WHEATLEY HOUSING GROUP LIMITED
BOARD MEETING

Wednesday 26 February 2025 at 10.30am
Wheatley House, Glasgow
AGENDA

1. Welcome to Scottish Housing Regulator

2. Apologies for absence

3. Declarations of interest

4. a) Minutes of the meeting held on 18 December 2024 and matters arising
   b) Action list

[redacted]

[redacted]

Main Business

7. 2025/2026 rent and service charges

8. Financial projections 2025/26

[redacted]

10. Five-year capital investment plan

11. Radio Teleswitch update

[redacted]

[redacted]

Other Business

14. Finance report

15. Performance report

16. Group Contract for Supply of Furniture and White Goods

17. Kitchen and bathroom investment work – WH-South

18. 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: 2025/26 Rent and Service Charges

Date of Meeting: 26 February 2025

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1. Purpose

1.1 This report:

- Provides feedback from our consultation on the 2025/26 rent, service and other charges increase; and
- Confirms the approvals agreed by Registered Social Landlord (**"RSL"**) Boards for the 2025/26 rent, service and other charges increases under delegated authority.

2. Authorising and strategic context

2.1 Under the Group Standing Orders, the Group Board is responsible for agreeing the overarching parameters for rent setting. Thereafter each RSL Board agrees their rent increase within the agreed parameters. The Group Board agreed rent setting parameters at their meeting on 19 December 2024.

2.2 The Board agreed that two options, 6.9% and 7.9%, should be the basis of consultation with our tenants. RSL Boards were delegated authority to agree to their rent increases where, having considered the feedback from their tenants during the consultation, it was one of the agreed options.

3. Background

3.1 The rent increase assumptions in our financial projections are subject to annual review. The annual review considers the key principles set out in our Group rent setting framework:

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

3.2 The Board considered the first three principles as part of agreeing the baseline consultation levels. This year, our customers received the consultation brochure with more tailored investment information than ever before, including 10 locality level versions of the brochure for Wheatley Homes Glasgow.

4. Discussion

4.1 We commenced initial engagement with tenants in November followed by the formal consultation with all tenants which concluded on 27 January 2025. The consultation and the certification of the responses were independently managed by Civica.

Consultation – quantitative feedback

4.2 The consultation exceeded the high response rate from last year, with every RSL receiving a higher number of responses than last year. Turnout ranged from an average of 13% in Wheatley Homes Glasgow, to 19% in Wheatley Homes South. This compares well with the sector average, which was 12% for Scotland's Housing Network members. In total, across the Group, we received a record high number of responses, with over 8,000 as detailed below:

Table 1: WHG results

Rent options	Responses
6.9%	3813 (75.7%)
7.9%	1221 (24.3%)
Total	5034

Table 2: WHS results

Rent options	Responses
6.9%	1370 (74.2%)
7.9%	476 (25.58%)
Total	1846

Table 3: WHE results

Rent options	Responses
6.9%	879 (80%)
7.9%	220 (20%)
Total	1099

Table 4: LHA results

Rent options	Responses
6.9%	303 (80.8%)
7.9%	72 (19.2%)
Total	375

4.3 The results were very similar across all RSLs and to previous years, with the majority indicating a preference for the lower option but also 20-25% indicating support for the higher option on the basis that it would deliver additional investment.

Qualitative feedback

4.4 We invited respondents to provide feedback on why they elected to choose the option they did. Alternatively, if a tenant did not wish to support any options, they could provide feedback as to why. We received feedback from over 2,340 customers regarding the proposals.

4.5 As with previous years, the most consistent themes, representing over 75% of feedback, were the same across all RSLs and related to:

- A **desire for investment** and improvement to existing homes, and communities;
- The importance of our **environmental services and repairs** as a key driver of satisfaction for customers; and
- **Affordability** within the context of the wider economic landscape and the cost of living.

Summary

4.6 Considering the feedback from the consultation, each RSL Board approved rent increases within the delegated authority range at their February meetings as follows:

Table 5: RSL rent increases

RSL	Increase
WH-East	6.9%
WH-South	6.9%
WH-Glasgow	6.9%
LHA	6.9%

4.7 As previously discussed by the Board this increase is similar to a number of social landlords across Scotland. For example, in West Dunbartonshire, South Lanarkshire, Falkirk and Edinburgh, council tenants were consulted on 8%, 6.5%, 9.5% and 7% respectively for 2025-26. Compounding, since 2021, our aggregate rent increases have been below inflation. This increase brings us back in line with inflation over this five-year period.

5. Customer Engagement

5.1 Our formal consultation was open and transparent, clearly setting out what each option would mean in terms of future investment and services to allow tenants to make an informed response to the two options we consulted on.

5.2 Our final consultation brochure was informed by customer engagement prior to the formal consultation, with feedback being considered by the Group Board in December 2024 as well as incorporated into a refreshed brochure. The level of responses affirmed that our consultation approach resonated with tenants.

6. Environmental and sustainability implications

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

7. Digital transformation alignment

7.1 The rent consultation itself was managed by independent provider Civica; a postal copy of the rent brochure was issued, as well as an email/text (depending on contact preference) with a link to an online copy. Tenants were able to participate in the consultation through a wide range of digital means.

8. Financial and value for money implications

8.1 We know that overall rent levels are an element of how tenants perceive value for money. This is however set within the context 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 Our financial projections confirm that, based on the proposed rent uplifts, we will have robust financial plans which will have the necessary 30-year provisions to continue to invest in our stock as per our Group Asset Strategy and RSL Strategic Asset Investment and Maintenance Plans, including maintaining our stock in line with all legal and regulatory requirements such as Scottish Housing Quality Standard, electrical inspections and fire safety.

9. Legal, regulatory and charitable implications

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

9.2 The 2016 Scottish Housing Regulator Thematic Review of Rent Setting detailed a number of recommendations, including the provision of options to tenants during rent setting consultations. Our approach responds to these recommendations.

10. Risk appetite and assessment

10.1 Our risk appetite in relation to business planning assumptions such as rent increases is open, 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 decision on rent increases involves striking a balance between the need to continue investing in our stock, including compliance requirements, continuing to deliver services our customers tell us they want, and keeping rents affordable. Setting rents lower than the assumption in the business plan could – in the absence of mitigating cost savings – risk the financial viability of the Group or the delivery of services we are legally obliged to provide. However, we are also required under statute to consider the views of our customers before making final decisions on rent levels.

11. Equalities implications

11.1 Our customer engagement prior to formal consultation helps ensure a wide range of customer perspectives informs our final consultation approach. Civica issued our consultation material as per our communication requirements including making available large print, braille and audio CD. To support customers whose first language is not English to request a translation, we also included a translation note in the Group's 5 top languages, informed by our translation/interpretation request data and results from the 2022 customer EDI survey.

12. Key issues and conclusions

12.1 Our consultation attracted over 8,000 responses across the Group, the highest ever number of responses. We also received qualitative feedback from over 2,340 respondents, with investment, repairs and environmental services and affordability the key themes.

12.2 Our rent increase is geared towards responding to tenant feedback, with a strong focus on delivering more investment, delivering a high-quality repairs service and a focus on neighbourhoods. We have also continued to invest in wraparound services to support tenants alongside the continued provision of a Helping Hand Fund.

13. Recommendations

13.1 The Board is asked to note the rent increases, set out in Table 5, approved by RSL Boards under delegated authority having considered the results of their respective tenant consultations.

LIST OF APPENDICES:

None

Report

To: **Wheatley Housing Group Board**

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

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

Subject: **Financial Projections 2025/26**

Date of Meeting: **26 February 2025**

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1. Purpose

1.1 The purpose of this report is to seek approval:

- for the Group and subsidiary financial projections and related key financial ratios; and
- that the first year of these updated projections forms the budget for 2025/26.

2. Authorising and strategic context

2.1 Approval of the Group strategy and financial projections as well as each subsidiary's projections (including any borrowings) is one of the matters reserved to the Group Board in the Group Standing Orders. Also, under the Group Standing Orders, the Group Board is responsible for approval of the Group pricing framework.

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

3. Background

3.1 The UK has experienced a challenging economic period over the past two years as inflation rose steeply and the Bank of England responded with sustained interest rate rises, creating financial pressure to both businesses and households. While over the last year the monetary policy decisions by the Bank of England have helped reduce inflation, inflation did rise to 3.0% in January 2025. Bank of England expectations are inflation is likely to be slightly higher in the first half of 2025 while still being on target to go down towards its 2.0% target rate. While there is potential for further gradual interest rate reductions in 2025/26 from the current rate of 4.50% to prevent economic stagnation, challenges remain in keeping inflation close to the Bank of England 2% target and creating sustainable growth. A large proportion of our existing funding is at fixed rates which limits our interest rate exposure.

3.2 Keeping rents affordable remains a key strategic aim but it is important that we strike an appropriate balance between affordability for our tenants whilst ensuring the ongoing financial viability of our operations and the appropriate levels of investment in our homes and services to customers.

3.3 While general Consumer Price Index ("**CPI**") inflation has reduced, costs remain higher for key areas of housing expenditure such as repairs and insurance. Interest rate reductions are forecast but rates are unlikely to return to the low pre-2022 levels.

3.4 We have updated our business plan assumptions to reflect expectations for future inflation and interest rates. After managing our services through the recent period, the rent increase implemented in April 2024 allowed us to begin rebuilding financial capacity in our business plan and, along with assumed future rent increases, provided an appropriate level of funding for investment in lifecycle replacements and our legislative obligations in our homes. During the year, we agreed our Asset Management Strategy and Asset Investment Plans which were informed through consultation with tenants and set out the key drivers for investment in our homes. We agreed that the priorities in those plans including for investment in our neighbourhood be reflected in our rent setting proposals together with the creation of a provision to fund energy efficiency improvements in our homes which will be required to meet the new Scottish Housing Net Zero Standard ("**SHNZS**") and we have updated our business plan accordingly.

3.5 The UK budget in October 2024 announced an extra 1.2% on employers' national insurance and a lowering of the threshold at which contributions start being paid on employee salaries from £9,100 a year to £5,000. This change was not previously anticipated and has a direct impact on our projections increasing group staff costs by £2.8m and the costs to provide services such as repairs, environmental services and housing management to tenants.

3.6 [redacted]

3.7 As part of its proposed 2025/26 budget, the Scottish Government has announced a re-instatement of the funding for the Affordable Housing Supply Programme increasing from £596m in 2024/25 to £768m for 2025/26 a re-instatement to the funding level in 2023/24. The reduced grant availability in 2024/25 has impacted our ability to progress the ambitions set out in the previous business plan. The Business Plan 2025 has aligned our expectations to future grant availability, especially in the early years of the plan which will be impacted by the delays faced in 2024/25.

3.8 The Group has four distinct parts from a financial point of view:

- *The RSL Borrowing Group* – the aggregated financial position of WH Glasgow, Loretto Housing, WH East, WH South, Wheatley Developments Scotland and the entity that raises borrowing and lends to them, Wheatley Funding No.1 Ltd; this is by far the largest part of our group, with a total income of £438m comprising around 90% of Group income;
- [redacted]
- [redacted]
- *Wheatley Foundation* – receiving gift aid from [redacted], donations from our Group RSLs and raising external grant income. The Foundation delivers our community programmes such as employability, education and training and manages investment of c£8m a year.

3.9 [redacted]

4. Discussion

4.1 Our strategy for 2021-2026, *Your Home, Your, Community, Your Future*, forms the basis of these financial projections. The detailed 2025/26 financial projections for the Group are provided in Appendix 1 of this report. The key elements under each theme of our strategy are set out below.

Delivering Exceptional Customer Experience

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

- The demand for repairs with feedback from tenants continuing to emphasize how important the repairs service is for them. Following the launch of the My Repairs service in the West that extended our collaborative working with City Building (Glasgow) LLP and the successful launch of 'Book-it, Track-it, Rate-it', provision has been provided for the expansion of the East in-house repairs team creating additional capacity within the team to service demand;
- Our neighbourhood delivery with the formation of the Neighbourhood Environmental Improvement Team to deliver environmental work in our communities. This forms part of our Strategic Asset Investment plan, with a particular focus on neighbourhood priorities;
- Our Wheatley 360 wraparound services with a provision of £3.3m of ongoing funding. Wheatley 360 provides additional support and services to our tenants such as housing and money advice, homelessness and customer support; and
- Continuing our commitment to the Community Improvement Partnership **("CIP")** with the police and fire services and Group Protection with a provision of £2.7m per annum. These partnerships support communities across a number of areas, such as fire prevention, and dealing with anti-social behaviour and crime.

4.3 These projections include funding of £35.4m over the next five years towards the Group's IT capital programme, which is aligned to seven workstreams, delivering key business strategy outcomes and ongoing investment across staff and customer digital services and platforms. The workstreams are:

- Digital Workplace, Workflows and Automation, including technology in hubs and support of the hybrid working model;
- Customer Self Service, including the review and replacement of our current customer self-service platforms;
- Housing and Care Transformation, supporting the new housing operating model through ongoing investment in staff mobile applications and services;
- Digital Repairs Transformation including an ongoing programme of redevelopment of online repairs services for customers, aligned to ongoing improvement to operational analytics and reporting platform and improvements to customer communications supporting the evolution of 'Book-it, Track-it, Rate-it';
- Core Architecture supporting the management of current technical estate, upgrades to core platforms, replacement of Group firewalls and cloud connectivity improvements, legacy contract terminations and technology removals;
- Cyber Security including the ongoing investment in core platforms, cloud services, security platforms and software and disaster recovery services, support for delivery of Cyber Essentials certification; and
- Data, AI and Innovation, including projects ensuring the delivery of Group Data Strategy and improved analytics.

4.4 Subject to Board approval, an increase in social rents in April 2025 of 6.9% will be applied by our RSLs. This is informed through feedback from consultations carried out with tenants and as approved by all individual RSL Boards. For mid-market and private rental properties, the Scottish Government proposals are for rent controls to apply only in specified rent control areas. This is set out in the Housing (Scotland) Bill 2024 and the Government is consulting on potential exemptions to rent controls in the coming months. [redacted]

4.5 Ensuring rents represent value for money for our customers is a key strategic aim, particularly during this challenging economic environment. Efficiency savings of £3.5m (excluding inflation) have been assumed to be achieved in management costs over the next five years with inflationary increases on discretionary running costs assumed to be offset by value for money ("**VfM**") savings. This is building on the efficiency savings already delivered across the Group to date. We will continue to utilise our investment in technology and our new ways of working to deliver improvements to our customer experience.

Making the Most of our Homes and Assets

4.6 In 2025/26, we plan to spend around £179m in our existing properties between capital investment and repairs, equivalent to £2,845 per property. City Building will continue to play a key part in the investment in our customers' homes through its role as our delivery arm for repairs and investment work in the west and will continue to have a role in the delivery of WH South's investment programme going forward.

4.7 In total, we plan to invest approximately £533m in improvements to our customers' homes in the first five years of the plan, with a further £474m in repairs. This funding will ensure our properties remain in a good state of repair, sufficient provision is available for all compliance requirements and reflects our customers consistent message on how important the overall quality of their home and neighbourhood is to them. Our investment programme has been informed by our Strategic Asset Investment Plans and includes priority projects identified when through our Customer Voice panels.

4.8 Over the five-year period our repairs and investment programme will ensure we:

- Continue to grow the planned funding for our cyclical compliance, with increased provision for fire door safety, asbestos, legionella and rope safety works, and our lifecycle replacement investment programme;
- Create a funding provision of £47m to deliver our neighbourhood plans and a programme of environmental improvements; and
- Create capacity to build a programme of energy efficiency improvements to meet the zero targets in the new SHNZS with a provision of £10m over the first five years.

4.9 A key part of our strategy is to continue to develop quality affordable homes for people in the areas in which we operate and to regenerate communities. We completed 1,430 new homes over the first three years of the strategy and anticipate completing 826 units in 2024/25. Based on the 2025/26 projections a total of 2,857 homes will be added over the 2021-26 strategy period including 97 units delivered by Lowther.

4.10 Over the five-year period from 2025 to 2030 our financial projections reflect the delivery of an additional 3,152 properties for social or mid-market rent including 219 by Lowther Homes and 39 acquisitions/ renovations. Over the 10-year period to 2033, the projections include provision for the development of around 6,680 new homes (RSLs 6,401 and Lowther 279) and 40 acquisitions/ renovations. The projections also include the capacity to undertake significant regeneration projects in the Wyndford estate in Glasgow and Lochside in Dumfries. Further details of the Group's five-year development programme are presented separately to this Board.

4.11 This is in the context of a challenging development market with uncertainty over the longer-term Affordable Housing Supply Programme (AHSP). The Scottish Government announced in its 2025/26 budget an increase, subject to agreement, in the funding for affordable housing with a budget of £768m for 2025/26, a real term increase of 26% from 2024/25. While the budget returns spending in cash terms to a level higher than it was two years ago (£752m), the overall budget in real terms is 3% lower (2024/25 prices) than it was in 2023/24 and despite the increase this will have an impact on our ability to progress the ambitions set out in the previous business plan. Our future pipeline relies on the availability of Government grant for new projects to start on site over the coming year. Our programme reflects discussions with our local authority partners and the Scottish Government to grow the supply of much-needed affordable housing in priority areas. Our five-year development plan is assumed to be supported by £491m of grant income.

4.12 As the Scottish Government have not provided a multi-year funding settlement for housing and as part of our risk analysis, we have modelled a scenario to show the financial impact a reduction in grant funding would have on the projections to ensure we can manage the risk. Details of this scenario are included in Appendix 1, Section 6 at scenario 11 and show that while less new build grant funding would reduce the size of the programme, the ring-fenced nature of new build projects means that the financial impact on the rest of the business is minimal.

Changing Lives and Communities

4.13 The financial projections demonstrate our commitment to changing the lives of our tenants and the wider communities in which we operate. The projections include assumptions on:

- £1m of funding for the Helping Hand Fund until March 2026. This fund provides assistance to our customers who are facing financial hardship with rent; and
- The continued delivery of wide-ranging support by the Wheatley Foundation to customers across the Group including in the key areas of poverty social inclusion, and employability. This will be primarily funded by donations from Lowther Homes and the RSLs with a spend of £8m in 2025/26 used to support core committed activities linked to the RSLs such as provision of welfare benefit advice and home comforts.

4.14 [redacted]

4.15 [redacted]

4.16 [redacted]

4.17 [redacted]

4.18 [redacted]

Developing our Shared Capability

4.19 Over the next five years, we will continue to invest in our staff to ensure they have the skills, attitude, engagement and influence to excel in this hybrid working environment. Our financial plan helps fund a continued focus on staff development in a technology enabled workplace and, in our leadership, apprenticeship opportunities and graduate programmes. Provision has been included to invest in Apprenticeships with for NETS and apprenticeships in Foundation.

4.20 Planned investment of £35.4m in IT and £5.1m in premises and service facilities (such as concierge stations, care sites and local staff/community hubs) is included in our financial projections ensuring all staff are provided with the technology and facilities they need to work effectively and efficiently in our hybrid environment.

Enabling our Ambitions

4.21 To achieve our strategic ambitions, we need to ensure the Group has sufficient funding in place to support our objectives and we remain compliant with our loan covenants.

4.22 As set out in the Funding Strategy discussed at the June 2024 Board meeting, the Group has £800m of capital repayments scheduled to take place before the end of the decade. New funding and refinancing activity will be required to ensure continued liquidity to support our new build programme and scheduled repayments. [redacted] The size of the future funding requirement is largely dependent on the size of the development programme. Our updated financial plan confirms debt raising requirements of between £100m-£300m per annum as we progress through the decade which will be met from a range of sources, primarily private placements and bank term loans.

4.23 Our key indicators of interest cover, which measures the extent to which our operating surplus after deducting grant income on new build covers our interest costs, and debt per unit which relates to our borrowing capacity, are both covenant measures in our loan agreements. Our Financial Golden Rules, which set parameters for the financial position of our RSL Borrower Group are reviewed annually. These Golden rules ensure we maintain sufficient liquidity and headroom within our cash and covenant positions.

4.24 [redacted]

- [redacted]

4.25 [redacted]

[redacted]	
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

4.26 [redacted]

Group Financial Projections

4.27 The Group financial projections are set out in Appendix 1 together with the Group Statement of Comprehensive Income and Group Statement of Financial Position respectively.

RSL Borrower Group

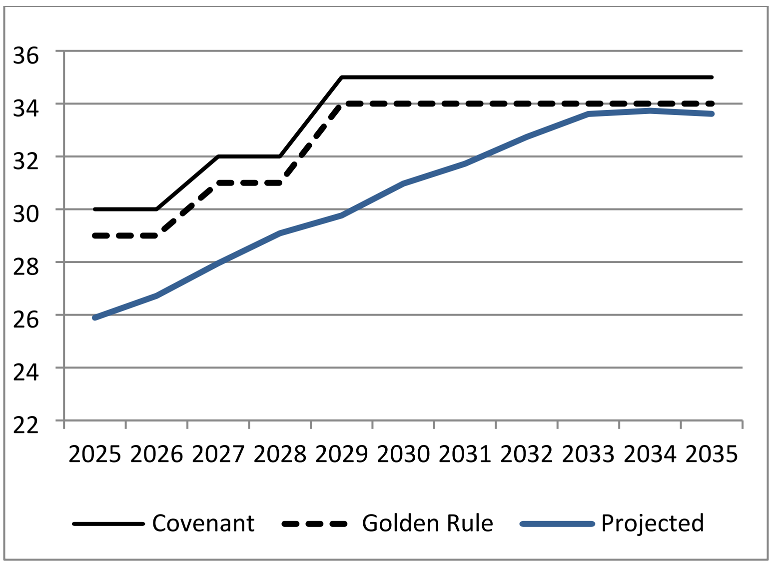
4.28 The RSL activities within the Group, are ring fenced from the wider commercial activities and separate consolidated 'RSL Borrowing Group' accounts are prepared to support the funding in place. These are also shown in Appendix 1.

