation of refresher training sessions will be given to development teams in relation to the new suite of terms and completion of the relevant documentation at the time of call off.

10. Risk appetite and assessment

10.1 Our risk appetite in respect of laws and regulations is averse, i.e. avoidance of risk and uncertainty is a key organisational objective. The procurement of this framework has been conducted in line with all legislative and regulatory requirements.

10.2 The risk of challenge is considered low on the basis that we have followed standard, well-established processes for procurements of this scale.

11. Equalities implications

11.1 There are no equalities implications arising from this report.

12. Key issues and conclusions

12.1 The current contract is due to expire at the end of January 2023. Following an analysis of our future requirements, having access to expert technical consultants to support our construction, maintenance and repair programmes, remains necessary.

12.2 These call-off methodologies will be used when contracting with approved service providers on the framework:

- *Direct Award*
  Staff can contract with any provider appointed to the framework at their discretion.

- *Mini-Competition*
  In instances where it has been determined that the direct award procedure is not appropriate (i.e., complex requirements) the Group can conduct a mini-competition for suppliers on the relevant framework lot.

13. Recommendations

13.1 The Board is asked to:

1) approve the award of a Group-wide framework agreement for the provision of construction technical consultancy services for a framework period of up to four years to the value of £[redacted] to the following providers:

   Lot 1: Masterplanner
   - Anderson Bell Christie Limited
   - Threesixty Architecture Ltd
   - Smith Scott Mullan and Associates Ltd

   Lot 2: Architects
   - Anderson Bell Christie Limited
   - Hypostyle Designs Limited
   - jmarchitects Limited
   - MAST Architects Limited
   - Robert Potter and Partners LLP
   - Smith Scott Mullan and Associates Ltd

   Lot 3: Landscape Architect
   - Erz Ltd
   - OOBE Ltd
   - Rankinfraser Landscape Architecture LLP

   Lot 4: Structural and Civil Engineer
   - Bayne Stevenson Associates Ltd
   - Clyde Design Partnership Ltd
   - Cowal Design Consultants Ltd
   - G3 Consulting Engineers Ltd

   Lot 5: Mechanical and Electrical Engineer
   - Davie & McCulloch Ltd
   - EDP Consulting Engineers Ltd
   - Hawthorne Boyle Limited

   Lot 6: Quantity Surveyor and Employers Agent
   - Armour Construction Consultants Limited
   - Brown & Wallace LLP
   - MB Langmuir & Hay (UK) Ltd
   - NBM Construction Cost consultants Ltd
   - Reid Associates LLP
   - Summers Inman Construction and Property consultants LLP

   Lot 7: Multi-disciplinary Design Team
   - Anderson Bell Christie Limited
   - Grant/Murray Architects Ltd

- Hypostyle Designs Limited
- MAST Architects Limited
- Page\ Park Limited
- Robert Potter and Partners LLP

<u>Lot 8: CDM Advisor</u>
- Armour Construction Consultants Limited
- Brown & Wallace LLP
- G3 Consulting Engineers Ltd
- Summers Inman Construction and Property consultants LLP

<u>Lot 9: Clerk of Works</u>
- Helica (Scotland) Limited
- Ross Quality Control Limited

<u>Lot 10: Energy Advisor</u>
- Assist Design Ltd
- Carbon Futures (Consultancy) Ltd

<u>Lot 11: Planning Consultant</u>
- Montagu Evans LLP

2) delegate authority to the Director of Procurement to enter into contract agreements with the providers proposed for appointment to the framework; and

3) note the framework agreement will commence on the 1st of February 2023 for a period of three years, with an optional 12-month extension period available to be taken at the sole discretion of the Wheatley Group.

List of Appendices:

Appendix 1 – Lot description
Appendix 2 – Evaluation Outcome [redacted]

Appendix 1 – Lot description

Lot 1: Masterplanner

- This Lot seeks suitably qualified and experienced consultants to provide Masterplanning services in line with RIBA Plan of Work 2013 stages 0-3. Masterplans will be housing-led but consider all aspects of successful and sustainable placemaking, incorporating mixed uses and housing tenures. There will be a particular focus on community engagement and co-creation. Projects will range in size, scale and type. Projects will be located in a range of urban, suburban and rural locations, including within existing, growth and regeneration contexts.

Lot 2: Architect

- This Lot seeks suitably qualified architectural practices to provide Architectural services through all RIBA Plan of Work 2013 stages, principally for the delivery of new build housing across all affordable tenures but with potential to include rehabilitation of existing properties, extensions, adaptations and planned maintenance, community facilities, commercial space and office space. Projects will range in size, tenure and type; principally delivering mainstream affordable housing (houses and flats) but with potential to include for particular needs. Projects will range in location including urban, suburban and rural contexts and existing, growth and regeneration areas.