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

4.30 The funding covenants for the RSL Borrower Group are presented in detail within Appendix 1. The position on two of the key covenants is shown below:

[redacted]

Figure 3: Debt per Unit



Debt per unit covenant moves in stepped increments from £30,000 to £35,000 in stepped changes over the next 4 years. This allows for growth in our development programme and will allow us to deliver over 5,600 new homes in the RSL borrower group over the next 9 years. Minimum headroom is £87.6m in 2033/34 when debt per unit peaks at £33,732

4.31 We have carried out stress testing of our covenant and golden rule compliance and these are contained in the detailed sensitivity analysis set out in Appendix 1. This shows that our forecasts are resilient to a wide range of potential scenarios. In line with previous years, we have also included a list of potential mitigating actions in the appendix. These may form part of our response in the event of adverse conditions arising.

4.32 While not loans covenant, two key financial ratios are monitored. Trading cashflow (underlying surplus after investment in existing homes) ensures that we do not borrow for day-to-day expenditure, interest costs or investment in existing homes and the loan to value ratio (outstanding loans net of cash divided by the value of completed housing and investment properties) is used to assess whether there is sufficient asset cover to support the level of debt. Figures 4 and 5 shows our trading cashflow and asset cover over the first 10 years.

4.33 The trading cashflow interest cover is above 1.10 throughout the period and varies between 1.10 and 1.11 demonstrating the financial strength of the RSLs within the Borrower Group and an active decision to maximise the use of as much of our rental income as possible to invest in our tenants' homes.

4.34 Loan to value increases from 53.5% in 2024/25 to 56.5% by 2032/33 as additional debt is drawn to fund our development programme. Thereafter loan to value reduces to 53.9% by the end of the development programme before steadily reducing year on year in subsequent years. This demonstrates that the RSL Borrower Group has sufficient asset cover to support loans.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

4.36 [redacted]

[redacted]

Annual Update to the Framework of Principal Charges

4.38 The Group Pricing and Charging Policy was updated in February 2024 and shows our approach to charging and pricing for the services we provide our customers. This covers rents and service charges for all housing tenures, as well as other charges levied by our subsidiaries and internal charges between subsidiaries for services and is updated every three years.

4.39 The policy also includes the Framework of Principal Charges which provides more detail on the specific charges and in line with the policy is updated annually in line with the Business Plan. There are no changes to the charging structure for 2025/26 and the charges have been uplifted in line with inflation and the rent and service charge increases set out in the financial projections.

5. Customer engagement

5.1 The commitments funded in the business plan reflect our ongoing programme of engagement with our tenants with over 1,500 tenants actively involved in shaping services and regularly engaging with us through our Stronger Voices programmes. Our Asset Management Strategy, Asset Investment Plans and Neighbourhood Improvement Plans have been developed in conjunction with tenants and have a direct link through to our five-year investment programme. Our financial projections include provision for the resources necessary to support key aspects of our services that customers tell us are most important to them such as repairs and investment to maintain the quality of their home, environmental teams and access to housing services through our Customer First Centre including the "My Repairs" specialist teams.

6. Environmental and sustainability implications

6.1 There are no direct environmental or sustainability implications arising from this report. The projections include provision for investment to improve the energy efficiency of tenants' homes such as new windows and doors and a provision of £9.6m to deliver improvements which will be required to meet the likely targets in the new SHNZS.

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1 Allocations for repairs and investment continue to be at the core of our financial projections. Tenants continue to tell us this is important to them through our Customer Voice Panels and 2025 rent consultation feedback. These projections include rent and cost efficiency assumptions to preserve the appropriate levels of investment in our homes and neighbourhoods. It also starts to build capacity for the investment required to meet proposed SHNZS energy efficiency targets through energy efficiency improvements in our existing properties.

8.2 Our frontline housing, customer first centre and neighbourhood environmental teams and the Wheatley 360 wraparound service remain key elements of our service provision. Support for vulnerable customers is prioritised through our Wheatley Foundation, and our Livingwell offer for older customers. The continuation of our "Helping Hand Fund" will offer support to customers with this focusing on help with paying rent.

9. Legal, regulatory and charitable implications

9.1 The RSL Borrowing Group Financial Projections will be submitted to WFL1 funders for information only. WFL2 funders will receive Lowther Homes Financial Projections.

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

10. Risk appetite and assessment

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

10.2 Sensitivity analysis and stress testing of our financial projections are addressed in Appendix 1 to this report.

11. Equalities implications

11.1 There are no equalities implications arising from this report.

12. Key Issues and conclusions

12.1 The updated financial projections, once approved, will set the overall borrowing framework for 2025/26. The figures in the first year of the projections will form the basis of the annual budgets which will be presented to the RSL subsidiary boards for approval in March. Performance against these budgets will then be monitored through the normal course of Board reporting cycles.

13. Recommendations

13.1 The Board is requested to:

1) Approve the updated projections for investment in assets and services in support of our strategy, *Your Home, Your Community, Your Future*;
2) Approve the RSL Borrower Group and [redacted] financial Golden Rules set out in paragraph 4.25 to paragraph 4.37 respectively;
3) Approve the financial projections for each of the subsidiaries attached; and
4) Agree that the projected 2025/26 figures form the basis of next year's annual budgets for each subsidiary and the Group overall.

LIST OF APPENDICES:

Appendix 1: WHG 2025/26 Financial Projections
Appendix 2: WH Glasgow 2025/26 Financial Projections
Appendix 3: Loretto Housing 2025/26 Financial Projections
Appendix 4: WH East 2025/26 Financial Projections
Appendix 5: WH South 2025/26 Financial Projections
[redacted]

Wheatley Group

Making homes and lives better

www.wheatley-group.com

Wheatley Housing Group
Business Plan Financial Projections
2025/26

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1. Strategic context

External environment	Customer priorities
▪ ***UK economy*** – monetary policy decisions by Bank of England helped reduce inflation however it did rise to 3.0% in January 2025. Potential for further interest rate reductions with challenges remaining in keeping inflation close to the Bank of England 2.0% target and creating sustainable growth. ▪ ***SG private rent controls*** – Transitional arrangements on private tenancies (incl MMR) rent increases in place for Lowther in 2024/25. Long-term rent controls to be implemented through the Housing (Scotland) Bill, with further consultation Spring 2025. ▪ ***Government support for housing in Scotland*** - subject to agreement, the 2025/26 budget for affordable housing is £768m, a real term increase of 26% from 2024/25. Multi-year funding settlement not been provided so uncertainty remains for 2026/27 and beyond. ▪ ***Employers National Insurance*** – changes have a direct impact on our group staff costs and the costs to provide services such as repairs, environmental services and housing management services.	▪ ***Affordable rents*** – cumulative impact of inflation and a potential tightening of the job market will impact on household incomes and affordability of rents. ▪ ***Investment in existing homes*** - maintaining sufficient levels of investment in homes, particularly in relation to key drivers in our asset management strategy. ▪ ***Safe and well maintained neighbourhoods*** – delivering on priorities identified in our neighbourhood plans. Antisocial behaviour remains a key theme in customer feedback highlighting the need to maintain concierge presence and CIP funding. ▪ ***Quality of services*** – customer feedback links quality of service as key priority, particularly in relation to the repairs and NETs service. ▪ ***Efficient use of resources*** – getting things right first time seen as key to getting value for money for the rent they are paying.
Financial sustainability	**Key challenges**
• ***Credit rating & funding relationships –*** maintaining our credit rating and credibility with investors will require us to deliver our planned financial results including operational efficiency savings. • ***Surplus generation*** – the Group needs to deliver planned savings to achieve the projected level of interest cover headroom. Future rent increases provide capacity for investment. • ***Debt servicing and compliance*** – group funding arrangements allow operational flexibility but set clear financial parameters which need to be met going forward (e.g. financial covenants).	• Keeping **rents affordable** during continued financial pressure on the business and tenants' finances. • Making financial resources available for ***repairs and investment in our existing assets,*** services that our customers tell us are priorities. • Mitigating the risk of increased rent arrears due to real reductions in household incomes together with **Universal Credit** and other welfare benefit changes. • ***Operational performance*** – continued focus on performance improvement key to financial stability and becoming best in class.

2. Wheatley Housing Group

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

The following projections are comprised of all companies within the Group.

Financial Projections – next 5 years

Statement of Comprehensive Income

£000s	2025-26	2026-27	2027-28	2028-29	2029-30
Turnover	**511,478**	**530,079**	**559,463**	**604,245**	**590,808**
Operating Costs	(383,038)	(399,255)	(407,792)	(419,797)	(438,648)
Other Income & Gains	(29,176)	(30,640)	(22,526)	(15,949)	(28,324)
Operating Surplus	**99,264**	**100,184**	**129,146**	**168,499**	**123,836**
Operating Margin	*19%*	*19%*	*23%*	*28%*	*21%*
Net Interest Payable	(80,499)	(84,418)	(88,345)	(95,021)	(99,634)
Surplus before Tax	**18,765**	**15,766**	**40,801**	**73,478**	**24,202**
Tax	(476)	(539)	(749)	(761)	(850)
Surplus for the Year	**18,288**	**15,227**	**40,052**	**72,717**	**23,352**
Movement in Housing Valuations	51,336	22,816	(1,045)	(59,252)	22,857
Comprehensive Income	**69,625**	**38,043**	**39,007**	**13,465**	**46,209**

Turnover
Under FRS 102 accounting rules, grant income is recognised as part of turnover in the projected Statement of Comprehensive Income. Grant funding is recognised as income upon completion of the properties resulting in a higher turnover in years where a higher number of properties are completed.

Underlying turnover, excluding grant income, is forecast to increase by 21.0% over the period from £431m to £523m primarily as a result of assumed rental increases and from the projected growth in stock numbers.

Operating Expenditure
Over the five-year period operating costs remain relatively stable in real terms with some small fluctuation due to organisational restructure and demolition costs. The increase in employers' national insurance, effective from 1 April 2025, has a direct impact on our projections increasing staff costs by £2.8m. Strathclyde Pension Fund employer pension contributions of 6.5% (25/26), 17.5% (26/27) returning to 19.3% from 27/28 onwards have also been included in the projections. The movement in operating costs (excluding depreciation) in real terms is demonstrated in the table below. Operating costs for 2024/25 restated at 2025/26 prices are forecast to be £245m.

	2025-26	2026-27	2027-28	2028-29	2029-30
Operating Cost*	£258m	£261m	£260m	£258m	£260m

**Adjusted to exclude depreciation and inflation*

Other Income and Gains
This includes projected gains on revaluation of investment property and any gains or losses from the disposal of fixed assets. The movements reported reflect forecast movements in the value of the RSL and Lowther owned mid-market rent properties with the variation due to number of properties completing in year and the assumed value versus cost of construction.

Operating Surplus
Operating surplus, which includes grant income and valuation adjustments on investment properties, is forecast to increase over the first four years from £99m in the first year to £168m by year 4. There is a reduction in year 5 to £124m as a result of a reduction in grant income recognised. Excluding the impact of the recognition of new build grant income and valuation movements, the operating surplus is projected to increase from £47.6m in 2025/26 to £84.0m in 2029/30. This is equivalent to an increase in operating margin from 10.9% to 15.9% and is driven by increasing rental income and a continued focus on delivering cost efficient customer services.

Funding Costs

While there are now signs of economic stabilisation challenges remain in keeping inflation close to the Bank of England 2% target and creating sustainable growth. In a bid to prevent economic stagnation the Bank of England has reduced interest rates to 4.50% with further gradual reductions forecast in 2025. A large proportion of our existing funding is at fixed rates which limits our interest rate exposure. This is reflected in our projected funding costs in 2025/26, and we have taken a prudent assumption on future variable interest rates in preparing these projections. Over the five-year period funding costs are assumed to increase further as a result of the additional borrowing required to fund the planned development programme. The additional funding costs from the development of new homes will be met by the rental income generated on these properties.

Surplus for the Year

Overall, it is expected that the group will generate an accounting surplus before housing valuation movements of £18.3m in 2025/26. This is projected to increase over the first four years to a surplus of £72.7m due to increases in turnover in line with increasing property numbers, rent increases and efficiency savings achieved on operating expenditure. In year 5 the surplus before housing valuation movements reduces to £23.4m due to a reduction new build properties completing and consequently grant income recognised in Turnover.

Statement of Financial Position

Over the five-year period to March 2030 our net assets increase by £206m to £1,786m.

	2025-26	2026-27	2027-28	2028-29	2029-30
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Housing & Investment Properties	3,560,484	3,733,574	3,896,985	3,981,581	4,152,730
Other Fixed Assets	83,494	78,821	77,616	76,132	73,053
Total Fixed Assets	**3,643,979**	**3,812,394**	**3,974,601**	**4,057,714**	**4,225,783**
Debtors Due < 1 year	52,325	52,390	52,457	52,526	52,476
Cash	15,892	16,432	16,760	16,954	16,830
Creditors Due < 1 year	(174,799)	(195,138)	(228,603)	(184,816)	(230,114)
Net Current Liabilities	**(106,582)**	**(126,316)**	**(159,386)**	**(115,337)**	**(160,809)**
Loans – Bank & Bond	(1,776,565)	(1,869,740)	(1,963,644)	(2,036,065)	(2,135,616)
Loans - SG	(50,959)	(53,473)	(56,111)	(58,879)	(61,784)
Deferred Income > 1 year	(40,363)	(55,312)	(48,900)	(87,408)	(61,341)
Provisions for liabilities & charges	(11,677)	(11,677)	(11,677)	(11,677)	(11,677)
Pension Liability	(8,405)	(8,405)	(8,405)	(8,405)	(8,405)
Long Term Liabilities	**(1,887,969)**	**(1,998,608)**	**(2,088,738)**	**(2,202,434)**	**(2,278,823)**
Net Assets	**1,649,427**	**1,687,470**	**1,726,478**	**1,739,942**	**1,786,152**
Capital & Reserves	**1,649,427**	**1,687,470**	**1,726,478**	**1,739,942**	**1,786,152**

Fixed assets and investment properties

Over the five-year period the value of housing and investment properties are forecast to increase by £730m (21%). This is due to the new units forecast to be completed or acquired over the period in addition to valuation movements on existing stock supported by our capital investment programme.

Net Current Assets / (Liabilities)

Debtors due within a year include movements in rent debtors to provide for the impact of Universal Credit and other welfare reforms.

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

Long Term Liabilities

Bank and bond funding is expected to increase by £416m over the period reflecting the additional borrowing required to fund the development programme. Loans from SG includes the repayable grant received from the Scottish Government. This is reported at fair value which increases year on year until repayment is due in 2040/41. Other long-term liabilities are assumed to remain relatively constant over the period.

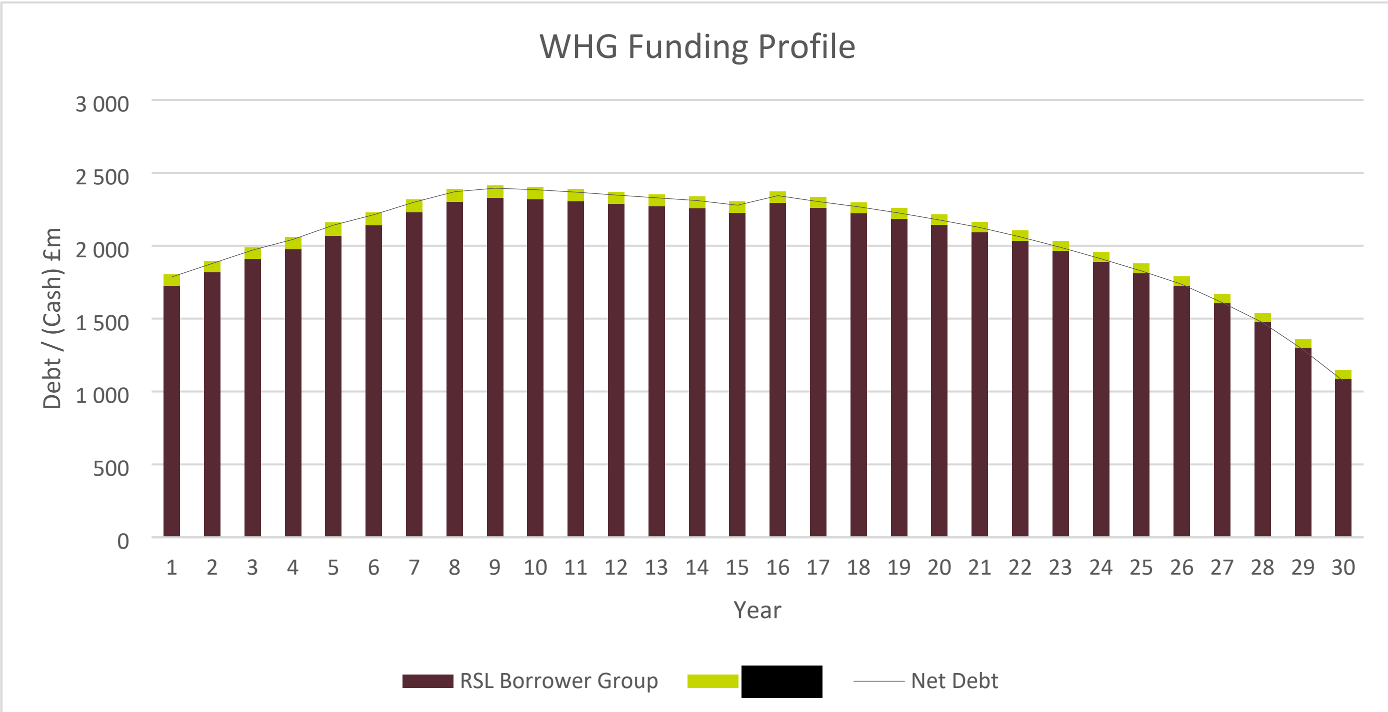
Net Assets

Net Assets are expected to increase over the five-year forecast period in line with the growth in housing properties and increasing surpluses from operating activities.

Funding and Key Financial Ratios

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

	WHG Group		RSL Borrowing Group			[redacted]			
Gross Peak debt (£/year)	£2,413.5m	9	£2,328.6m	9		[redacted]			
Net Peak debt (£/year)	£2,394.5m	9	£2,318.6m	9		[redacted]			



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

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

3. RSL Borrower Group

Background/Assumptions

The RSL borrower group includes all RSLs within the Group except for the parent company Wheatley Housing Group which does not carry out any operating activities. Wheatley Developments Scotland (WDS) a wholly owned subsidiary of Wheatley Housing Group manages and delivers the new build programme on behalf of the Group's RSLs, the results of which form the new build development costs of the RSLs.

Stock numbers

Together WH Glasgow (WHG), Loretto HA (LHA), WH East (WHE) and WH South (WHS) currently own or manage approximately 62,163 properties for social rent, 1,624 mid-market rent houses, which are leased to Lowther Homes, and 358 shared ownership or shared equity properties.

The 62,163 social housing units at 1 April 2025 reflect the handover of 600 units within four 26 storey blocks to our demolition contractor during 2024/25. In addition to these 600 units, a further 578 properties are assumed for demolition over the period to 2033/34. These include 224 properties in WH South including 199 in Lochside, 66 Livingwell properties in Glasgow and a provision for future regeneration activities.

While no significant disposal of housing properties is anticipated, the projections assume 11 properties owned by WH East will be sold during 2025/26. These properties do not allow for tenants residing in the accommodation to live independently and a disposal and re-provisioning strategy was approved by the Barony Board prior to their transfer to WH East. These are the final properties to be disposed of under the agreed re-provisioning strategy.

While properties will reduce over the five-year period as a result of demolition and disposals, the plan projects an overall increase in social housing units as a result of our development and acquisition programme. It is anticipated that 766 new build homes (544 for social rent and 222 for mid-market) will be delivered with a further 22 properties acquired in the year to March 2025.

Subject to agreement of the 2025 Scottish Government budget, the Affordable Housing Supply Programme is to increase in 2025/26 but with no firm commitment to future years' funding levels. A total of 2,933 new build homes are assumed to be completed by the RSL Borrower Group over the next 5 years with 74% of these for social rent, and we will complete over 6,400 homes over the 10 year period

(2024/25 to 2033/34). Our new build programme has aligned our expectations to grant availability, especially in the early years of the plan which will be impacted by the delays caused by grant availability in 2024/25 while also acknowledging a multi-year funding settlement for housing has not been able to be confirmed.

The overall development programme is expected to deliver 2,175 additional social housing properties over the next five years including 20 acquisitions and the conversion of 18 unlettable properties and an office space to 19 flats. A further 2,366 units are expected to be delivered in the period to 2033/34. This will be funded from available cash, use of our committed RCFs, additional debt and will be supported by Scottish Government grant funding.

Over the next five years it is projected that a further 758 properties will be completed, funded from existing and new loan facilities and supported by Scottish Government grant funding. No additional sales have been built into the projections so by the end of 2029/30 it is forecast that 2,382 mid-market rent properties will be owned by the RSLs. In line with existing arrangements, these will be leased to and managed by Lowther Homes. The table below shows the forecast movement in housing stock by tenure over the first five years:

	Year 1 2025-26	Year 2 2026-27	Year 3 2027-28	Year 4 2028-29	Year 5 2029-30	Total Years 1-5	Years 6-9 2030-2034
Social Housing							
Opening Stock	**62,163**	**62,562**	**62,887***	**63,332**	**63,985**	**62,163**	**64,218**
New Build	390	350	444	653	299	**2,136**	**2,366**
Acquisitions / Other	20	0	1**	-	-	**21**	**-**
Demolition / Disposal	(11)	(25)	-	-	(66)	**(102)**	**(487)**
Closing Social Housing Stock	**62,562**	**62,887**	**63,332**	**63,985**	**64,218**	**64,218**	**66,097**
Mid Market Rent							
Opening Stock	1,624	1,819	1,973	2,156	2,249	**1,624**	**2,382**
New Build	195	154	183	93	133	**758**	**375**
Closing MMR Stock	**1,819**	**1,973**	**2,156**	**2,249**	**2,382**	**2,382**	**2,757**
Shared Ownership							
Closing SO/SE Stock	**358**	**358**	**358**	**358**	**358**	**358**	**358**

** stock numbers include existing 18 unlettable units at Duke Street*

***includes 1 new unit at Duke Street added to stock numbers*

Income

Rental income represents on average 94% of the RSL borrowing group's turnover (excl. development and other investment work grants). Rental income has been estimated based on current average weekly rents adjusted for the agreed rent increases to be applied in April 2025. The April 2025 increase approved by all subsidiary boards was 6.9%. While keeping rents affordable remains a key strategic aim, the rent and service charge increases supports the continued investment in our existing homes and our services while remaining comparable with the Sector.

[redacted] uture rent increases will be reviewed annually and will always be subject to consultation with tenants each year. The rent growth assumptions are shown in the table below:

[redacted]

Gross rental income will be reduced by voids, bad debts and arrears. The assumptions in the financial projections for rent loss due to voids have been informed by our historical performance which has remained relatively stable over the last three years and, in the year to December 2024, is sitting at 1.14%. While rent loss due to voids is expected to reduce further as a result of investment works in stock with higher tenancy turnover, the assumptions in the financial projections remain prudent relative to historical performance.

In light of the economic challenges facing our customers together with our experience to date of the impact of welfare reforms similarly prudent assumptions have been made in bad debts and rent arrears. In 2023/24 bad debts as a percentage of gross rental income and service charges were 0.73% and are forecast to be 0.81% in 2024/25. The table below shows the assumed average percentage of rent lost across the group's lettable stock.

Performance	2025-26	2026-27	2027-28	2028-29	2029-30
Voids	1.3%	1.3%	1.3%	1.2%	1.2%
Bad Debts	1.3%	1.4%	1.7%	1.8%	1.9%

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

A provision has also been made for an increase in arrears of £1.7m in the first year of the projections to allow for the potential impact of the economic challenges on our customers’ ability to pay and the impact of benefit changes including the final stages of migration form legacy arrangements to universal credit. This is equivalent to arrears as a percentage of rental income assumed of 6.5% in 2025/26 compared to a target of 5.2% for 2024/25 and reflects our experience of tenants who have already moved onto Universal Credit and expectations going forward.

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

Operating Expenditure

Management costs
Employee costs for 2025/26 reflect the current staffing structure including the Customer First Centre, NETS, Housing Officers, the My Repairs specialist team and the Wheatley 360 model which co-ordinates a number of teams including housing advice and furnished lets teams through a single Group wide structure. The increase in employers’ national insurance, effective from 1 April 2025, has been reflected within the projections and the agreed Strathclyde Pension Fund employer contributions of 6.5% in 2025/26 and 17.5% in 2026/27. Employer contributions are assumed to return to 19.3%, the historic level, thereafter.

[redacted]

During 2023/24 and 2024/25 staff cost savings of £5.5m have been delivered and these have been built into the annual budget. Over the next five years, staff savings of £3.25m have been assumed across the RSLs and Wheatley Solutions as we continue to refine our operating model. These savings will be delivered through our well-established workforce planning process.

Running costs savings of £1.6m have been delivered in 2023/24 and 2024/25. A further cost efficiencies target of £0.3m over the next five years has been reflected in the projections as we continue to re-shape our operating model in addition to inflationary increases on discretionary spend been assumed to be offset by value for money (VfM) savings identified through continuous process improvements, supplier/ contract management and maximising community benefit opportunities. Cost efficiencies allow the Group to keep rents affordable for tenants.

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

£000s	2025-26	2026-27	2027-28	2028-29	2029-30
Employee Costs					
– Direct RSL	47,717	50,824	51,358	51,405	52,152
– Solutions Recharge	22,590	24,124	24,403	24,894	25,396
Total	**70,307**	**74,949**	**75,761**	**76,299**	**77,547**
Running Costs					
– Direct RSL	17,073	17,806	18,318	18,868	19,575
– Solutions Recharge	13,643	14,036	14,466	14,849	15,189
Total	**30,716**	**31,842**	**32,784**	**33,717**	**34,764**

In order to deliver the planned savings a provision of around £7m has been included over the five year period for organisational restructure costs including early retirement and voluntary redundancy (ER/VR) payments. This will include payments in respect of ER/VR for Wheatley Solutions staff who, while seconded to Solutions, are employed by the RSLs within the Group. As employer the relevant RSL will be responsible for any costs associated with ER/VR.

Repairs and Maintenance

Repair costs remain a central part of our projections with the repairs service being identified as one of our top drivers of customer satisfaction and perception of value for money. One of our key strategic priorities is to provide an excellent repairs service which meets customer expectations, protects our assets and fully complies with all current and future safety standards and regulatory requirements. As part of our programme of improvements to our repairs service we will utilise technology such as Book-It, Track- It, Rate-It as well as repairs data to identify areas where efficiencies can be made.

The provision for repairs recognises the demand we have experienced in 2024/25, growth from the additional stock in addition to increases in the cost of our cyclical programme with increased regulatory requirements and safety standards as well as higher contract rates reflected.
The table below shows the average cost per unit (£) assumed for repairs and maintenance before CBG discounts and including inflation.

Repair cost per unit	2025-26	2026-27	2027-28	2028-29	2029-30
Reactive	889	905	933	954	974
Cyclical	548	577	570	569	583

The average cost per unit for cyclical repairs of £548 in 2025/26 reflects an increase of £70 compared with the provision in the 2024/25 Financial Projections for the same year on the same basis, with this primarily driven by an increased regulatory requirements and safety standards. Costs for cyclical and compliance works are assumed to increase with inflation and variations across the 5 year plan reflects the profiling of work to ensure all requirements are met. Costs for reactive repairs are assumed to increase year on year as inflationary increases offset assumed efficiency savings from increased new build and demolition. To mitigate against the impact of increasing costs we will continue to seek efficiencies through the increased use of technology and closer collaboration with our joint venture entity City Building (Glasgow).

Demolition Costs

The financial projections assume that, in addition to 600 units where demolition works are currently in progress, a further 578 units will be demolished in the period to 2033/34 with 91 of these within the five years. As shown in the table below a provision of £15.4m has been included for costs associated with these works, £5.9m of this in the first 5 years. This includes the physical demolition cost, site security and home loss and disturbance payments made to tenants. These costs relate primarily properties to be demolished as part of wider regeneration projects such as in Wyndford and Lochside. As these sites will be redeveloped, we have assumed that £5.2m of the costs over the 5 year period can be capitalised as part of the site preparation costs for the planned new homes.

Demolitions	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
Units	-	25	-	-	66	49	45	201	192
Demolition Costs £000s	4,379*	169	-	174	1,154	1,214	1,633	3,662	3,063

**Demolition costs in 2025/26 are in respect of the 600 units at Wyndford where works are in progress*

Other Provisions

The financial projections include a commitment to invest in the communities in which our tenants live and funding to help tenants who are struggling in the current economic climate.

Initiatives to support our tenants are primarily delivered by the Wheatley Foundation, the Group's charitable trust, with this funded primarily by Group subsidiaries. This funding includes direct donations from the RSLs of £16.5m over the five year period and the interest due from Lowther to WH Glasgow on its £30m convertible loan which is paid directly to the Foundation as WH Glasgow's contribution towards its activities. The additional interest assumed to be received in relation to a £15m increase in WHG's loan to Lowther will also be redirected to the Foundation. The income recognised in the Foundation will be used to continue our commitment to the Community Improvement Partnership, working with police and fire services, in addition to Group Protection and to fund several projects that will benefit customers and communities across the Group. Projects include the Helping Hand Fund, Wheatley Works, educational bursaries, Home Comforts service as well as the provision of Welfare Benefit Advisers. These projects are considered an investment in creating strong and sustainable communities and providing better opportunities for our tenants. It is anticipated that this will contribute to the sustainability of the income stream for the Group over the long term.

Operating Cost per Unit

The table below shows operating expenditure excluding inflation, depreciation and restructuring costs and average stock.

	2025-26	2026-27	2027-28	2028-29	2029-30
Operating Expenditure	**207,903**	**214,327**	**213,363**	**212,829**	**213,313**
Average Stock (Social)	62,363	62,725	63,110	63,659	64,102
Operating Cost per Unit	**3,334**	**3,417**	**3,381**	**3,343**	**3,328**

This shows that operating costs per unit are expected to increase in year 2 and thereafter steadily reduce. Variations in the operating costs per unit can be attributed to specific in year costs while the additional costs associated with the increased number of units over the period are minimised by value for money and efficiency savings gained through service transformation and investment in technology. The increase in year 2 is attributable to the return to the higher rate of employers' pension contributions after the benefit of the reduced rate in 2024/25 and 2025/26 and the return to higher donations paid to the Foundation following increased donations paid over in 2023/24.

Investment & Growth

Capital investment programme

As part of our financial and asset investment planning, we have aligned the level of financial capacity within our financial projections for investment in existing homes with the stock condition information we hold in our asset management system and our rolling programme of stock condition surveys. The information held on our asset management system has been verified by JLL, the Group's independent valuers.

Our core investment activities over the next five years will continue to focus on the delivery of improvements which provide the greatest value to our customers. Informed by the development of our Asset Management Strategy, our investment programme over the next five years includes £46.8m including inflation allocated to the investment priorities set out in our neighbourhood plans and the creation of a provision of £9.6m including inflation to fund energy efficiency improvements in our homes which will be required to meet the likely targets in the new Scottish Housing Net Zero Standard (SHNZS).

The capacity to increase in our investment programme over the five year plan is possible due to operational efficiencies in management costs, generating operational cashflows from rental income as well as financial flexibility provided by the removal of capital investment (MRI) from our interest cover covenant.

Investment in existing stock in 2024/25 is forecast to be £84.7m. Over the next five years this investment will continue with a further £516.7m, including inflation, of planned investment in existing stock. The table below shows the investment assumed by each of the subsidiaries over the five-year period, including VAT, fees and inflation.

Stock Improvement programme £000s	Year 1 2025-26	Year 2 2026-27	Year 3 2027-28	Year 4 2028-29	Year 5 2029-30	Total Years 1-5
Energy Efficiency	9,115	10,937	14,651	18,541	22,355	75,599
Other Compliance & Safety	12,500	14,859	17,729	21,043	23,375	89,506
Strategic & Neighbourhood plan projects	15,558	10,955	14,733	13,898	15,273	70,417
Component Replacements	9,417	12,750	14,630	17,364	19,474	73,634
Total Stock Improvement Programme	**46,590**	**49,501**	**61,743**	**70,846**	**80,476**	**309,156**
Capitalised Repairs	25,493	26,130	26,783	27,453	28,139	133,997
Medical Adaptations & Other Costs	13,908	14,493	14,810	15,034	15,303	73,548
Total Capital Investment	**85,991**	**90,124**	**103,336**	**113,332**	**123,918**	**516,701**

A further provision of £9.3m has been included over the 5 year period for environmental investment works.

New Build

Over the 10-year period from April 2024 it is anticipated that over 6,700 new homes will be delivered by the RSLs through direct development, acquisition and the funding of Lowther's programme.

The cost to deliver this programme has been estimated based on current tendered costs and grant levels. As shown in the table below, total costs of over £1.25bn are projected over the 9 years with this supported by grant funding of £682m. In addition to the provision for construction of new homes, an allowance has been included for the acquisition of up to 20 individual properties in Glasgow. A development fund of £375k has also been provided for in 2025/26.

	2025-26	2026-27	2027-28	2028-29	2029-30	Total Years 1-5	Total Years 6-9	Total
Development Costs* £000s								
Development Costs	112,360	190,667	183,807	149,453	172,345	**808,631**	445,335	**1,253,967**
Grant Income	73,129	112,753	100,811	93,710	87,180	**467,582**	214,373	**681,955**
Net Development Costs	**39,231**	**77,914**	**82,996**	**55,743**	**85,165**	**341,049**	**230,963**	**572,012**
Acquisitions	1,493					**1,493**		**4,676**
Development Fund	375					**375**	-	**375**
Total Spend	**41,098**	**77,914**	**82,996**	**55,743**	**85,165**	**342,917**	**230,963**	**577,063**
Units Completed								
- Social	390	350	463**	653	299	**2,155**	2,366	**4,521**
- MMR	195	154	183	93	133	**758**	375	**1,133**
Total	**585**	**504**	**646**	**746**	**432**	**2,913**	**2,741**	**5,654**

**excludes staffing and capitalised interest*

*** Includes 19 units from the conversion of 18 existing properties and an office.*

Wheatley Development Scotland (WDS) undertakes design and build works on behalf of the RSLs in the group. The use of a separate design and build subsidiary out-with the Wheatley VAT Group allows it to undertake new build developments in a VAT-efficient manner, allowing any VAT costs associated with the design and build of new homes to be reclaimed and reinvested back into the new build programme, thus reducing the overall cost.

The table above highlights that between 2025/26 and 2029/30, we assume £467.6m of grant income to support our development programme. Subject to agreement of the 2025 Scottish Government budget, an increase to the Affordable Housing Supply Programme in 2025/26 has been announced but with no firm commitment to future years' funding levels. Our new build programme has aligned our expectations to grant availability, especially in the early years of the plan which will be impacted by the delays caused by grant availability in 2024/25 while also acknowledging a multi-year funding settlement for housing has not been able to be confirmed. We have carried out a sensitivity scenario to assess the risk if the assumed grant was not all available. While the development of new housing is a key strategic aim, this sensitivity shows that our financial projections are not materially impacted by a limitation on new build grant which in turn would reduce the size of our new build programme.

In addition to the 2,933 properties (including acquisitions) assumed to be directly delivered over the five-year period, the financial projections reflect the increase in WH Glasgow's loan to Lowther Homes of £15m. [redacted]

<u>Cost inflation</u>

Despite CPI dipping below the Bank of England's target rate of 2.0% in September 2024, inflation has steadily crept back into the UK economy and the rate sits at 3.0% in January 2025, with the UK Government Budget in October 2024, Public Sector pay increases and increases on food, air fares and private school fees being contributing factors. According to most recent market expectations, inflation forecasts from the Bank of England and commercial economists, it is now expected that CPI won't fall back to the long term 2.0% target rate until closer to 2027. Increases in the cost of fuel, utilities, insurance and repairs and maintenance costs have had a notable impact on our cost base. Fuel and utilities costs have stabilised to some extent; however, insurance and repairs and maintenance costs are still subject to higher price increases above the general level of CPI.

We have updated our cost assumptions to reflect the current rate of inflation within our 2025/26 financial projections. While we have assumed general cost inflation of 2.5% in 2025/26, we have also taken a granular view of the impact of price increases across the categories of our cost base with the greatest spend, which includes the impact of increasing insurance costs and the expected uplift in rates by City Building Glasgow and wider repairs and applied all other known uplifts. From 2025/26 onwards a general cost inflation rate of 2.5% has been assumed, retaining an element of prudence in our forecasts.

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

Inflation Assumptions	2025-26	2026-27	2027-28	2028-29	2029-30
General Cost Inflation	2.5%	2.5%	2.5%	2.5%	2.5%
Pay Inflation	3.5%	2.5%	2.0%	2.0%	2.0%
Market Forecast (CPI)					
Chatham Financial (Jan 25 Update)	*2.63%*	*2.23%*	*2.00%*	*2.00%*	*2.00%*
BOE (Feb 25 Monetary Policy Report)	*3.50%*	*2.40%*	*1.90%*	*2.00%*	*2.00%*

RSL Borrowing Group Financial Projections – next 5 years

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

Statement of Comprehensive Income

	2025-26	2026-27	2027-28	2028-29	2029-30
Turnover	**458,524**	**465,190**	**506,469**	**546,419**	**522,649**
Operating Expenditure	(333,638)	(352,095)	(360,256)	(371,526)	(388,981)
Other Income & Gains	(27,192)	(17,550)	(22,526)	(12,121)	(16,724)
Operating Surplus	**97,694**	**95,545**	**123,687**	**162,771**	**116,945**
Operating Margin	*21%*	*21%*	*24%*	*30%*	*22%*
Finance Charges	(77,599)	(81,517)	(85,444)	(91,958)	(95,852)
Movement in valuation of social housing properties	51,336	22,816	(1,045)	(59,252)	22,857
Total Comprehensive Income	**71,431**	**36,844**	**37,198**	**11,561**	**43,950**

Turnover

Turnover is forecast to increase over the five-year period as a result of assumed rent increases and income received from the additional properties completed. Underlying turnover, excluding new build grants, is forecast to increase by 22.8% over the period from £379.7m to £466.1m.

Operating Expenditure

Operating expenditure is projected to increase over the period as inflationary increases and provisions for new units delivered through the development programme offset the management cost savings assumed. In real terms i.e. excluding inflation and depreciation operating cost per unit will increase between years 1 and 2 but reduce in subsequent years as a result of efficiency savings.

Operating Surplus (Margin)

It is projected that the RSL Borrower Group will make an operating surplus, including grant recognised on new build and valuation adjustments, in all years with this increasing from £97.7m in 2025/26 to £162.8m in 2028/29 equivalent to an increase in operating margin from 21% to 30%. In 2029/30 the operating surplus reduces to £116.9m equivalent to an operating margin of 22% with this due to a reduction in new build grant income released from deferred income. Excluding the impact of grant income and valuation adjustments, the underlying operating margin increases from 12.1% in 2025/26 to 16.5% by 2029/30. This is due to increased turnover from new units and rent increases, and operating expenditure savings.

Funding Costs

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

Total Comprehensive Income

It is projected that the RSL Borrower Group will make a surplus of £71.4m in 2025/26 with this varying over the 5 year period. Fluctuations in this figure are due to grant recognised in turnover and assumed movements in the valuation of housing properties.

Statement of Financial Position

	2025-26	2026-27	2027-28	2028-29	2029-30
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Housing Properties	3,174,690	3,338,816	3,471,406	3,532,434	3,690,705
Investment Properties	193,416	210,753	231,556	243,369	259,307
Other Fixed Assets & Investments	124,433	123,801	122,600	121,117	118,070
Total Fixed Assets	**3,492,539**	**3,673,370**	**3,825,562**	**3,896,920**	**4,068,082**
Debtors Due < 1 year	46,672	46,704	46,737	46,770	46,684
Cash	10,000	10,000	10,000	10,000	10,000
Creditors Due < 1 year	(151,069)	(184,465)	(209,378)	(162,474)	(219,336)
Net current assets/(liabilities)	**(94,397)**	**(127,761)**	**(152,641)**	**(105,704)**	**(162,652)**
Loans	(1,751,625)	(1,847,298)	(1,943,824)	(2,012,050)	(2,108,381)
Deferred Income > 1 year	(40,363)	(55,312)	(48,900)	(87,408)	(61,341)
Pension Liability	(7,949)	(7,949)	(7,949)	(7,949)	(7,949)
Other Creditors & Provisions	(2,303)	(2,303)	(2,303)	(2,303)	(2,303)
Long Term Liabilities	**(1,802,240)**	**(1,912,862)**	**(2,002,976)**	**(2,109,710)**	**(2,179,974)**
Net Assets	**1,595,902**	**1,632,746**	**1,669,945**	**1,681,506**	**1,725,456**
Capital & Reserves	**1,595,902**	**1,632,746**	**1,669,945**	**1,681,506**	**1,725,456**

Housing and Investment Properties

Housing and investment properties are projected to increase in value by 21.9% to just over £3.9bn over the five-year period as a result of value added through investment in existing stock and additional units developed.

Other Fixed Assets and Investments

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

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

Current Assets/Liabilities

Short term debtors are forecast to increase in the first year of the projections primarily as a result of assumed increases in rent arrears of £1.7m. This increase is intended to provide for the potential impact of the current economic environment on our customers incomes and the impact of welfare benefit reforms including the full roll out of Universal Credit.

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

Cash is assumed to be subject to a minimum balance of £10m.