Lot 3: Landscape Architect

- This Lot seeks suitably qualified landscape architecture practices to provide Landscape Architecture services through all RIBA Plan of Work 2013 stages, principally for the delivery of new build housing across all affordable tenures but with potential to include rehabilitation of existing properties, extensions, adaptations and planned maintenance, community facilities, commercial space and office space. Projects will range in size, tenure and type; principally delivering mainstream affordable housing (houses and flats) but with potential to include for particular needs. Projects will range in location including urban, suburban and rural contexts and existing, growth and regeneration areas.

Lot 4: Structural and Civil Engineer

- This Lot seeks suitably qualified civil and structural engineering practices to provide Civil and Structural Engineering services through all RIBA Plan of Work 2013 stages, principally for the delivery of new build housing across all affordable tenures but with potential to include rehabilitation of existing properties, extensions, adaptations and planned maintenance, community facilities, commercial space and office space. Projects will range in size, tenure and type; principally delivering mainstream affordable housing (houses and flats) but with potential to include for particular needs. Projects will range in location including urban, suburban and rural contexts and existing, growth and regeneration areas.

Lot 5: Mechanical and Electrical Engineer

- This Lot seeks suitably qualified Mechanical and Electrical Engineering practices to provide Mechanical and Electrical Engineering services through all RIBA Plan of Work 2013 stages, principally for the delivery of new build housing across all affordable tenures but with potential to include rehabilitation of existing properties, extensions, adaptations and planned maintenance, community facilities, commercial space and office space. Projects will range in size, tenure and type; principally delivering mainstream affordable housing (houses and flats) but with potential to include for particular needs.

Lot 6: Quantity Surveyor and Employers Agent

- This Lot seeks suitably qualified Surveying practices to provide Quantity Surveying and Employer's Agent services through all RIBA Plan of Work 2013 stages, principally for the delivery of new build housing across all affordable tenures but with potential to include rehabilitation of existing properties, extensions, adaptations and planned maintenance, community facilities, commercial space and office space. Projects will range in size, tenure and type; principally delivering mainstream affordable housing (houses and flats) but with potential to include for particular needs. Projects will range in location including urban, suburban and rural contexts and existing, growth and regeneration areas.

Lot 7: Multi-disciplinary Design Team

- This Lot seeks suitably qualified architectural practices to provide Lead Consultant and Architectural services and assemble, lead and manage a design team including Civil and Structural Engineering, Quantity Surveying and Employer's Agent services through all RIBA Plan of Work 2013 stages, principally for the delivery of new build housing across all affordable tenures but with potential to include rehabilitation of existing properties, extensions, adaptations and planned maintenance, community facilities, commercial space and office space. Projects will range in size, tenure and type; principally delivering mainstream affordable housing (houses and flats) but with potential to include for particular needs. Projects will range in location including urban, suburban and rural contexts and existing, growth and regeneration areas.

- The Lot also seeks the provision of Principal Designer service where the bidder can demonstrate the necessary competence and experience to deliver this role under the Construction (Design and Management) Regulations 2015.

Lot 8: CDM Advisor

- This Lot seeks suitably qualified CDM Advisor to provide Construction Design and Management Advisory services through all RIBA Plan of Work 2013 stages, principally for the delivery of new build housing across all affordable tenures but with potential to include rehabilitation of existing properties, extensions, adaptations and planned maintenance, community facilities, commercial space and office space. Projects will range in size, tenure and type; principally delivering mainstream affordable housing (houses and flats) but with potential to include for particular needs.

Lot 9: Clerk of Works

- This Lot seeks suitably qualified Clerk of Works practices to provide Clerk of Works services through all RIBA Plan of Work 2013 stages, principally for the delivery of new build housing across all affordable tenures but with potential to include rehabilitation of existing properties, extensions, adaptations and planned maintenance, community facilities, commercial space and office space. Projects will range in size, tenure and type; principally delivering mainstream affordable housing (houses and flats) but with potential to include for particular needs. Projects will range in location including urban, suburban and rural contexts and existing, growth and regeneration areas.

Lot 10: Energy Advisor

- This lot seeks to appoint suitably qualified Energy and Sustainability Consultant Practices, herein referred to as the 'Consultant,' for the provision of approved certifier of design (Section 6 - Energy) Domestic and/or non-domestic. In addition, services will include the provision of Options Appraisal, SAP calculations for Building Regulations and the production of Energy Performance Certificates from a Government-approved accreditation scheme.

Lot 11: Planning Consultant

- This Lot seeks three suitably qualified Planning practices to provide Planning services through the planning process, principally for the delivery of new build housing across all affordable tenures but with potential to include rehabilitation of existing properties, extensions, adaptations and planned maintenance, community facilities, commercial space and office space. Projects will range in size, tenure and type; principally delivering mainstream affordable housing (houses and flats) but with potential to include for particular needs. Projects will range in location including urban, suburban and rural contexts and existing, growth and regeneration areas.