Long Term Liabilities

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

Reserves

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

Cashflow strength (Trading Cash)

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

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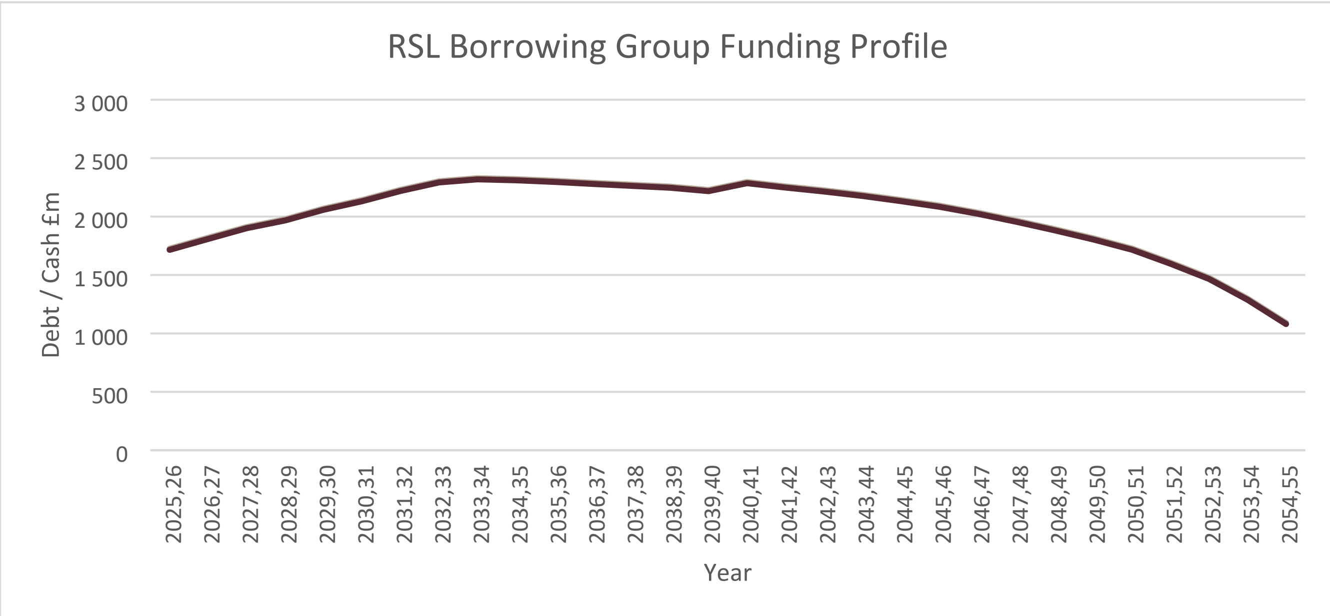
This demonstrates a steady improvement in EBITDA over the period as efficiency savings in operating costs are achieved and additional income is generated from new units and rent increases. Interest costs are forecast to increase over the period as borrowing increases however our projections show there will be sufficient income to cover this in all years. Our cashflow cover sits just above our Golden Rule level of 110% which allows us to maximise the amount of funding for investment in existing homes while retaining headroom of between £8m to £9.9m over the period. Keeping cashflow cover above 100% ensures that we do not borrow to cover our day to day costs or for the investment programme which is an agreed financial objective.

Funding and debt profile

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

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

Key Funding Indicators	
Peak Debt (Gross)	£2,328.6m
Peak Debt (Net)	£2,318.6m
Peak Debt Year	Year 9



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WHG Financial Projections | 2025/26

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Lowther Homes - Interest [redacted]

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5. Other Group Companies

5.1 Wheatley (WHG)

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

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5.3 Wheatley Foundation

The Wheatley Foundation is the Group's charitable company through which we can support our most disadvantaged customers and communities. Having a charitable foundation in the Group allows the expertise and track-record that exists in many of Wheatley's subsidiaries to be shared more widely for the benefit of all tenants and customers and brings a collective approach to our activities. The Foundation's brand and identity have developed to reinforce the Group's reputation for supporting better lives. This is evidenced by the external funding awards secured previously from the Scottish Government and the National Lottery.

The Foundation plays a key role in the Group's response to challenges our customers are facing. As part of focus on tackling poverty and the cost-of-living challenges facing our customers, funding was allocated to the Here For You fund in 2022/23 and 2023/24, to provide assistance to our customers who were facing financial hardship with food, fuel and rent. In 2024/25, the Foundation re-introduced the Helping Hand Fund to support tenants who are struggling with rent. This has proved beneficial to tenants and funding for this has been included in the financial projections for 2025/26 and 2026/27.

The majority of the Foundation's income is received from the other subsidiaries within the Group in the form of donations from the RSLs and through gift aid contributions from Lowther Homes. Over the five-year financial projections, 90% of forecasted income is from Group entities. The opening reserves of the Foundation at 1 April 2025 reflect the increased donations from the RSLs brought forward from 2023/24. The step up in RSL donations from 2026/27 compared to 2024/25 reflects the utilisation of these advanced donations and the return to annual donations at a level necessary to fund the projects and initiatives which have been agreed and which will benefit customers and communities across the Group.

The income recognised in the Foundation will be used to fund projects and initiatives that will benefit customers and communities across the Group. These initiatives include projects such as the Helping Hand Fund, Wheatley Works, educational bursaries, the Home Comforts service, as well as the provision of Welfare Benefit Advisers and Group Protection and Community Policing. These projects are intended to improve the prospects and lives of our customers and communities.

The expenditure allocations in the table below show indicative spend across the five key themes with RSL donations and gift aid from Lowther used to provide funding for committed initiatives linked to RSL activities such as welfare benefits advice, Group Protection and Community Policing, and the Helping Hand Fund. A target for external grant funding is included which, if achieved, will provide scope to consider further initiatives within each of the key programmes.

In addition to spend on key programmes, there is also an element of overheads. These are assumed to be £983k in 2025/26 and relate to the staff costs for the Foundation team who bid for funding and administer monies available on behalf of the Wheatley Foundation and a contribution towards the cost of shared services provided by Wheatley Solutions.

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

Foundation	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
Income					
Gift Aid/RSL Donations	4,768	7,331	7,144	7,422	7,308
External Grant	731	873	591	460	725
Total income	**5,499**	**8,204**	**7,734**	**7,882**	**8,033**
Expenditure/provisional allocations					
Overheads	983	1,030	1,055	1,077	1,100
Tackling Poverty & Social Inclusion	550	561	572	583	594
Education	165	165	90	90	90
Training & Employment	890	899	897	905	913
Digital Inclusion	70	70	-	-	-
Helping Hand Fund	1,000	500	-	-	-
Community Policing and Group Protection	2,692	2,878	2,959	3,023	3,087
Money & Welfare Benefits Advice	1,947	2,101	2,161	2,205	2,249
Total expenditure	**8,297**	**8,204**	**7,734**	**7,882**	**8,033**
Net cash from operating activities	**(2,798)**	**-**	**-**	**-**	**-**
Opening cash	**2,998**	**200**	**200**	**200**	**200**
Closing cash	**200**	**200**	**200**	**200**	**200**

6. Risk Analysis

The key challenges for WHG include:

- How we best mitigate the risk of the current economic climate, including the impact of inflation, the cost of new funding, welfare benefit changes and a tightening of the job market on both our cost base and rent affordability for our customers;
- Delivery of investment works to meet regulatory and energy efficiency standards within available resources
- Our need to reduce our management costs to ensure sustainable services, achieve our financial projections and provide demonstrable value;
- The changing housing market in Scotland, with affordability an increasing national priority across a wider range of residents and potential demand implications for social and mid-market rented housing;
- Limitations on public resources creating need for innovative solution to deliver national priorities and leading to increased demand for our services;
- Adapting care services to the new delivery model and funding environment; and
- Delivery of the development programme within resources available particularly given inflationary cost increases and the dependency on sufficient grant being available to support the programme.

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

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

[redacted]

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

The other potential impact is on our security value and asset cover as significant market downturns or changes in the valuation could negatively impact on our security position. The majority of our £2944m of secured stock is valued on a EUV-SH basis, which is based on discounted cashflows and therefore not impacted by movements in general property values. This is not the case with assets valued on the MV-ST basis and these are more sensitive to general property market fluctuations. Moderate adverse moves result in asset cover being maintained for all lenders. However, in the event of significant variations (for example a 20% fall in house prices and/or 10% increases in repair and management costs) we would have an increased risk of breaching asset cover. [redacted]

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Better homes, better lives
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Wheatley Homes Glasgow Financial Projections 2025/26

Classified as Internal

1. Headlines

The landscape in which we operate has experienced a challenging economic period over the past two years as inflation rose steeply and the Bank of England responded with sustained interest rate rises, creating financial pressure to both businesses and households. Over the last year the monetary policy decisions by the Bank of England have helped reduce inflation and while there are now signs of economic stabilisation, and potential for further interest rate reductions, challenges remain in keeping inflation close to the Bank of England 2% target and creating sustainable growth. Costs also remain higher for key areas of our business such as repairs and insurance. Forecasts are inflation will remain close to or slightly above the 2% target which may allow interest rate reductions from the current rate of 4.75% in 2025. A large proportion of our existing funding is at fixed rates which limits our interest rate exposure. We have updated our business plan assumptions to reflect expectations for future inflation and interest rates on existing and new funding.

Keeping rents affordable remains a key strategic aim but it is important that we strike an appropriate balance between affordability for our tenants whilst ensuring the ongoing financial viability of our operations and the appropriate levels of investment in our homes and services to customers.

After managing our services through the recent period, the rent increase implemented in April 2024 allowed us to begin rebuilding financial capacity in our business plan and, along with assumed future rent increases, provided an appropriate level of funding for investment in lifecycle replacements and our legislative obligations in our homes. During the year, as part of our asset management strategy discussions, we agreed the investment priorities set out in our neighbourhood plans be reflected in our rent setting proposals together with starting to create a provision to fund energy efficiency improvements in our homes which will be required to meet the new Scottish Housing Net Zero Standard (SHNZS) and we have updated our business plan accordingly.

The UK budget in October 2024 announced an extra 1.2% on employers' national insurance and a lowering of the threshold at which contributions start being paid on employee salaries from £9,100 a year to £5,000. This change has a direct impact on our projections increasing staff costs and the costs to provide services such as repairs, environmental services and housing management to tenants. This increase in national insurance contributions was not previously anticipated in our business plan.

We recognise that economic factors are continuing to put pressure on household income, and we have retained a prudent provision in our rent arrears assumptions and have also assumed that all working age tenants on benefits will have moved to Universal Credit by March 2026. As part of the focus on tackling poverty and the cost-of-living challenges facing our customers, funding has been set aside in the Wheatley Foundation to support customers. This includes Welfare Benefits and Fuel Advice, Home Comforts (our furniture upcycling service) and a provision in 2025/26 for the Helping Hand Fund. This fund helps our customers who are facing financial hardship manage their rent accounts.

We are forecast to invest £57.6m in existing homes this year and projected to complete 170 new build properties and acquire a further 20 properties in 2024/25. This is in the context of a challenging development market coupled with the Scottish Government 2024/25 budget reduction to the Affordable Housing Supply Programme (AHSP).

A total of 2,933 new build homes are assumed to be completed by the RSL Borrower Group over the next 5 years with 74% of these for social rent, and we will complete over 6,400 homes over the 10 year period. Subject to agreement of the 2025 budget, the Scottish Government has announced an increase to the AHSP in 2025/26 but with no firm commitment to future years' funding levels. Our new build programme has aligned our expectations to grant availability, especially in the early years of the plan which will be impacted by the delays caused by grant availability in 2024/25 while also acknowledging a multi-year funding settlement for housing has not been able to be confirmed.

Glasgow has plans to deliver 969 affordable homes in the next 5 years, with 603 being for social rent and 366 for mid-market rent and a further 20 market acquisitions are also planned for 2025/26. Over the 10 year period 2024/25 to 2033/34 over 1,700 units will be developed. The programme includes projects which will assist the regeneration of empty land across the city and sites within transformational regeneration areas overseen by Transforming Communities: Glasgow.

Over the next five years, we will continue to invest in our staff to ensure they have the skills, attitude, engagement and influence to excel in this hybrid working environment. Our financial plan helps fund a continued focus on staff development in a technology enabled workplace and, in our leadership, apprenticeship opportunities and graduate programmes.

The updated financial projections for 2025/26 and beyond include (including inflation):

- Provision to deliver 969 new build homes for both social rent (603 units) and mid-market rent (366 units), in addition to the acquisition of 20 properties, in the first 5 years of the plan.
- £336.5m of repairs spend (excluding joint venture discount) in our existing housing stock in the first 5 years.
- £361.3m of investment in our existing housing stock in the first 5 years of the projections, including a provision of £32.7m for our neighbourhood priorities and £6.6m provision to fund energy efficiency improvements to go towards meeting the new Scottish Housing Net Zero Standard (SHNZS)
- Provision of £24.2m for investment in our digital transformation and centres of excellence strategies.
- £9.6m of funding for Initiatives, including the Wheatley Foundation, across the first 5 years of the plan.

- Efficiency savings in our management costs, in real terms, delivered through the achievement of value for money and operational efficiencies helping mitigate the additional costs associated with the increased number of units over the period.

During the development period, our financial forecasts are driven by the profile and relative size of our development programme and the value of grant income and valuation adjustments on completion of new build properties. The forecast total comprehensive income, net assets, cashflow and ratios reflect the higher level of borrowing to support our new build programme. Glasgow's peak net debt of £1,835.1m is forecast to be reached in 2050/51 (year 26).

It is important to note that continued control of costs are an important aspect of managing our financial position.

2. Key assumptions

The key assumptions in the 2025/26 Business Plan are highlighted below. All figures include VAT and inflation, unless stated otherwise.

2.1 Stock

a) Opening stock numbers

Opening stock numbers in the plan reflect the actual stock reported in the statutory accounts as at 31 March 2024, updated for forecast new build completions, market acquisitions and demolitions in 2024/25.

Table 1 – Split of stock by type

Unit Type	Units 31.3.2024	Forecast Completions 2024/25	Forecast Acquisitions 2024/25	Sales 2024/25	Demolitions 2024/25	Units 31.3.2025
General Needs and Supported	42,114	79	20	(2)	-	42,211
Shared Ownership	11	-	-	-	-	11
Approved/planned for demolition	638	-	-	-	(600)	38
Total Social Rent	**42,763**	**79**	**20**	**(2)**	**600**	**42,260**
Market Rent*	884	91	-	-	-	975
Total	**43,647**	**170**	**20**	**(2)**	**600**	**43,235**

**Opening units include 12 full market rent properties, with the remainder being mid-market rent*

In 2024/25, 79 social rent and 91 new build mid-market rent properties are forecast to complete by the end of the year, at Calton Phase 1 and Shandwick Street. In addition, 20 individual asset purchases, “acquisitions”, are forecast for 2024/25. These primarily relate to former Right to Buy properties bought back to facilitate majority ownership of a block. Demolition relates to 4 multi-storey blocks.

Our mid-market rent properties offer a low-cost alternative to people in employment who receive a low to moderate salary. These units are built and owned by WH Glasgow but are leased to and managed through the Wheatley Housing Group’s commercial subsidiary, Lowther Homes Limited. On-going capital works costs will remain the responsibility of WH Glasgow and these costs are reflected within the business plan assumptions.

b) Projected new build completions and closing stock numbers

The 2025/26 projections assume a further 603 social rent units and 366 mid-market rent new build units can be delivered over the first five years of the plan, in addition to 20 acquisitions. This will provide growth in stock number of 2.3% over the 5 years.

The WH Glasgow new build pipeline is shaped by our understanding of the regeneration and housing development opportunities that are currently agreed, or may emerge, in our operational local authority area of Glasgow City. We continue to take forward our plans in the region with our key strategic partners, principally Scottish Government and Glasgow City Council. Table 2 shows the planned profile for both social rent property and mid-market rent properties over the period of the projections.

Table 2 – Housing Stock Numbers

Stock Numbers	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**
Opening Units – Social Rent	42,260	42,320	42,398	42,562	42,803
New build	40	78	164	241	80
Acquisitions	20	-	-	-	-
Demolitions	-	-	-	-	(66)
Closing Units – Social Rent	**42,320**	**42,398**	**42,562**	**42,803**	**42,817**
Opening Units – Market Rent	975	1,063	1,118	1,211	1,261
New build	88	55	93	50	80
Closing Units – Market Rent	**1,063**	**1,118**	**1,211**	**1,261**	**1,341**

Provision for demolitions over the five year period relates to Board approved demolitions at two Livingwell sites.

2.2 Income

a) Rents and Service Charge Income

The rent and service charge increases supports the continued investment in our existing homes and our services while remaining comparable with the Sector.

The plan assumes an average weekly rent based on the current average rent and, subject to Board approval, a 6.9% rent increase in April 2025. Table 3 shows the rent and service charge growth assumptions over the next five years noting that future years' rent increase levels are considered annually by the Board,

[redacted]

[redacted]		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

b) Other Income

Other income includes service charges for heat with rent, district heating and garage lock ups, commercial income from rental of offices and shops underneath our housing properties, income generated from radio masts and solar panels, as well as lease income from Lowther Homes for our MMR properties. WH Glasgow also receives income from both Wheatley Solutions and Lowther Homes for the use of the Wheatley House and Lipton office hubs.

A further £12.0m is expected to be generated by WH Glasgow in 2025/26 from other income streams, rising to £15.6m by year 5 of the projections (2029/30), an increase of 30.0% in annual income. This is driven, in the main, by the completion of 366 new build MMR units which will be leased to Lowther Homes and increases income by £2.9m over the five years.

The projections include provision for the Furnished Lets service for a further three years, with the extension of the service subject to regular review, including consideration of customer uptake and feedback. Wayleave income is prudently assumed for a further year only, with telecoms providers not committing to a programme for more than a year at a time.

Table 4 – Other income summary

Source	Other Income £'000	2025/26	2026/27	2027/28	2028/29	2029/30
External	Commercial – Properties (net of voids)	1,481	1,526	1,571	1,619	1,667
	Commercial - Radio Masts	337	337	337	337	337
	District heating	569	598	629	651	668
	Furnished Lets	429	439	450	-	-
	Garage income (net of voids)	440	461	485	504	524
	Heat with rent (net of voids)	435	540	671	832	1,033
	Home Contents Insurance	416	416	416	416	416
	Solar PVs	400	410	420	431	441
	Wayleave Income	100	-	-	-	-
	Sub-total	**4,607**	**4,727**	**4,979**	**4,790**	**5,086**
Internal	MMR lease income	5,684	6,597	7,141	7,734	8,617
	Commercial - Wheatley House & Lipton	1,728	1,814	1,837	1,879	1,919
	Sub-total	**7,412**	**8,411**	**8,978**	**9,613**	**10,536**
	Total Other Income	**12,019**	**13,138**	**13,957**	**14,403**	**15,622**

2.3 Cost inflation assumptions

Despite CPI in September 2024 dipping below Bank of England target rate of 2.0%, as forecast, inflation has steadily crept back into the UK economy and rose was 2.5% in December, with the UK Government Budget in October 2024 and Public Sector pay increases being contributing factors. According to most recent market expectations, inflation forecasts from the Bank of England and commercial economists now expect CPI won't fall back to the long term 2.0% target rate until closer to 2027. Increases in the cost of fuel, utilities, insurance and repairs and maintenance costs have had notable impact on our cost base. Fuel and utilities costs have stabilised to some extent; however, insurance and repairs and maintenance costs are still subject to higher price increases.

The financial projections have been aligned to focus activities to benefit our customers most in need with provision made to strengthen the support provided through the Helping Hand Fund.

The general cost inflation rate assumed for running costs/overheads within the financial projections are shown in the table below.

Table 5 – Inflation assumptions

Inflation Assumption %	2025/26	2026/27	2027/28	2028/29	2029/30
General cost inflation	2.50%	2.50%	2.50%	2.50%	2.50%
Pay uplift	3.50%	2.50%	2.00%	2.00%	2.00%

2.4 Operating performance

The percentage of rent lost to voids and bad debts has been based on historical performance together with our performance expectations going forward. The higher rate of voids for our supported housing properties reflects the specialist nature of this stock and the need to work in partnership with local authorities to fill void properties, rather than referring to an established waiting list.

Table 6 – Void rent loss, bad debt and arrears assumptions

Performance Assumptions	Current Year	2025/26	2026/27	2027/28	2028/29	2029/30
Routine voids (%)	1.14	1.2	1.2	1.15	1.15	1.15
Bad debts (%)	0.60	1.21	1.35	1.70	1.85	2.02
Arrears (£'000) - gross	13,555	17,551	17,551	17,551	17,551	17,551

The plan assumes voids of 1.2% in years 1 and 2, before dropping down to 1.15%. Current void performance to December 2024 is 1.14% and, in the year ended 31 March 2024 was 1.17%, therefore our assumptions in the business plan are comparable to historical rates.

The business plan assumptions on the movement in arrears continue to recognise the economic challenges facing our customers, together with our experience to date with Universal Credit. The 2025/26 business plan prudently assumes that all working age tenants on benefits move to UC by March 2026, which is reflected in the increase in arrears from the current year to 2025/26, linked to the 5 week initial waiting period. The business plan prudently allows for a further gradual increase in bad debts over the five year period in line with long term planning assumptions.

2.5 Management costs

WH Glasgow's employee cost assumptions reflect costs in relation to delivering the direct staff structure. Additionally, WH Glasgow pays an appropriate share of the salaries of the Compliance and Investment, MyRepairs, New Build, Environmental Service (NETs) and Wheatley 360 staff teams. The year on year movements in staff costs reflect the business planning assumptions for pay uplifts and the timing of work force planning savings. In addition, the increase in employers' national insurance, effective from 1 April 2025, has a direct impact on our projections increasing staff costs by £2.5m. Strathclyde Pension Fund employer pension contributions of 6.5% (25/26), 17.5% (26/27) returning to 19.3% from 27/28 onwards have also been included in the projections.

Running costs include day to day expenditure and an appropriate share of the Environmental Service and Wheatley 360 running costs but exclude Initiatives. Overall, running costs are projected to increase linked to the growth in the number of new build properties, but on an individual cost per unit, will reduce over the five year period.

The plan assumes recharges from Group, which includes employee and running costs for central services such as the Customer First Centre, Employee Relations, IT, Finance, with the impact of the increase in employers' national insurance and SPF pension contributions minimised by value for money and efficiency savings resulting from continued investment in back office services, particularly through the use of technology and improved working practices. Table 7 sets out the overall management costs that are assumed in the plan.

Table 7 – Management cost assumptions (including inflation)

Management Costs £'000	**2025/26**	[redacted]	[redacted]	[redacted]	[redacted]
Employee costs	37,334	[redacted]	[redacted]	[redacted]	[redacted]
Running costs	10,777	[redacted]	[redacted]	[redacted]	[redacted]
Recharges from Group	24,330	[redacted]	[redacted]	[redacted]	[redacted]
Total Management Costs	**72,441**	[redacted]	[redacted]	[redacted]	[redacted]
Average Cost per Unit £	1,713	[redacted]	[redacted]	[redacted]	[redacted]
Average Cost per Unit £ (excl. Inflation)	1,713	[redacted]	[redacted]	[redacted]	[redacted]

Overall, in real terms, management costs per unit are expected to increase in year 2 due to the return to the higher rate of employers' pension contributions after the benefit of the reduced rate in 2024/25 and 2025/26. Thereafter, costs per unit steadily reduce over the 5 year period reflecting additional costs associated with the increased number of units can be managed through continued improvements in efficiency in the operating model. Keeping costs within these limits is required to be able to re-invest in our business and grow our asset base.

2.6 Asset management and growth

a) Repair Costs

Repair costs remain a central part of our projections with our customer satisfaction surveys consistently showing a direct link between the repairs service customers receive and their satisfaction levels. A significant proportion of the planned maintenance budget is to enable us to comply with legislative requirements as a landlord (e.g. fire door safety, gas servicing, electrical inspections, emergency lighting, window safety catches, TMVs, HIU inspections).

The provision for repairs recognises the demand that we have experienced in 2024/25, growth from the additional stock and legislative requirements, whilst also assuming a continuation of our close collaboration with City Building Glasgow. Table 8 summarises the revenue repairs and maintenance assumptions.

Table 8 – Planned and Routine Maintenance (including inflation and excluding joint venture discounts)

Repair Costs £'000	2025/26	2026/27	2027/28	2028/29	2029/30
Routine Maintenance	40,605	41,666	43,076	44,245	45,421
Planned Maintenance	23,235	24,714	24,301	24,302	24,953
Total repair costs	**63,840**	**66,380**	**67,377**	**68,547**	**70,374**

b) Capital Investment

As part of our business planning and Asset Management Strategy, our projections align the provision of financial capacity within our financial projections to deliver on our Asset Investment Plans including funding for legislative compliance, lifecycle replacements, funding to deliver improvements in our neighbourhoods and to support the delivery of energy efficiency projects including those that will go towards delivering the standards outlined in the Scottish Government consultation on the Social Housing Net Zero Standard.

Table 9 summarises the capital investment programme for the next five years. Investment in existing stock in 2024/25 is forecast to be £57.6m. Over the next five years investment will continue with a further £361.3m including inflation, of planned investment in existing stock. On average, this provides an annual uplift of £13.2m investment in existing stock from 2024/25, when 2024/25 is put into 2025/26 prices.

Informed by the development of our Asset Management Strategy, our investment programme over the next five years includes £32.7m including inflation allocated to the investment priorities set out in our neighbourhood plans and the creation of a provision of £6.6m including inflation to fund energy efficiency improvements in our homes which will be required to meet the new Scottish Housing Net Zero Standard (SHNZS).

The capacity to increase in our investment programme over the five year plan is possible due to operational efficiencies in management costs, generating operational cashflows from rental income as well as financial flexibility provided by the removal of capital investment (MRI) from our interest cover covenant.

Capitalised void costs include the costs of carrying out the programme of void works as well as the costs of clearing the properties carried out by a specific voids team in our Group Environmental service. The in-house service gives us greater control over the void turnaround process.

Table 9 – Capital investment programme (including inflation)

Capital Investment £'000	2025/26	2026/27	2027/28	2028/29	2029/30
Core Investment Programme	23,534	27,947	31,412	35,009	35,367
Capitalised Void Costs	10,217	10,490	10,750	11,013	11,283
Capitalised Repairs	9,144	9,372	9,607	9,847	10,093
Disabled Adaptations	2,928	3,001	3,076	3,153	3,232
Capitalised Fixed Overhead	11,255	11,536	11,824	12,120	12,423
Sub-total	**57,078**	**62,346**	**66,669**	**71,142**	**72,398**
Capitalised Employee Costs	5,859	6,234	6,408	6,495	6,625
Total Capital Investment	**62,937**	**68,580**	**73,077**	**77,637**	**79,023**

Over the life of the plan, core investment reflects the provision required to maintain the quality standard of our existing homes, meet the component replacement cycles together with building provision for our neighbourhood priorities and SHNZS works. The increase provision in 2026/27 to 2028/29 also reflects the timing and phasing of the component replacement cycles following the timing of works carried out post stock transfer in 2003 with a number of replacements now falling due. This also provides sufficient capacity in the plan when compared with the level of investment JLL, the Group's valuation experts, have estimated when undertaking the most recent valuation of housing properties.

c) New Build Programme

The new build programme as outlined in Section 1.1 reports 989 new units (623 for social rent (inclusive of 20 acquisitions) and 366 for mid-market rent), to be delivered within the next five years. Table 10 outlines the investment in new build homes over the next five years. In 2025/26 grant income reflects the revised grant drawdown profile agreed in 2024/25 for North Toryglen and Shawbridge Arcade. Note that in-year development costs and unit completions do not necessarily correlate, with costs being incurred over more than one year for many sites.

Table 10 – New build funding profile (including inflation)

New Build Programme £'000	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	Year 1	Year 2	Year 3	Year 4	Year 5	Yrs 1-5
Development Costs	47,326	75,303	71,563	50,382	58,329	302,903
Grant Income	(41,879)	(46,895)	(42,421)	(32,216)	(27,455)	(190,866)
Net Development Cost	**5,447**	**28,408**	**29,142**	**18,166**	**30,874**	**112,037**
Capitalised Employee Costs	3,376	3,570	3,668	3,659	3,732	18,005
Capitalised Demolition Costs	4,369	0	0	0	750	5,119
Capitalised Interest Costs	1,265	1,314	1,778	1,590	961	6,908
Net Cost	**14,457**	**33,292**	**34,588**	**23,415**	**36,317**	**142,069**
Unit Completions (Social and MMR)	128	133	257	291	160	969
Acquisitions	20	-	-	-	-	-

In 2025/26, a further £1.5m spend (development cost of £3.3m net of assumed grant of £1.8m) is included in respect of strategic acquisitions of 20 units and a provision of £0.2m has been included for a development fund. The development fund can go towards projects of strategic importance to help where there is a small funding gap. It has not been assigned to a project at the present time and if unused will be rolled forward.

In addition to the 989 properties WH Glasgow will directly deliver over the five year period, the financial projections reflect an increase in WH Glasgow's loan to Lowther of £15m. The £15m on-lend enables the development of 167 new MMR properties by Lowther (81 completions forecast by March 25). The creation of asset value also allows Lowther to secure a further £15m of private finance, extending the new build programme to 2029/30 when a total of 300 properties will have been delivered.

d) Demolition costs

The financial projections include a provision of £5.3m in respect of our demolition programme over the five year period, which includes provision for service disconnections, home loss and disturbance payments to tenants, in addition to the cost of the physical demolition. The majority of this funding relates to 4 multi storey blocks, with the balance relating to several sites including two Livingwell projects. It has been assumed that most of these costs, £5.1m, can be capitalised as we have plans to redevelop the site, with £0.2m home loss and disturbance payments expensed. The costs of demolition are wholly funded by WH Glasgow, with the revenue component reducing the operating surplus in the year incurred.

2.7 Initiatives and Other Provisions

a) Initiatives

The projections also include provision for initiatives which are available to tenants.

WH Glasgow's main contribution of over the next 5 years is indirectly to Wheatley Foundation. Interest receivable by WH Glasgow on the convertible debt instrument owed by Lowther Homes is passed directly from Lowther to Wheatley Foundation from WH Glasgow, totalling £9m over the five year period. Additional interest of £4.05m, assumed to be received in relation to the £15m increase in on lend to Lowther, will also be redirected to the Foundation in lieu of additional contributions. In addition to this, there is provision in the plan for a direct donation to Wheatley Foundation of £6.9m over the five year period.

The Wheatley Foundation is a charitable trust established with the aim of delivering community benefits. Most of the Foundation's income is received from the other subsidiaries within the Group in the form of donations from the RSLs and through gift aid contributions from Lowther Homes. Over the five year financial projections 90% of forecast income in the Foundation is from Group entities. The income recognised in the Foundation will be used to continue our commitment to the Community Improvement Partnership, working with police and fire services, in addition to Group Protection and to fund several projects that will benefit customers and communities across the Group. Projects include the Helping Hand Fund, Wheatley Works, educational bursaries, Home Comforts service as well as the provision of Welfare Benefit Advisers. These projects are considered an investment in creating strong and sustainable communities and providing better opportunities for our tenants. It is anticipated that this will contribute to the sustainability of the income stream for WH Glasgow over the long term.

WH Glasgow's contribution to these initiatives over the next five years is summarised in the below table. The projections assume funding for the share of Group initiatives in 2025/26, is partly met through use of Foundation cash reserves linked to the higher donations made to the Foundation in 2023/24. The donations include contribution to the Helping Hand Fund in 2025/26 and 2026/27. Other initiatives is for the allocation for Think Yes spend.

Table 11 – Initiatives (including inflation)

Initiatives £'000	2025/26	2026/27	2027/28	2028/29	2029/30
	Year 1	Year 2	Year 3	Year 4	Year 5
Donation to Wheatley Foundation	887	1,544	1,389	1,540	1,541
Other Initiatives	503	520	538	554	568

b) IT Capital Investment

In total, across the Group the financial projections provide for a 5 year IT capital investment programme of £35.4m. This investment is in recognition of the key role technology has in supporting the delivery of the key strategic aims in the Group's 2021-26 strategy. Alongside the digital aspirations for Group services to customers and staff, the funding also provides for a safe, secure and reliable technology service. WH Glasgow makes a capital contribution towards the overall Group IT capital costs. The table below details WH Glasgow's contribution of £24.2m including inflation, over the next 5 years.

Table 12 – IT Capital Contribution (including inflation)

IT Capital Programme £'000	2025/26	2026/27	2027/28	2028/29	2029/30
	Year 1	Year 2	Year 3	Year 4	Year 5
IT Capital Contribution	4,956	4,857	4,797	4,801	4,806

The 5 year IT Capital Investment programme is aligned to 7 workstreams, delivering key business strategy outcomes and ongoing investment across staff and customer digital services and platforms.

The workstreams are:

- Digital Workplace, Workflows and Automation
- Customer Self Service
- Housing and Care Transformation
- Asset & Repairs Transformation
- Core Architecture
- Cyber Security
- Data, AI and Innovation

The investment will support a range of projects aligned to transforming and improving service delivery models, investment in platforms and systems, maintaining and improving Group cyber security and the evolution of our digital, voice and face-face channels of delivery.

- **Digital Workplace, Workflows and Automation** – An ongoing programme of technology and facility upgrades and improvements in Corporate office services (collaboration and meeting technology, remote and home working devices, software and support); improvements to software and platforms supporting staff and 3rd party engagement, content and document sharing and shared service delivery. A range of AI-enabled and RPA (robotic process automation), data integration and automation services to support efficient and effective business and customer service delivery.
- **Customer Digital and Self Service** – Ongoing service improvements and alignment of our online service portfolio with end to end customer journey maps and customer outcomes. Review and replacement of our current customer self-service platforms for tenants and owners and ongoing improvements aligned to customer feedback, customer journey maps and customer outcomes.

Ongoing integration of Group multi-channel services to STORM platform. Ongoing customer and community engagement and feedback service improvements through digital platforms including MS Dynamics and MyVoice, aligned with Stronger Voices and wider customer engagement programmes.

- **Housing and Care Transformation**– Housing service delivery transformation through improvements to staff mobile and desktop applications and services; housing platform upgrades and process improvements through business improvement projects and application consolidation. Key projects include replacement of Group factoring management system; upgrades and improvements to Group Housing Management System; improvements to platforms and services supporting Anti-Social Behaviour, Tenancy Support Services, Welfare Benefits and Environmental service delivery and improvements to customer payment collection platforms and services.
- **Asset and Repairs Transformation** –Technology and business change programme aligning Group West Repairs technology approach and service delivery models to a standard Group approach across platforms, reporting, customer communications and end-end service delivery. Evolution of Group Book-it, Track-it, Rate-it services and improvements to Trade and Inspector field and mobile working through improved devices, system and data access across core delivery, compliance and asset management.
- **Core Architecture** – A programme to ensure the ongoing maintenance, compliance and improvement of Group technology platforms, ensuring the security, stability and support of critical business operations. Delivery and implementation of cyber-technology platforms and services to ensure ongoing security compliance and technical control of applications, data, user activity and cyber-incident responsiveness. Key projects include the final stage of Group data centre terminations and cloud migrations; platform and software upgrades to ensure ongoing compliance and assurance of technology estate and replacement of Group Virtual Desktop services through cloud desktop and 'secure-access, service edge' approach for remote access and hybrid workers.
- **Cyber Security** – Investment and projects improving and advancing core cyber controls, supporting increasingly comprehensive compliance and audit requirements, extending services and logs subject to 24-hour alerting and monitoring services, and delivering Cyber Essentials certification for Care and Group.
- **Data, AI and Innovation** – A programme of projects ensuring delivery of Group Data Strategy and Data Strategy technology roadmap including improvements to reporting, analytics, and data aggregation platforms, including City Building repairs and compliance analytics. An AI (Artificial Intelligence) programme establishing Group AI strategy, governance and delivery roadmap across staff, manager and platform AI improvements.

2.8 Operating Cost per Unit

Our operating costs per unit, excluding depreciation and finance costs over the five year period are set out in Table 13 below:

Table 13 – Operating cost per unit (including inflation)

Operating Costs £'000	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**
Operating Costs	143,776	152,698	155,492	158,774	162,916
Average no. of social rent units	42,290	42,359	42,480	42,683	42,810
Average operating cost per unit £	**3,400**	**3,605**	**3,660**	**3,720**	**3,806**
Average operating cost per unit £ (excl. inflation)	**3,400**	**3,514**	**3,483**	**3,457**	**3,453**

As with management costs per unit, operating costs per unit are expected to increase in year 2 and thereafter steadily reduce before increasing slightly in year 5. Variations in the operating costs per unit can be attributed to specific costs while the additional costs associated with the increased number of units over the period are minimised by value for money and efficiency savings gained through service transformation and investment in technology. The increase in year 2 is attributable to the return to the higher rate of employers' pension contributions after the benefit of the reduced rate in 2024/25 and 2025/26 and the return to higher donations paid to the Foundation following increased donations paid over in 2023/24.

2.9 Interest Rate Assumptions

The new build programme planned requires debt finance to be drawn down over time. In [redacted]

[redacted] – [redacted]

[redacted]

3. Financial projections – next 5 years

3.1 Statement of Comprehensive Income

Table 15 – Statement of Comprehensive Income

Statement of Comprehensive Income	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
Net Rental Income	236,344	248,766	262,839	274,359	286,596
Other Income (including MMR lease income)	12,174	13,298	14,121	14,570	15,796
Grant Income	28,327	20,183	37,709	48,019	23,727
Total Income	**276,845**	**282,247**	**314,669**	**336,948**	**326,119**
Service Costs	(6,912)	(7,073)	(6,684)	(6,842)	(7,001)
Management Costs	(72,441)	(76,881)	(78,079)	(79,086)	(80,668)
Repair and Maintenance Costs	(60,125)	(63,270)	(64,267)	(65,437)	(67,264)
Demo and ER/VR Costs	(1,025)	(1,051)	(1,615)	(505)	(1,810)
Wider Role and Strategic Initiatives	(1,390)	(2,064)	(1,927)	(2,094)	(2,109)
Bad Debt	(2,907)	(3,408)	(4,535)	(5,142)	(5,874)
Depreciation	(83,576)	(86,931)	(86,463)	(91,119)	(97,243)
Operating Expenditure	**(228,376)**	**(240,678)**	**(243,570)**	**(250,225)**	**(261,969)**
Investment Property Valuation Movement	(15,404)	(7,038)	(12,694)	(7,837)	(11,087)
Operating Surplus	**33,065**	**34,531**	**58,405**	**78,886**	**53,063**
Operating Margin (%)	12%	12%	19%	23%	16%
Finance Costs	(54,695)	(57,981)	(60,581)	(64,940)	(68,560)
Housing Property Valuation Movement	49,660	29,847	13,568	(21,993)	32,760
Total Comprehensive Income	**28,030**	**6,397**	**11,392**	**(8,047)**	**17,263**

Rental income

Investment in the new build programme and assumed rental increases will generate 21.3% growth in rental income over the next 5 years ensuring the preservation of appropriate levels of investment in our homes and services to customers while keeping rents affordable.

Other income

Other income relates to income from our service charge offerings to tenants (e.g. heat with rent, home contents insurance, and rental income for our garage lock ups), as well as commercial property income (i.e. our offices and shops, radio mast charges and lease income from Lowther Homes for our MMR properties). Other income is assumed to increase by £3.6m over the first 5 years of the projections, of which £2.9m relates to increased lease income.

Grant income

In line with SORP, the projected Statement of Comprehensive Income shows recognition of grant income upon completion of the properties. The result of this is operating margin increasing or decreasing in line with the level of grant income. Depreciation will increase in line with an increased asset base.

Operating Expenditure

Management costs, as detailed in section 2.5 of this paper, reflect SPF employer pension contributions of 6.5% (25/26), 17.5% (26/27) returning to 19.3% from 27/28 onwards in the projections. The impact of the increase in employers' national insurance and SPF pension contributions has been minimised by value for money and efficiency savings resulting from continued investment in back office services, particularly through the use of technology and improved working practices.

Non-recurring costs have been shown as a separate line as these are included in the projections for a finite length of time only. They primarily relate to demolition costs and ER/VR costs which are "non-recurring" business change expenditure.

As noted in section 2.7, wider role and strategic initiative spend refers to revenue funding for our wider role activities in the communities that we serve. Funding of £9.6m has been included in the first 5 years of the projections.

Investment Property Valuation Movement

Mid-market properties are held on the Statement of Financial Position as Investment Properties. These properties are valued annually, with any increase or decrease in valuation recognised within the Statement of Comprehensive Income.

Finance Costs

Interest payable on our borrowings increases over the five years as debt increases, to fund the new build programme.

Housing Property Valuation Movement

Social rent properties are held on the balance sheet at valuation. These properties are valued annually, with any increase or decrease in valuation recognised within the Statement of Comprehensive Income, below the operating surplus line. The year on year variation in the figure is driven by the profile of new build completions in any one year.

Total Comprehensive Income

The completion of new units has a significant impact on the reported total comprehensive income. Recognition of grant income in relation to completed units increases the reported operating surplus; however, this is offset by a downward valuation of housing properties in the year of completion. Under SORP 2014 new build grants are not considered when calculating valuation movements. In general, the gross development cost, i.e. excluding grant, of these newly completed properties will be higher than the EUV-SH valuation and results in a downward valuation. We have adopted a highly conservative approach to valuation adjustments in the projections and the downward valuation adjustments presented are a prudent scenario. The total comprehensive deficit reported in year 4 of £8.0m is linked to the completion of 241 social rent units (the highest number in an individual year over the five year period).

Over the five year period total comprehensive income is £55.0m.

3.2 Statement of Financial Position (including inflation)

Table 16 – Statement of Financial Position

Statement of Financial Position	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**
	£’000	**£’000**	**£’000**	**£’000**	**£’000**
Housing Properties	1,948,934	2,038,422	2,099,683	2,113,083	2,179,413
Other Fixed Assets	64,555	59,475	58,654	57,259	54,761
Investment Properties	108,952	115,249	125,383	131,458	140,638
Lowther Investment	12,073	12,073	12,073	12,073	12,073
Total Fixed Assets	**2,134,514**	**2,225,219**	**2,295,793**	**2,313,873**	**2,386,885**
Current Assets	65,697	69,683	69,683	69,683	69,562
Current Liabilities	(113,154)	(138,411)	(151,749)	(130,567)	(167,591)
Net Current Liabilities	**(47,457)**	**(68,728)**	**(82,066)**	**(60,884)**	**(98,029)**
Long-Term Liabilities	(1,205,640)	(1,268,677)	(1,314,521)	(1,361,830)	(1,380,434)
Net Assets	**881,417**	**887,814**	**899,206**	**891,159**	**908,422**
Retained Earnings	881,417	887,814	899,206	891,159	908,422
Total Reserves	**881,417**	**887,814**	**899,206**	**891,159**	**908,422**

Housing Assets
The plan assumes Housing Property assets to increase £303.9m over five years from 1 April 2025 due to the construction and delivery of new properties and an assumed increase in the value of our existing stock as a result of investment.

Other Fixed Assets
Other Fixed Assets include our fixtures and fittings and investment in IT Equipment. Annual depreciation charges reduce the balance each year.

Investment Properties

Investment properties include our commercial properties (i.e. shops and offices) and our full market and mid-market rent properties. The plan assumes Investment Property assets to increase £41.8m over five years from 1 April 2025 due to the construction and delivery of new properties and an assumed increase in the value of our existing stock as a result of investment.

Net Current Liabilities

Current assets include rent arrears, trade debtors and cash, together with the intercompany balance relating to the loan to Lowther. Provision has been made for a further increase in arrears in year 1, which continues over the period. The movement in current assets relates to the increase in lending to Lowther.

Current liabilities fluctuate over the period primarily as a result of the inclusion of grant received in respect of the new build programme. This is held as deferred income in the balance sheet until the units complete and it can be recognised in Turnover.

Long Term Liabilities

Long term liabilities relate to the loan due to Wheatley Funding Limited 1 (WFL1) and the contingent efficiencies grant. Net debt steadily increases before slowing between years 10-15, and then increasing again in year 16 due to the repayment of the £100m contingent efficiencies grant. This pushes net debt to a peak of £1,835.1m in year 26 (2050/51).

Retained Earnings

During the five year period from 1 April 2025, retained earnings are projected to increase by the reported total comprehensive income of £55.0m. The increase to reserves reflect the performance over the five year period, as well as property valuation movements, which offset losses linked to our borrowing costs.

3.3 Statement of Cash Flow

Table 17 - Statement of Cash Flow

Cash Flow	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Net Rental and Other Income	247,416	260,897	274,706	286,111	298,764
Operating Expenditure	(139,330)	(150,321)	(153,158)	(154,548)	(159,196)
Net Cash from Operating Activities	**108,086**	**110,576**	**121,548**	**131,563**	**139,568**
Core Capital Expenditure	(60,562)	(67,015)	(71,827)	(77,638)	(79,023)
Net Trading Cash	**47,524**	**43,561**	**49,721**	**53,925**	**60,545**
New Build Expenditure	(58,530)	(78,873)	(75,232)	(54,041)	(62,811)
Grant Income	43,671	46,895	42,421	32,216	27,455
Other Capital Expenditure	(11,000)	(7,624)	(7,326)	(5,760)	(5,787)
Loan to Lowther Homes	(2,752)	(3,986)	0	0	0
Net Cash used in Investing Activities	**(28,611)**	**(43,588)**	**(40,137)**	**(27,585)**	**(41,143)**
Finance Costs	(49,817)	(52,912)	(55,759)	(59,721)	(62,498)
Net Movement in Cash	**(30,904)**	**(52,939)**	**(46,175)**	**(33,381)**	**(43,096)**

Net Cash from Operating Activities

The plan assumes cash from operating activities to increase by 29.1% in five years. Rent increases and the completion and handover of new build properties, creates additional rental and lease income; the positive movement being further assisted by value for money and efficiency savings gained through service transformation and investment in technology.

Net Trading Cash

This reflects the cash available after operating activities and investment in our existing homes and assets. As outlined in section 2.6b) core investment reflects the provision required to maintain the quality standard of our existing homes, meet the component replacement cycles together with building provision for our neighbourhood priorities and SHNZS works. The increase provision in 2026/27 to 2028/29 also reflects the timing and phasing of the component replacement cycles following the timing of works carried out post stock transfer with a number of replacements now falling due.

Net Cash used in Investing Activities

This reflects the new build programme net of grant income received and investment in other fixed assets.

Finance Costs

This reflects the interest due on our loan with WFL1. As expenditure is incurred to pay for our new build programme, WH Glasgow will use existing cash resources, followed by drawing down money from Group. The projections assume the new build programme is completed in 2033/34, while core programme expenditure continues. Peak net debt is reached in year 26 of the plan. Beyond peak net debt year, as no further debt is expected to be drawn, debt levels gradually decrease. Annual finance costs are therefore strongly linked to any increase or decrease in debt.

Net Movement in Cash

In the first five years of the plan we anticipate a £206.5m net cash outflow. This is due to significant investment in our existing properties, and the new build programme, in line with our strategic objectives.

4. [redacted]

[redacted]

[redacted]

[redacted] [redacted]

[redacted]

5.2 [redacted]

[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

5.3 Cash flow strength

Cash flows need to be sufficient to demonstrate that there is enough cash available to service intra-group debt each year and to repay funding within 30 years**.** Revenue surplus removes items that are non-cash and/or unrelated to underlying operations, such as grant income and property valuation movements, to assess the funds available to meet interest payments and pay for all costs related to current stock. A ratio > 1 means that there is sufficient trading capacity to meet interest payments as they fall due. As the debt principal must also be repaid, longer term, the interest cover ratio needs to be over 1.0 to demonstrate sufficient capacity to repay capital.

[redacted]

While the interest cover is below 1.0 throughout the initial five year period, the deficit equating on average to 2% of income, there is a steady return to 1.0 as we approach year 5 with the target of 1.0 being achieved from year 6. A contributing factor to the interest cover being below 1.0 for the initial five year period is our commitment to providing an appropriate level of funding for repairs and investment in our homes with our investment programme over the next five years. This period includes plans for investment in new kitchens, bathrooms, windows and doors which are coming to the end of their component lifespan having formed part of the initial post transfer investment programme. The investment programme also includes £32.7m allocated to the investment priorities set out in our neighbourhood plans and the creation of a provision of £6.6m to fund energy efficiency improvements in our homes towards meeting the new Scottish Housing Net Zero Standard (SHNZS), as outlined in section 2.6. The variation in the level of repairs and investment in existing homes, as outlined in Table 8 and 9, causes variation in the level of interest cover. The fall in cover from year 1 to year 2 is due to the increase in planned maintenance for fixed installation testing, linked to the reduction in statutory testing period from 10 to 5 years.

The level of cover also fluctuates over the period due to the timing of significant new build activity with interest costs increasing before the benefit of rental income is earned from completed new build properties. Increases in rental income (as noted in paragraph 2.2) and continuing management of the cost base during this period are of importance. As shown in the table, at a RSL Borrower Group level the interest cover is above 1 in each of the five years and varies between 1.10 and 1.11.

5.4 [redacted]

[redacted]

Although loan to value increases from 57% in 2025/26 to 59% in years 3 and 5, it remains below our 70% golden rule maximum level. This demonstrates that WH Glasgow will have sufficient asset cover to support loans.

6. Risk analysis

[redacted]

[redacted]

WH Glasgow Financial Projections | 2025/26

[redacted]

Loretto Housing Financial Projections 2025/26

Better homes, better lives

1. Headlines

The landscape in which we operate has experienced a challenging economic period over the past two years as inflation rose steeply and the Bank of England responded with sustained interest rate rises, creating financial pressure to both businesses and households. Over the last year the monetary policy decisions by the Bank of England have helped reduce inflation and while there are now signs of economic stabilisation and potential for further interest rate reductions, challenges remain in keeping inflation close to the Bank of England 2% target and creating sustainable growth. While general Consumer Price Index (CPI) inflation remains above but close to target, costs remain higher for key areas of our business such as repairs and insurance. Forecasts are inflation will remain close to or slightly above the 2% target prompting an interest rate reduction from the current rate of 4.75% in 2025. A large proportion of our existing funding is at fixed rates which limits our interest rate exposure. We have updated our business plan assumptions to reflect expectations for future inflation and interest rates on existing and new funding.

Keeping rents affordable remains a key strategic aim but it is important that we strike an appropriate balance between affordability for our tenants whilst ensuring the ongoing financial viability of our operations and the appropriate levels of investment in our homes and services to customers.

After managing our services through the recent period, the rent increase implemented in April 2024 allowed us to begin rebuilding financial capacity in our business plan and, along with assumed future rent increases, provided an appropriate level of funding for investment in lifecycle replacements and our legislative obligations in our homes. During the year, as part of our asset management strategy discussions, we agreed the investment priorities set out in our neighbourhood plans be reflected in our rent setting proposals together with starting to create a provision to fund energy efficiency improvements in our homes which will be required to meet the new Scottish Housing Net Zero Standard (SHNZS) and we have updated our business plan accordingly.

The UK budget in October 2024 announced an extra 1.2% on employers' national insurance and a lowering of the threshold at which contributions start being paid on employee salaries from £9,100 a year to £5,000. This change has a direct impact on our projections increasing staff costs and the costs to provide services such as repairs, environmental services and housing management to tenants. This increase in national insurance contributions was not previously anticipated in our business plan.

We recognise that economic factors are continuing to put pressure on household income, and we have retained a prudent provision in our rent arrears assumptions and have also assumed that all working age tenants on benefits will have moved to Universal Credit by March 2026. As part of the focus on tackling poverty and the cost-of-living challenges facing our customers, funding has been set aside in the Wheatley Foundation to support customers. This includes Welfare Benefits and Fuel Advice, Home Comforts (our furniture upcycling service) and a provision in 2025/26 for the Helping Hand Fund. This fund helps our customers who are facing financial hardship manage their rent accounts.

We are forecast to invest £3.5m in existing homes this year and projected to complete 39 new build properties in 2024/25. This is in the context of a challenging development market coupled with the Scottish Government 2024/25 budget reduction to the Affordable Housing Supply Programme (AHSP).

A total of 2,933 new build homes are assumed to be completed by the RSL Borrower Group over the next 5 years with 74% of these for social rent, and we will complete over 6,400 homes over the 10 year period. Subject to agreement of the 2025 budget, the Scottish Government has announced an increase to the AHSP in 2025/26 but with no firm commitment to future years. Our new build programme has aligned our expectations to grant availability, especially in the early years of the plan which will be impacted by the delays faced in 2024/25 while also acknowledging a multi-year funding settlement for housing, has not been provided by the Scottish Government.

Loretto has plans to deliver over 400 homes in the next 5 years and over the next 10 years approximately 950 properties will be developed including 80 properties for mid market rent. In addition, we will deliver the conversion of 18 existing units into 19 homes.

Over the next five years, we will continue to invest in our staff to ensure they have the skills, attitude, engagement and influence to excel in this hybrid working environment. Our financial plan helps fund a continued focus on staff development in a technology enabled workplace and, in our leadership, apprenticeship opportunities and graduate programmes.

The updated financial projections for 2025/26 and beyond include:

- Provision to deliver 406 additional new build homes for both social rent (368 units) and mid-market rent (38 units) in addition to the conversion of 18 existing social rent units into 19 homes in the first 5 years of the plan to bring 425 new homes into the letting pool.
- £23.4m of repairs spend in our existing housing stock in the first 5 years.
- £22.4m of investment in our existing housing stock in the first 5 years of the projections, including a provision of £2.8m for our neighbourhood priorities and £0.9m provision to fund energy efficiency improvements to meet the new Scottish Housing Net Zero Standard (SHNZS)
- Provision of £1.3m for investment in our digital transformation and centres of excellence strategies.
- £1.5m of funding for Initiatives, including the Wheatley Foundation, across the first 5 years of the plan.
- Efficiency savings in our management costs, in real terms, delivered through the achievement of value for money and operational efficiencies. This results in our operating costs per unit, excluding inflation, reducing from £3,369 to £3,309 over the 5 year period.

During the development period, our financial forecasts are driven by the profile and relative size of our development programme and the value of grant income and valuation adjustments on completion of new build properties. The forecast total comprehensive income, net assets, cashflow and ratios reflect the higher level of borrowing to support our new build programme. Loretto's peak net debt of £193.8m is forecast to be reached in 2033/34 (year 9).

It is important to note that continued control of costs are an important aspect of managing our financial position.

2. Key assumptions

The key financial assumptions in the 2025/26 Business Plan are highlighted below. All figures include VAT, where applicable, but not inflation (unless stated otherwise).

2.1 Stock

a) Opening stock numbers

Opening stock numbers in the plan reflect the actual stock reported in the statutory accounts as at 31 March 2024, updated for developments completed in 2024/25. The stock number includes 47 units which are managed by Loretto HA on behalf of other providers.

Table 1 – Split of stock by type

Unit Type	Units 31.3.2024	Forecast to complete 2024/25	Units 31.3.2025
General Needs and Supported	2,742	39	2,781
Shared Ownership	17	-	17
Total (Social)	**2,759**	**39**	**2,798**
Mid-Market Rent	17	-	17
Total	**2,776**	**39**	**2,815**

The 17 MMR units at Barclay Street are managed under a lease arrangement with Lowther Homes with the letting and management risk being taken by Lowther. On-going capital works costs will remain for responsibility of Loretto, and these costs are contained within the business plan assumptions moving forward.

b) Units completed

In the previous five years, including the 2024/25 forecast completions, Loretto has completed 298 new build units. Table 2 outlines Loretto's developments in the previous five years.

Table 2 – Units completed

Year	Developments	Units
2020/21	No developments completed	-
2021/22	Cobblebrae, Dargavel	30
2022/23	Dargavel, Hallrule, Queens Quay, Sawmill Field, Vellore Road	205
2023/24	Maddiston	24
2024/25	Constarry Rd, Croy and East Lane, Paisley	39
At 31.03.2025		**298**

c) Projected new build completions and closing stock numbers

The 2025/26 projections assume a provision to deliver 406 additional new build homes for both social rent (368 units) and mid-market rent (38 units) in the first 5 years of the plan, in addition to the conversion of 18 existing social rent units to 19 homes. This will provide significant organic growth, increasing stock numbers to 3,222 and growth of over 14%.

The Loretto new build pipeline considers where new opportunities may emerge, driven by local authority housing strategy and the Strategic Housing Investment Programme that flows from it. The focus is on local authorities in the West of Scotland, with the exclusion of Glasgow City, noting that the development at Forfar Avenue, Cardonald is one exception to this given the previous discussion on the project with Glasgow City Council. The Loretto five-year plan allows for development activity across 7 local authority areas, particularly Renfrewshire and Falkirk along with North Lanarkshire, South Lanarkshire and East Dunbartonshire, increasing housing supply, and our presence in these areas.

Table 3 below shows the planned profile of both social rent and mid-market rent housing stock over the period of the projections.

Table 3 – Housing Stock Numbers

	2025/26	2026/27	2027/28	2028/29	2029/30
Opening Stock – Social Rent	2,798	2,883	2,929*	3,006	3,084
New Build and renovation	85	46	77^	78	83
Closing Stock – Social Rent	**2,883**	**2,929**	**3,006**	**3,084**	**3,167**
Opening Stock – MMR	17	17	37	37	37
New Build and renovation	0	20	0	0	18
Closing Stock - MMR	**17**	**37**	**37**	**37**	**55**

** stock numbers Includes existing 18 units at Duke Street*

^includes 1 new unit at Duke Street added to stock numbers

2.2 Income

a) Rent and Service Charge Income

The rent and service charge increases supports the continued investment in our existing homes and our services while remaining comparable with the Sector.

The plan assumes an average weekly rent based on the current average rent and, subject to Board approval, a 6.9% rent increase in April 2025. In addition to rental income, Loretto receives income from service charges. Based on current charges, forecast income is £1,359k per annum (net of amounts transferred to Wheatley Care) with supported accommodation, which includes service charges being significantly higher than general needs. Table 4 shows the rent and service charge growth assumptions over the next five years noting that future years' rent increase levels are considered annually by the Board

Table 4 – Rent and service charge increase assumptions

	2025/26	[redacted]			
Rent and service charge	6.90%	[redacted]	[redacted]	[redacted]	[redacted]

b) Other Income

In addition to rental and service charge income, Loretto generates income from other sources.

Income Type	Service Description
MMR Lease Income	Lease income from Lowther Homes for the existing development at Barclay Street is £96k per annum, with income of £192k for the 38 new build units by year 5.

2.3 Cost Inflation Assumptions

Despite CPI in September 2024 dipping below the Bank of England target rate of 2.0%, as forecast, inflation has steadily crept back into the UK economy and rose to 2.6% in November falling marginally to 2.5% in December, with the UK Government Budget in October 2024 and Public Sector pay increases being contributing factors. According to most recent market expectations, inflation forecasts from the Bank of England and commercial economists now expect CPI won't fall back to the long term 2.0% target rate until closer to 2027. Increases in the cost of fuel, utilities, insurance and repairs and maintenance costs have had notable impact on our cost base. Fuel and utilities costs have stabilised to some extent; however, insurance and repairs and maintenance costs are still subject to higher price increases.

The financial projections have been aligned to focus activities to benefit our customers most in need with provision made to strengthen the support provided through the Helping Hand Fund.

The general cost inflation rate assumed for running costs/overheads within the financial projections are shown in the table below.

Table 5 – Inflation assumptions

General Inflation Assumptions	2025/26	2026/27	2027/28	2028/29	2029/30
General cost inflation	2.50%	2.50%	2.50%	2.50%	2.50%
Pay uplift	3.50%	2.50%	2.00%	2.00%	2.00%

2.4 Operating performance

The percentage of rent lost to voids and bad debts has been based on historical performance together with our performance expectations going forward. The high rate of voids for our supported housing properties reflects the specialist nature of this stock and the need to work in partnership with local authorities to fill void properties, rather than referring to an established waiting list.

Table 6 – Void rent loss, bad debt and arrears assumptions

Performance Assumptions	Current year	2025/26	2026/27	2027/28	2028/29	2029/30
Routine voids (%) *	1.9	2.5	2.4	2.4	2.3	2.3
Bad debts (%) – General Needs	3.0	3.0	3.0	3.0	3.0	3.0
Bad debts (%) – Supported	2.0	2.0	2.0	2.0	2.0	2.0
Arrears (£'000) – net of bad debt provision	161	203	203	203	203	203

**Blended rate for general and supported*

Voids for each category of rental income remains at a constant % of rental income although the blended rate notes an overall reduction due to the additional new builds in general needs increasing the level of rental income which attracts a lower void rate. The combined current year void performance to December 2024 is 1.86%. The assumptions in the business plan are therefore prudent compared to historical rates. Bad debts remain at a constant % of rental income.

The business plan assumptions on the movement in arrears continue to recognise the economic challenges facing our customers, together with our experience to date with Universal Credit. The 2025/26 business plan prudently assumes that all working age tenants on benefits move to UC by end March 2026, which is reflected in the increase in arrears from the current year to 2025/26, linked to the 5 week initial waiting period.

2.5 Management costs

Loretto's employee cost assumptions reflect costs in relation to delivering the direct staff structure including any costs associated with changes to the structure. Additionally, Loretto pays an appropriate share of the salaries of the Compliance and Investment, MyRepairs, New Build, Environmental Service (NETs) and Wheatley 360 staff teams. The increase in employers' national insurance, effective from 1 April 2025, has a direct impact on our projections increasing staff costs by £0.1m. SPF employer pension contributions of 6.5% (25/26), 17.5% (26/27) returning to 19.3% from 27/28 onwards have also been included in the projections.

Running costs include day to day expenditure and an appropriate share of the Environmental Service and Wheatley 360 running costs but exclude Initiatives. Overall, running costs are projected to increase linked to the growth in the number of new build properties, but on an individual cost per unit, will reduce over the five year period.

The plan assumes recharges from Group, which includes employee and running costs for central services such as the Customer First Centre, Employee Relations, IT and Finance with the increase in employers' national insurance and SPF pension contributions overall mitigated by value for money and efficiency savings resulting from continued investment in back office services, particularly through the use of technology and improved working practices. Table 7 sets out the overall management costs that are assumed in the plan.

Table 7 – Management cost assumptions (excluding inflation)

Management Costs	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
Employee costs	1,543	1,614	1,694	1,540	1,643
Running costs	986	1,018	1,039	1,072	1,111
Recharges from Group	1,622	1,665	1,646	1,645	1,642
Total	**4,151**	**4,297**	**4,382**	**4,261**	**4,402**
Average Cost per Unit £	1,461	1,479	1,477	1,399	1,408

Keeping costs within these limits is required to be able to re-invest in our business and grow our asset base.

2.6 Asset management and growth

a) Repair Costs

Repair costs remain a central part of our projections with our customer satisfaction surveys consistently showing a direct link between the repairs service customers receive and their satisfaction levels. A significant proportion of the planned maintenance budget is to enable us to comply with legislative requirements as a landlord (e.g. fire door safety, gas servicing, electrical inspections, emergency lighting, window safety catches, TMVs, HIU inspections).

The provision for repairs recognises the demand that we have experienced in 2024/25, growth from the additional stock and legislative requirements, whilst also assuming a continuation of our close collaboration with City Building Glasgow. This results in an increase in the average repairs and maintenance cost per unit of 6.5%, excluding inflation, between the 2024/25 budget (stated in 2025/26 prices) and the projection for 2025/26. Table 8 summarises the revenue repairs and maintenance assumptions.

Table 8 – Planned and Routine Maintenance costs (excluding inflation)

Repairs	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**
Responsive Repairs £000	2,547	2,571	2,598	2,636	2,677
Planned Maintenance £000	2,033	2,128	2,101	2,049	2,151
Total	4,580	4,699	4,699	4,685	4,828

b) Capital Investment

As part of our business planning and Asset Management Strategy, we have looked at the level of financial capacity within our financial projections to meet all our compliance obligations, for investment in existing homes, for delivery of our neighbourhood priorities and to support the delivery of energy efficiency projects including those that will go towards delivering the standards outlined in the Scottish Government consultation on the Social Housing Net Zero Standard.

Table 9 summarises the capital investment programme for the next five years. Investment in existing stock in 2024/25 is forecast to be £3.5m. Over the next five years investment will continue with a further £22.4m, stated before inflation, or £23.6m including inflation, of planned investment in existing stock. On average, this provides an annual uplift of £0.98m (before inflation) investment in existing stock from 2024/25.

Informed by the development of our Asset Management Strategy, our investment programme over the next five years includes £2.8m (£2.9m including inflation) allocated to the investment priorities set out in our neighbourhood plans and the creation of a provision of £0.9m (£1.0m including inflation) to fund energy efficiency improvements in our homes which will be required to meet the new Scottish Housing Net Zero Standard (SHNZS).

The capacity to increase in our investment programme over the five year plan is possible due to operational efficiencies in management costs, generating operational cashflows from rental income as well as financial flexibility provided by the removal of capital investment (MRI) from our interest cover covenant.

Capitalised void costs include the costs of carrying out the programme of void works as well as the costs of clearing the properties carried out by a specific voids team in our Group Environmental service. The in-house service gives us greater control over the void turnaround process.

Table 9 – Capital investment programme (excluding inflation)

Capital Investment	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Core Programme	3,268	1,681	2,986	3,297	4,785	16,017
Void Repairs	348	349	349	349	349	1,744
Capitalised Repairs	378	378	378	378	378	1,890
Medical Adaptations	120	120	120	120	120	600
Sub-total	4,114	2,528	3,833	4,144	5,632	20,251
Capitalised Staff	404	424	427	427	427	2,109
Total	**4,518**	**2,952**	**4,260**	**4,571**	**6,059**	**22,360**
Total (including inflation)	**4,518**	**3,025**	**4,473**	**4,917**	**6,680**	**23,613**

c) New Build Programme

The new build programme is set out in Section 1.1 to deliver 406 additional new homes for social and mid-market rent in addition to the conversion of 18 existing social rent units into 19 homes in the first 5 years of the plan.

Table 10 outlines the investment in new build homes over the next five years.

Table 10 – New build funding profile (including inflation)

New Build Programme	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Development Costs	4,747	27,282	24,516	23,585	37,947	118,077
Grant Income (cash received)	1,765	19,728	13,280	13,796	24,981	73,550
Net Development Cost	**2,982**	**7,554**	**11,236**	**9,789**	**12,966**	**44,527**
Renovation of Duke Street	550	4,100	1,150	0	0	5,800
Development fund	75	0	0	0	0	75
Capitalised Employee Costs	819	865	888	906	924	4,402
Capitalised Interest	109	76	278	428	458	1,349
Net Cost	**4,535**	**12,595**	**13,552**	**11,123**	**14,348**	**56,153**
Completions	85	66	77*	78	101	407

**includes additional 1 unit from Duke Street conversion with existing 18 units already accounted for in stock numbers*

A provision of £75k has been included for a development fund. This can go towards projects of strategic importance to help where there is a small funding gap. It has not been assigned to a project at the present time and if unused will be rolled forward.

2.7 Initiatives and Other Provisions

a) Initiatives

The projections also include provision for initiatives which are available to tenants.

The main one is our contribution to the Wheatley Foundation of £1.3m over the next 5 years. The Wheatley Foundation is a charitable trust established with the aim of delivering community benefits. Most of the Foundation's income is received from the other subsidiaries within the Group in the form of donations from the RSLs and through gift aid contributions from Lowther Homes. Over the five year financial projections 90% of forecast income in the Foundation is from Group entities. The income recognised in the Foundation will be used to continue our commitment to the Community Improvement Partnership, working with police and fire services, in addition to Group Protection and to fund several projects that will benefit customers and communities across the Group. Projects include the Helping Hand Fund, Wheatley Works, educational bursaries, Home Comforts service as well as the provision of Welfare Benefit Advisers. These projects are considered an investment in creating strong and sustainable communities and providing better opportunities for our tenants. It is anticipated that this will contribute to the sustainability of the income stream for Loretto over the long term.

Loretto's contribution to these initiatives over the next five years is summarised in the below table. The projections assume funding for the share of Group initiatives in 2025/26, is partly met through use of Foundation cash reserves linked to the higher donations made to the Foundation in 2023/24. Other initiatives includes Think Yes spend.

Table 11 – Initiatives (excluding inflation)

Initiatives	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
Donation to Wheatley Foundation	87	311	308	326	310
Other Initiatives	40	40	40	40	40

b) IT Capital Investment

In total, across the Group the financial projections provide for a 5 year IT capital investment programme of £35.4m. This investment is in recognition of the key role technology has in supporting the delivery of the key strategic aims in the Group's 2021-26 strategy. Alongside the digital aspirations for Group services to customers and staff, the funding also provides for a safe, secure and reliable technology service. Loretto makes a capital contribution towards the overall Group IT capital costs. The table below details Loretto's contribution over the next 5 years.

Table 12 – IT Capital Contribution (excluding inflation)

IT Capital Programme	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£'000	£'000	£'000	£'000	£'000	£'000
IT Capital Contribution	282	269	259	253	247	1,310

The 5 year IT Capital Investment programme is aligned to 7 workstreams, delivering key business strategy outcomes and ongoing investment across staff and customer digital services and platforms.

The workstreams are:

- Digital Workplace, Workflows and Automation
- Customer Self Service
- Housing and Care Transformation
- Asset & Repairs Transformation
- Core Architecture
- Cyber Security
- Data, AI and Innovation

The investment will support a range of projects aligned to transforming and improving service delivery models, investment in platforms and systems, maintaining and improving Group cyber security and the evolution of our digital, voice and face-face channels of delivery.

- **Digital Workplace, Workflows and Automation** – An ongoing programme of technology and facility upgrades and improvements in Corporate office services (collaboration and meeting technology, remote and home working devices, software and support); improvements to software and platforms supporting staff and 3rd party engagement, content and document sharing and shared service delivery. A range of AI-enabled and RPA (robotic process automation), data integration and automation services to support efficient and effective business and customer service delivery.
- **Customer Digital and Self Service** – Ongoing service improvements and alignment of our online service portfolio with end to end customer journey maps and customer outcomes. Review and replacement of our current customer self-service platforms for tenants and owners and ongoing improvements aligned to customer feedback, customer journey maps and customer outcomes. Ongoing integration of Group multi-channel services to STORM platform. Ongoing customer and community engagement and feedback service improvements through digital platforms including MS Dynamics and MyVoice, aligned with Stronger Voices and wider customer engagement programmes.
- **Housing and Care Transformation**– Housing service delivery transformation through improvements to staff mobile and desktop applications and services; housing platform upgrades and process improvements through business improvement projects and application consolidation. Key projects include replacement of Group factoring management system; upgrades and improvements to Group Housing Management System; improvements to platforms and services supporting Anti-Social Behaviour, Tenancy Support Services, Welfare Benefits and Environmental service delivery and improvements to customer payment collection platforms and services.
- **Asset and Repairs Transformation** –Technology and business change programme aligning Group West Repairs technology approach and service delivery models to a standard Group approach across platforms, reporting, customer communications and end-end service delivery. Evolution of Group Book-it, Track-it, Rate-it services and improvements to Trade and Inspector field and mobile working through improved devices, system and data access across core delivery, compliance and asset management.
- **Core Architecture** – A programme to ensure the ongoing maintenance, compliance and improvement of Group technology platforms, ensuring the security, stability and support of critical business operations. Delivery and implementation of cyber-technology platforms and services to ensure ongoing security compliance and technical control of applications, data, user activity and cyber-incident responsiveness. Key projects include the final stage of Group data centre terminations and cloud migrations; platform and software upgrades to ensure ongoing compliance and assurance of technology estate and replacement of Group Virtual Desktop services through cloud desktop and ‘secure-access, service edge’ approach for remote access and hybrid workers.

- **Cyber Security** – Investment and projects improving and advancing core cyber controls, supporting increasingly comprehensive compliance and audit requirements, extending services and logs subject to 24-hour alerting and monitoring services, and delivering Cyber Essentials certification for Care and Group.
- **Data, AI and Innovation** – A programme of projects ensuring delivery of Group Data Strategy and Data Strategy technology roadmap including improvements to reporting, analytics, and data aggregation platforms, including City Building repairs and compliance analytics. An AI (Artificial Intelligence) programme establishing Group AI strategy, governance and delivery roadmap across staff, manager and platform AI improvements.

2.8 Operating Cost per Unit

As a result of the assumed efficiencies in management costs, our operating costs per unit, excluding depreciation and finance costs, decreases over the five year period as set out in Table 13 below.

Table 13– Projected operating cost per unit (excluding inflation)

Operating Costs	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Operating Costs	9,571	10,104	10,228	10,071	10,342
Average No. of Units in year	2,841	2,906	2,968	3,045	3,126
Operating Cost per Unit (£)	3,369	3,477	3,447	3,307	3,309

The operating costs increase in year 2 due to a return to the higher rate of employers' pension contributions after the benefit of the reduced rate in 2024/25 and 2025/26. In addition, from year 2 onwards there is a return to higher donations paid to the Foundation following increased donations paid over in 2023/24. This represents a 1.8% decrease in the operating cost per unit over the five year period, which includes value for money and efficiency savings gained through the service transformation and investment in technology.

2.9 [redacted]

[redacted]

[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

3. Financial projections – next 5 years

a) Statement of Comprehensive Income

Table 15 – Statement of Comprehensive Income

Statement of Comprehensive Income	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
Net Rental Income	17,338	18,545	19,965	21,393	22,873
Other Income (including MMR lease income)	96	109	222	226	297
Grant Income	10,042	8,269	10,638	9,579	12,509
	27,476	**26,923**	**30,825**	**31,198**	**35,679**
Service Costs	(389)	(399)	(409)	(419)	(430)
Management Costs	(4,336)	(4,815)	(4,986)	(4,931)	(5,172)
Repair and Maintenance Costs	(4,580)	(4,816)	(4,938)	(5,046)	(5,329)
Bad Debt	(266)	(326)	(404)	(424)	(444)
Depreciation	(7,807)	(8,313)	(8,973)	(9,788)	(10,546)
Operating Expenditure	**(17,378)**	**(18,669)**	**(19,710)**	**(20,608)**	**(21,921)**
Investment Property Valuation Movement	66	1,934	1,881	4,137	2,643
Operating Surplus	**10,164**	**10,188**	**12,996**	**14,727**	**16,401**
Operating Margin (%)	37%	38%	42%	47%	46%
Finance Costs	(4,185)	(4,602)	(5,155)	(5,820)	(6,537)
Housing Property Valuation Movement	(1,507)	(2,402)	(10,782)	(6,739)	(9,419)
Gain on Sale Properties	-	-	-	-	-
Total Comprehensive Income	**4,472**	**3,184**	**(2,941)**	**2,168**	**445**

Rental income

Investment in the new build programme and assumed rental increases will generate 32% growth in rental income over the next 5 years ensuring the preservation of appropriate levels of investment in our homes and services to customers while keeping rents affordable.

Grant income

In line with SORP 2018, the projected Statement of Comprehensive Income shows recognition of grant income upon completion of the properties. The result of this is operating margin increasing or decreasing in line with the level of grant income. Depreciation will increase in line with an increased asset base.

Expenditure

The planned asset growth, improved working practices and closer collaboration with our service providers over the next 5 years will result in efficiency savings that achieve a 1.8% reduction in operating cost per unit.

Investment Property Valuation Movement

Mid-market properties are held on the Statement of Financial Position as Investment Properties. These properties are valued annually, with any increase or decrease in valuation recognised within the Statement of Comprehensive Income.

Finance Costs

Interest payable on our borrowings increases over the five years as debt increases, to fund the new build programme.

Housing Property Valuation Movement

Social rent properties are held on the balance sheet at valuation. These properties are valued annually, with any increase or decrease in valuation recognised within the Statement of Comprehensive Income, below the operating surplus line. The year on year variation in the figure is driven by the profile of new build completions in any one year.

Gain on Sale

The business plan assumes no properties will be disposed of.

Total Comprehensive Income

The completion of new units has a significant impact on the reported total comprehensive income. Recognition of grant income in relation to completed units increases the reported operating surplus; however, this is offset by a downward valuation of housing properties in the year of completion. Under SORP 2018 new build grants are not considered when calculating valuation movements. In general, the gross development cost, i.e. excluding grant, of these newly completed properties will be higher than the EUV-SH valuation and results in a downward valuation. We have adopted a highly conservative approach to valuation adjustments in the projections and the downward valuation adjustments presented are a prudent scenario. The deficit reported in year 3 of £2,941k is after accounting for the housing property valuation that includes the completed units at Duke Street which were built with no grant funding and therefore has had a greater downward valuation on completion with no offsetting release of grant.

Over the five year period total comprehensive income is £7.3m.

b) Statement of Financial Position

Table 16 – Statement of Financial Position

Statement of Financial Position	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
Housing & Investment Properties	182,503	209,039	222,356	239,595	268,453
Other Fixed Assets	2,381	2,688	3,072	3,551	3,654
Total Fixed Assets	**184,884**	**211,727**	**225,428**	**243,146**	**272,107**
Current Assets	3,400	3,400	3,400	3,400	3,400
Current Liabilities	(9,965)	(19,390)	(18,618)	(21,871)	(19,709)
Net Current Liabilities	**(6,565)**	**(15,990)**	**(15,218)**	**(18,471)**	**(16,309)**
Long-Term Liabilities	(97,783)	(112,017)	(129,431)	(141,728)	(172,406)
Net Assets	**80,536**	**83,720**	**80,779**	**82,947**	**83,392**
Retained Earnings	80,536	83,720	80,779	82,947	83,392
Total Reserves	**80,536**	**83,720**	**80,779**	**82,947**	**83,392**

Housing Assets
The plan assumes Housing & Investment Property assets to increase £87.0m over five years from 1 April 2025 due to the construction of 406 additional new build homes and the renovation of 18 existing social rent units into 19 homes, and an assumed increase in the value of our existing stock as a result of investment.

Other Assets
This includes Lipton House. The increase in value reflects our continued investment in IT across the Group.

Current Assets
Current assets include cash, rent arrears, net of bad debt provision; and other debtors, such as office rent and insurance prepayments. The table shows current assets remaining static across the five years, due to matching debt drawdowns with cash requirements.

Current Liabilities

Current liabilities throughout the five year period include the deferral of new build grant income received until the relevant scheme is complete. Deferred grant income is a liability.

Long-Term Liabilities

Long-term liabilities relate to the loan due from Loretto HA to Wheatley Funding Limited 1 (“WFL1”), pension liability and long term other deferred income. The net balance due to WFL1, after deduction of cash balances, increases from £87.0m at March 2025 to £144.1m at March 2030, funding new build development. Peak net debt of £193.8m occurs in year 9 (2033/34).

Retained Earnings

During the five year period from 1 April 2025, retained earnings are projected to increase by the reported total comprehensive income of £7.3m. The increase to reserves reflect the performance over the five year period, as well as property valuation movements, partly offset losses linked to our borrowing costs during the development period.

c) Statement of Cash Flow

Table 17 - Statement of Cash Flow

Cash Flow	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
Net Rental Income	17,320	18,450	19,908	21,324	22,857
Operating Expenditure	(9,305)	(10,030)	(10,332)	(10,396)	(10,931)
Net Cash from Operating Activities	**8,015**	**8,420**	**9,576**	**10,928**	**11,926**
Core & Other Capital Expenditure	(4,799)	(3,301)	(4,745)	(5,189)	(6,952)
New Build Expenditure	(6,191)	(32,247)	(26,554)	(24,491)	(38,872)
Grant Income	1,765	19,728	13,280	13,796	24,981
Net Cash used in Investing Activities	**(9,225)**	**(15,820)**	**(18,019)**	**(15,884)**	**(20,843)**
Finance Costs	(4,056)	(4,421)	(5,138)	(5,919)	(6,630)
Net Movement in Cash	**(5,266)**	**(11,821)**	**(13,581)**	**(10,875)**	**(15,547)**

<u>Net Cash from Operating Activities</u>
The plan assumes cash from operating activities to increase by 32% in five years. Rent increases and the completion and handover of new build properties, creates additional rental and lease income; the positive movement being further assisted by the operating cost per unit decreasing 1.8% over the same period.

<u>Net Cash used in Investing Activities</u>
This reflects the on-going core programme and other investment works, and the new build programme.

<u>Finance Costs</u>
This reflects the interest due on our loan with WFL1. As expenditure is incurred to pay for our new build programme, Loretto will use existing cash resources, followed by drawing down money from Group. The projections assume the new build programme is completed in 2033/34, while core programme expenditure continues. Peak net debt is reached in 2033/34, which is year 9 of the plan. Beyond peak net

debt year, as no further debt is expected to be drawn, debt levels gradually decrease. Annual finance costs are therefore strongly linked to any increase or decrease in debt.

Net Movement in Cash

In the first five years of the plan, we anticipate a £57.1m net cash outflow. This is due to significant repairs and investment spend in our existing properties, and the new build programme, in line with our strategic objectives.

4. Funding and debt profile

4.1 [redacted]

[redacted]

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[redacted]		[redacted]	
[redacted]		[redacted]	
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5. Key Parameters

5.1 Whilst covenants attached to WFL1 funding are assessed at Group level, rather than individual RSL level, there are important financial parameters which need to be met to ensure that Loretto remains financially sustainable in the long term and that its contribution to the RSL Borrowing Group, along with all the other RSLs in the group, allows WFL1 to meet its external funding conditions. Therefore, the following criteria need to be considered when assessing the impact of any risks or business decisions on projections.

5.2 [redacted]

[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
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As new build units are completed, and handed over, more rental income is generated which along with efficiency savings more than offsets the higher interest costs. In addition, the variation in the level of investment in existing homes, as outlined in Table 9, causes variation in the level of interest cover. This leads to the ratio being above 1 in years 1 to 4 before falling in year 5. Thereafter the cover returns to a ratio above 1 by year 7. The fall in cover from year 4 to year 5 is due to the core programme investment (excluding inflation) increasing from £3.3m to £4.8m, due to an increase in the neighbourhood priority works in year 5. Interest cover at the RSL borrower group level remains above 1 throughout the five year period.

Increases in rental income (as noted in paragraph 2.2) and continuing management of the cost base during this period are of importance.

The long-term financial projections show that debt can be repaid in year 29 of the plan with £28.7m of cash generated in year 30.

5.4 [redacted]

[redacted]

6. [redacted]

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[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
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Wheatley Homes East

Better homes, better lives
www.wheatleyhomes-east.com

Wheatley Homes East Financial Projections
2025/26

Wheatley Group

Classified as Internal

1. Headlines

The landscape in which we operate has experienced a challenging economic period over the past two years as inflation rose steeply and the Bank of England responded with sustained interest rate rises, creating financial pressure to both businesses and households. Over the last year the monetary policy decisions by the Bank of England have helped reduce inflation and while there are now signs of economic stabilisation, and potential for further interest rate reductions, challenges remain however in keeping inflation close to the Bank of England 2% target and creating sustainable growth. While general Consumer Price Index (CPI) inflation remains above but close to target, costs remain higher for key areas of our business such as repairs and insurance and inflation. We have updated our business plan assumptions to reflect expectations for future inflation and interest rates on existing and new funding.

Keeping rents affordable remains a key strategic aim but it is important that we strike an appropriate balance between affordability for our customers whilst ensuring the ongoing financial viability of our operations and the appropriate levels of investment in our homes and services to customers.

After managing our services through the recent period, the rent increase implemented in April 2024 allowed us to begin rebuilding financial capacity in our business plan and, along with assumed future rent increases, provided an appropriate level of funding for investment in lifecycle replacements and our legislative obligations in our homes. During the year, as part of our asset management strategy discussions, we agreed the investment priorities set out in our neighbourhood plans be reflected in our rent setting proposals together with starting to create a provision to fund energy efficiency improvements in our homes which will be required to meet the new Scottish Housing Net Zero Standard (SHNZS) and we have updated our business plan accordingly.

The UK budget in October 2024 announced an extra 1.2% on employers' national insurance and a lowering of the threshold at which contributions start being paid on employee salaries from £9,100 a year to £5,000. This change has a direct impact on our projections increasing staff costs and the costs to provide services such as repairs, environmental services and housing management to customers. This increase in national insurance contributions was not previously anticipated in our business plan.

We recognise that economic factors are continuing to put pressure on household incomes and we have retained a prudent provision in our rent arrears assumptions and have also assumed that all working age customers on benefits will have moved to Universal Credit by March 2026. As part of focus on tackling poverty and the cost-of-living challenges facing our customers, funding has been set aside in the Wheatley Foundation to support customers. This includes Welfare Benefits and Fuel Advice, Home Comforts (our furniture upcycling service) and a provision in 2025/26 for the Helping Hand Fund. This fund helps our customers who are facing financial hardship manage their rent accounts.

We are forecast to invest £7.5m in existing homes this year and projected to complete 456 new build properties in 2024/25, 325 for social rent and 131 for mid-market, and a further 2 social rent acquisitions. This is in the context of a challenging development market exacerbated by the Scottish Government 2024/25 budget reduction to the Affordable Housing Supply Programme (AHSP).

A total of 2,933 new build homes are assumed to be completed by the RSL Borrower Group over the next 5 years with 74% of these for social rent, and we will complete over 6,400 over the 10-year period. Subject to agreement of the 2025 budget, the Scottish Government has announced an increase to the AHSP in 2025/26 but with no firm commitment to future years. Our new build programme has aligned our expectations to grant availability, especially in the early years of the plan which will be impacted by the delays faced in 2024/25 while also acknowledging a multi-year funding settlement for housing has not been provided by the Scottish Government. WHE has plans to deliver 987 homes in the next 5 years and over the next 10 years (2024/25 to 2033/34), 2,459 properties will be developed in WHE.

Over the next five years, we will continue to invest in our staff to ensure they have the skills, attitude, engagement and influence to excel in this hybrid working environment. Our financial plan helps fund a continued focus on staff development in a technology enabled workplace and, in our leadership, apprenticeship opportunities and graduate programmes.

The updated financial projections for 2025/26 and beyond include:

- Provision to deliver 987 additional new build homes in the first 5 years of the plan; 639 social rent homes and 348 mid-market rent homes.
- £46.7m of repairs spend in our existing housing stock in the first 5 years.
- £55.5m of investment in our existing housing stock in the first 5 years of the projections, including a provision of £5.8m for our neighbourhood priorities and £0.8m provision to fund energy efficiency improvements to meet the new Scottish Housing Net Zero Standard (SHNZS).
- Provision of £4.0m for investment in our digital transformation and centres of excellence strategies.
- £3.4m of funding for Initiatives, including the Wheatley Foundation, across the first 5 years of the plan.
- Efficiency savings in our management costs, in real terms, delivered through the achievement of value for money and operational efficiencies. This results in our operating costs per unit, excluding inflation, reducing from £3,028 to £2,925, over the 5 year period.

During the development period, our financial forecasts are driven by the profile and relative size of our development programme and the value of grant income and valuation adjustments on completion of new build properties. The forecast bottom line total comprehensive income, net assets, cashflow and ratios reflect the higher level of borrowing to support our new build programme. WHE's peak net debt of £418.2m is forecast to be reached in 2032/33 (year 8).

It is important to note that continued control of costs are an important aspect of managing our financial position.

2. Key assumptions

The key financial assumptions in the 2025/26 Business Plan are highlighted below. All figures include VAT and inflation (unless stated otherwise).

2.1 Stock Numbers

Social Housing
Opening stock numbers in the plan reflect the actual stock reported in the WHE statutory accounts as at 31 March 2024, updated for 2 acquisitions and the developments at Rowanbank, Doctors Field Rosewell, South Fort Street, Blindwells and Deans South Phases 1A and 1B which completed in 2024/25 and for expected completions at West Craigs, Sibbalds Brae and Winchburgh BB. There were also 17 disposals across pre-1919 tenements and supported units.

Table 1 – Opening Social Housing Stock

Unit type	Units 31 March 2024	Forecast to complete 2024/25	Forecast disposals 2024/25	Units 31.03.2025
General Need	6,277	327	(4)	6,600
Supported	358	0	(13)	345
Shared Ownership	330	0	0	330
Total (Social)	**6,965**	**327**	**(17)**	**7,275**

Over the next 5 years of the plan, it is anticipated that 639 new homes for social rent will be delivered as a result of our development programme. It is further assumed that the remaining 11 of the supported housing units which transferred from Barony will be sold in

2025/26. These properties do not allow for customers residing in the accommodation to live independently and a disposal and re-provisioning strategy had been previously approved by the Barony Board prior to the transfer.

Table 2 below shows the profile of self-contained units for social housing (excluding shared ownership units) over the period of the projections.

Table 2 – Social Housing Stock Profile (social rent only)

Stock Numbers	2025/26	2026/27	2027/28	2028/29	2029/30
General & Supported Housing Opening Stock	7,275	7,496	7,601	7,712	7,827
New Build	232	105	111	115	76
Sales	(11)	0	0	0	0
Closing Stock	**7,496**	**7,601**	**7,712**	**7,827**	**7,903**

Mid-Market Rent Housing

In addition to social housing WHE own investment properties for mid-market rent ("MMR"). These properties will continue to be managed under a lease arrangement with Lowther Homes with the letting and management risk being taken by Lowther. On-going capital works costs will remain WHE's responsibility, and these costs are contained within the business plan assumptions moving forward.

Opening stock numbers reflect the actual stock as at 31 March 2025, updated for developments completed during 2024/25. The projections include the expected delivery of 348 affordable mid-market rent properties over the next 5 years as shown in table 3 below.

Table 3 – Mid Market Rent Stock Profile

Mid Market Rent – Stock numbers	2025/26	2026/27	2027/28	2028/29	2029/30
Opening Stock	531	638	711	801	844
New Build	107	73	90	43	35
Closing Stock	**638**	**711**	**801**	**844**	**879**

2.2 Rental and Service Charge income

The rent and service charge increases supports the continued investment in our existing homes and our services while remaining comparable with the Sector.

The plan assumes an average weekly rent based on the current average rent and, subject to Board approval, a 6.9% rent increase in April 2025. In addition to rental income, WHE receives income from service charges, which is increased in line with rent increases. Based on current charges, forecast service charge income is £2.8m in year 1.

The table below shows the rent and service charge growth assumptions over the next five years noting that future years' rent increase levels are considered annually by the Board.

Table 4 – Rent and service charge increase assumptions

Rent Increase	2025/26	[redacted]	[redacted]	[redacted]	[redacted]
Rent and service charge	6.9%	[redacted]	[redacted]	[redacted]	[redacted]

2.3 Other Income

Other rental income

This income reflects the lease income received from Lowther for MMR properties, as well as commercial property income. As the MMR properties are completed, income from the lease arrangement with Lowther will commence. The value of the lease will be determined on a scheme-by-scheme basis and the annual income for existing developments is c£6,795 per unit within the projections. The value of these leases have been set at a level that ensures WHE receive a sufficient return to cover the funding costs associated with them together with the cost of any capital replacements.

Supporting People Grants

The financial projections assume WHE will receive £408k of grant income from Edinburgh Council to provide support services at WHE Harbour.

Wheatley East Property Services – Net Surplus

Income is assumed to be received from Lowther in respect of repairs and capital works carried out by Wheatley Homes East Property Services ("WHEPS"). This is offset by costs for the provision of the repairs service, namely staffing and materials, and, along with surpluses on external works, is anticipated to result in an estimated margin of £74k in 2025/26. Income is referenced to repairs and investment spend in the financial projections. Staff costs are forecast to increase in line with salary inflation each year and material cost assumptions are linked to general cost inflation assumptions.

Other income

Other income received by WHE includes management fees from Livingwell service and shared owners, also includes income from district heating sites and Wheatley Solutions lease income for use of office space.

Table 5 below shows the projected other income (including inflation) for the first five years of the plan. Over the period other rental income is expected to increase substantially primarily as a result of an increase in lease income received from Lowther in respect of the additional MMR properties.

Table 5 – Other Income (including inflation)

Other Income £000's	2025/26	2026/27	2027/28	2028/29	2029/30
Other Rental Income	4,347	5,147	5,909	6,572	7,087
Supporting People Grant	408	408	408	408	408
WHEPS Net Surplus	74	76	78	79	81
Other Income	498	510	513	519	524
Medical adaptation grant income	180	180	180	180	180
Total	**5,507**	**6,321**	**7,088**	**7,758**	**8,280**

2.4 Cost inflation

Despite CPI in September 2024 dipping being below the Bank of England target rate of 2.0%, as forecast, inflation has steadily crept back into the UK economy and is 2.5% in December 2024, with the UK Government Budget in October 2024 and Public Sector pay increases being contributing factors. According to most recent market expectations, inflation forecasts from the Bank of England and commercial economists now expect CPI won't fall back to the long term 2.0% target rate until closer to 2027. Increases in the cost of fuel, utilities, insurance and repairs and maintenance costs have had notable impact on our cost base. Fuel and utilities costs have stabilised to some extent; however, insurance and repairs and maintenance costs are still subject to higher price increases.

The financial projections have been aligned to focus activities to benefit our customers most in need with provision made to strengthen the support provided through the Helping Hand Fund.

The general cost inflation rate assumed for running costs/overheads within the financial projections are shown in the table below.

Table 1 - Inflation assumptions

General Inflation Assumptions	2025/26	2026/27	2027/28	2028/29	2029/30
General cost inflation	2.5%	2.5%	2.5%	2.5%	2.5%
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

2.5 Operating Performance

The percentage of rent lost to voids and bad debts assumed has been based on historical performance of general needs housing together with our performance expectations going forward.

Table 7 – Void rent loss, bad debt and arrears assumptions

	2025/26	2026/27	2027/28	2028/29	2029/30
Routine voids (%)	1.45%	1.35%	1.34%	1.33%	1.32%
Bad debts (%)	1.00%	1.00%	1.00%	1.00%	1.00%
Arrears (£'000)	1,290	1,290	1,290	1,290	1,290

Void losses are assumed at 1.45% in year 1, with this assumed to reduce over the period to 1.32% by year 5. Year to date void performance in 2024/25 is 1.47% with this driven by the supported accommodation having high void rates throughout the financial year. A higher void % rate has been applied to supported accommodation within the business plan, with the blended void % rate noted above. The reduction in void rates assumed over the 5 year period is due to sales in 2024/25 and planned sales for 2025/26 of properties with higher void rates combined with the impact of the development programme.

The provision for bad debts has been assumed at a constant 1.0% of rental income in 2025/26, which is aligned to our performance of 0.9% in the current year to December 2024. Business plan assumptions on the movement in arrears have been updated to take into account the economic challenges facing our customers together with our experience to date with Universal Credit. The 2025/26 business plan prudently assumes that all working age customers on benefits move to UC by March 2026, which is reflected in the increase in arrears from the current year to 2025/26, linked to the 5 week initial waiting period.

2.6 Management Costs

WHE's employee cost assumptions reflect costs in relation to delivering the direct staff structure including any costs associated with changes to the structure. Additionally, WHE pays an appropriate share of the salaries of the Compliance and Investment, New Build, Environmental Service (NETs) and Wheatley 360 staff teams. The increase in employers' national insurance, effective from 1 April 2025, has a direct impact on our projections increasing staff costs by £0.2m and the costs to provide services such as repairs, environmental services and housing management to customers.

Running costs include day to day expenditure and an appropriate share of the Environmental Service and Wheatley 360 running costs but exclude Initiatives. Overall, running costs are projected to increase linked to the growth in the number of new build properties, but on an individual cost per unit, will reduce over the five year period.

The plan assumes recharges from Group, which includes employee and running costs for central services such as the Customer First Centre, Employee Relations, IT and Finance with the increase in employers' national insurance overall mitigated by value for money and efficiency savings resulting from continued investment in back office services, particularly through the use of technology and improved working practices. Table 8 sets out the overall management costs that are assumed in the plan.

Management costs per unit decreases 6.2% over the five year period.

Table 8 – Management cost assumptions (excluding inflation)

Management Costs £000's	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**
Employee Costs	5,133	5,174	5,159	5,056	5,004
Running Costs	5,393	5,436	5,508	5,576	5,643
Wheatley Solutions Recharges	4,703	4,829	4,782	4,784	4,780
Total	**15,229**	**15,439**	**15,449**	**15,416**	**15,427**
Average Cost per Unit £	1,872	1,857	1,815	1,778	1,757

Keeping costs within these limits is required to be able to re-invest in our business and grow our asset base.

2.7 Asset Management and Growth

a) Repair & Maintenance Costs

Repair costs remain a central part of our projections with our customer satisfaction surveys consistently showing a direct link between the repairs service customers receive and their satisfaction levels. A significant proportion of the planned maintenance budget is to enable us to comply with legislative requirements as a landlord (e.g. fire door safety, gas servicing, electrical inspections, emergency lighting, window safety catches and TMVs).

The provision for repairs recognises the demand that we have experienced in 2024/25 and growth from the additional stock. This results in the average repairs and maintenance cost per unit increasing by 8.8%, excluding inflation, between 2024/25 budget (stated in 2025/26 prices) and the projection for 2025/26. This increase is driven by higher national insurance costs, additional staff for the restructure of repairs team and a provision for fire door inspections. Table 8 summarises the revenue repairs and maintenance assumptions. The majority of repairs and maintenance services to WHE are carried out in-house by WHE Property Services (”WHEPS”). Table 9 summarises the revenue repairs and maintenance assumptions.

Table 9 – Routine and Planned Maintenance Costs (including inflation)

Repairs £000’s	2025/26	2026/27	2027/28	2028/29	2029/30
Routine Maintenance	6,401	6,632	6,841	7,068	7,286
Planned Maintenance	2,292	2,396	2,485	2,584	2,676
Total Repairs & Maintenance	**8,693**	**9,029**	**9,326**	**9,652**	**9,962**
Cost per unit	1,069	1,086	1,095	1,113	1,134

b) Capital Investment

As part of our business planning and asset strategy, we have looked at the level of financial capacity within our financial projections for investment in existing homes and to support the delivery of energy efficiency projects including those that will go towards delivering the standards outlined in the Scottish Government consultation on the Social Housing Net Zero standard.

Table 10 summarises the capital investment programme for the next five years. Investment in existing stock in 2024/25 is forecast to be £7.5m. Over the next five years investment will continue with a further £55.5m including inflation, of planned investment in existing stock. Excluding the in-year grant funded SHNZ spend in 2024/25, on average, this provides an annual uplift of £2.8m (before inflation) investment in existing stock from 2024/25.

Informed by the development of our Asset Management Strategy, our investment programme over the next five years includes £5.8m including inflation allocated to the investment priorities set out in our neighbourhood plans and the creation of a provision of £0.8m including inflation to fund energy efficiency improvements in our homes which will be required to meet the new Scottish Housing Net Zero Standard (SHNZS).

The capacity to increase our investment programme over the five year plan is possible due to operational efficiencies in management costs, generating operational cashflows from rental income as well as financial flexibility provided by the removal of capital investment (MRI) from our interest cover covenant.

Capitalised void costs include the costs of carrying out the programme of void works as well as the costs of clearing the properties carried out by a specific voids team. The in-house service gives us greater control over the void turnaround process.

Table 10 – Investment assumed in existing stock (including inflation)

Capital Programme £000's	2025/26	2026/27	2027/28	2028/29	2029/30
Core Investment	5,337	4,580	7,082	8,287	10,505
Capitalised repairs	1,102	1,129	1,158	1,186	1,216
Medical Adaptations	180	180	180	180	180
Capitalised Voids	1,208	1,239	1,269	1,301	1,334
Capitalised Employee Costs	1,329	1,334	1,328	1,321	1,315
Total	**9,156**	**8,462**	**11,017**	**12,275**	**14,550**

c) IT Capital Investment

In total, across the Group the financial projections provide for a five year IT capital investment programme of £35.4m. This investment is in recognition of the key role technology has in supporting the delivery of the key strategic aims in the Group's 2021-26 strategy. Alongside the digital aspirations for Group services to customers and staff, the funding also provides for a safe, secure and reliable technology service. WHE makes a capital contribution towards the overall Group IT capital costs. The table below details WHE's contribution over the next 5 years.

Table 11 – IT Capital Contribution (including inflation)

IT Capital Programme £000's	2025/26	2026/27	2027/28	2028/29	2029/30
IT Capital Contribution	829	812	801	800	800

The 5 year IT Capital Investment programme is aligned to 7 workstreams, delivering key business strategy outcomes and ongoing investment across staff and customer digital services and platforms.

The workstreams are:

- Digital Workplace, Workflows and Automation
- Customer Self Service
- Housing and Care Transformation
- Asset & Repairs Transformation
- Core Architecture
- Cyber Security
- Data, AI and Innovation

The investment will support a range of projects aligned to transforming and improving service delivery models, investment in platforms and systems, maintaining and improving Group cyber security and the evolution of our digital, voice and face-face channels of delivery.

- **Digital Workplace, Workflows and Automation** – an ongoing programme of technology and facility upgrades and improvements in Corporate office services (collaboration and meeting technology, remote and home working devices, software and support); improvements to software and platforms supporting staff and 3rd party engagement, content and document sharing and shared service delivery. A range of AI-enabled and RPA (robotic process automation), data integration and automation services to support efficient and effective business and customer service delivery.
- **Customer Digital and Self Service** – Ongoing service improvements and alignment of our online service portfolio with end to end customer journey maps and customer outcomes. Review and replacement of our current customer self-service platforms for customers and owners and ongoing improvements aligned to customer feedback, customer journey maps and customer outcomes. Ongoing integration of Group multi-channel services to STORM platform. Ongoing customer and community engagement and feedback service improvements through digital platforms including MS Dynamics and MyVoice, aligned with Stronger Voices and wider customer engagement programmes.
- **Housing and Care Transformation**– Housing service delivery transformation through improvements to staff mobile and desktop applications and services; housing platform upgrades and process improvements through business improvement projects and application consolidation. Key projects include replacement of Group factoring management system; upgrades and improvements

to Group Housing Management System; improvements to platforms and services supporting Anti-Social Behaviour, Tenancy Support Services, Welfare Benefits and Environmental service delivery and improvements to customer payment collection platforms and services.

- **Asset and Repairs Transformation** –Technology and business change programme aligning Group West Repairs technology approach and service delivery models to a standard Group approach across platforms, reporting, customer communications and end-end service delivery. Evolution of Group Book-it, Track-it, Rate-it services and improvements to Trade and Inspector field and mobile working through improved devices, system and data access across core delivery, compliance and asset management.
- **Core Architecture** – A programme to ensure the ongoing maintenance, compliance and improvement of Group technology platforms, ensuring the security, stability and support of critical business operations. Delivery and implementation of cyber-technology platforms and services to ensure ongoing security compliance and technical control of applications, data, user activity and cyber-incident responsiveness. Key projects include the final stage of Group data centre terminations and cloud migrations; platform and software upgrades to ensure ongoing compliance and assurance of technology estate and replacement of Group Virtual Desktop services through cloud desktop and 'secure-access, service edge' approach for remote access and hybrid workers.
- **Cyber Security** – Investment and projects improving and advancing core cyber controls, supporting increasingly comprehensive compliance and audit requirements, extending services and logs subject to 24-hour alerting and monitoring services, and delivering Cyber Essentials certification for Care and Group.
- **Data, AI and Innovation** – A programme of projects ensuring delivery of Group Data Strategy and Data Strategy technology roadmap including improvements to reporting, analytics, and data aggregation platforms, including City Building repairs and compliance analytics. An AI (Artificial Intelligence) programme establishing Group AI strategy, governance and delivery roadmap across staff, manager and platform AI improvements.

d) New Build Programme

The new build programme is set out in table 12 to deliver 639 additional new build homes for social rent and 348 mid-market homes in the first 5 years of the plan. Table 12 summarises the investment in new build homes over the next five years. Development costs and grant assumptions have been updated to reflect actual amounts, where known, and our latest expectations on delivery.

Table 12 – New build funding profile (including inflation)

£000's	2025/26	2026/27	2027/28	2028/29	2029/30
Social Housing					
Development Costs	20,161	30,214	24,646	32,465	39,511
Capitalised Staff Costs	1,781	1,833	1,835	1,826	1,817
Capitalised Interest	850	506	772	616	981
Development Fund	75	0	0	0	0
Grant Income	(5,428)	(21,766)	(10,853)	(23,738)	(19,460)
Net Cost	**17,439**	**10,787**	**16,400**	**11,169**	**22,849**
Units Completed	232	105	111	115	76
Mid Market Rent					
Development Costs	10,904	22,051	16,527	10,673	9,082
Grant Income	(4,667)	(9,338)	(6,455)	(4,921)	(2,911)
Net Cost	**6,237**	**12,713**	**10,072**	**5,752**	**6,171**
Units Completed	107	73	90	43	35

A provision of £75k has been included for a development fund. This can go towards projects of strategic importance to help where there is a small funding gap. It has not been assigned to a project at the present time and if unused will be rolled forward.

2.8 Initiatives and Other Provisions

a) Initiatives

The projections also include provision for initiatives which are available to customers.

The key initiative is our contribution to the Wheatley Foundation of £3.3m over the next 5 years. The Wheatley Foundation is a charitable trust established with the aim of delivering community benefits. The majority of the Foundation's income is received from the other subsidiaries within the Group in the form of donations from the RSLs and through gift aid contributions from Lowther Homes. Over the five year financial projections 90% of forecast income in the Foundation is from Group entities. The income recognised in the Foundation will be used to continue our commitment to the Community Improvement Partnership, working with police and fire services, in addition to Group Protection and to fund several projects that will benefit customers and communities across the Group. These initiatives include projects such as the Here For You Fund, Wheatley Works, educational bursaries, Home Comforts service as well as the provision of Welfare Benefit Advisers. These projects are considered to be an investment in creating strong and sustainable communities and providing better opportunities for our customers. It is anticipated that this will contribute to the sustainability of the income stream for WHE over the long term.

WHE's contribution to these initiatives over the next five years is summarised in the below table. The projections assume funding for the share of Group initiatives in 2025/26, is partly met through use of Foundation cash reserves linked to the higher donations made to the Foundation in 2023/24. Other initiatives relates to Think Yes spend.

Table 13 – Initiatives (including inflation)

Initiatives £000's	2025/26	2026/27	2027/28	2028/29	2029/30
Donation to Wheatley Foundation	213	771	765	809	770
Other Initiatives	10	10	10	10	10
Total	**223**	**781**	**775**	**819**	**780**

2.9 Operating Cost Per Unit

As a result of the assumed efficiencies in management costs, our operating costs per unit, excluding depreciation and finance costs, decrease over the five year period and are set out in Table 14 below.

Table 14 – Projected operating cost per unit (excluding depreciation, finance costs and inflation)

£000's	2025/26	2026/27	2027/28	2028/29	2029/30
Operating Costs	24,634	25,514	25,750	25,696	25,687
Average No. of Units in Year	8,134	8,312	8,513	8,671	8,782
Operating Cost per Unit (£)	**3,029**	**3,070**	**3,025**	**2,964**	**2,926**

The increase in year 2 is attributable to the return to higher donations to support the Wheatley Foundation following increased donations paid over in 2023/24. Over the five year period this represents a 3.4% decrease in the operating cost per unit, which includes the efficiency savings gained through the service transformation and investment in technology.

2.10 [redacted]

[redacted]

[redacted]

[redacted]

3. Financial projections – next 5 years

a) Statement of Comprehensive Income

Table 16 –Statement of comprehensive income (including inflation)

Statement of comprehensive income	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
Net Rental Income	46,583	49,997	53,248	56,134	58,956
Grant Income	37,011	19,226	23,534	15,466	12,405
Other Income	5,507	6,321	7,088	7,758	8,280
Total Income	**89,101**	**75,544**	**83,870**	**79,358**	**79,641**
Management and Service Costs	(15,451)	(16,605)	(17,181)	(17,446)	(17,792)
Repair and Maintenance Costs	(8,693)	(9,029)	(9,326)	(9,652)	(9,962)
Bad Debts	(489)	(518)	(548)	(573)	(599)
Depreciation	(17,638)	(19,032)	(19,924)	(20,884)	(21,851)
Operating Expenditure	**(42,271)**	**(45,184)**	**(46,979)**	**(48,555)**	**(50,204)**
Loss on Investment Properties	(11,993)	(7,369)	(9,986)	(4,440)	(3,574)
Operating Surplus	**34,837**	**22,991**	**26,905**	**26,363**	**25,863**
Operating Margin (%)	**39%**	**30%**	**32%**	**33%**	**32%**
Finance Costs	(11,299)	(12,465)	(13,274)	(14,562)	(15,540)
Valuation Adjustments	(9,741)	3,281	591	318	4,223
Total comprehensive income	**13,797**	**13,807**	**14,222**	**12,119**	**14,546**

Rental income

Investment in the new build programme and assumed rental increases will generate 27% growth in rental income over the next 5 years ensuring the preservation of appropriate levels of investment in our homes and services to customers while keeping rents affordable. Net rental income includes service charge income which is received in relation to a number of services provided to customers including heating, stair-lighting, gardening, support services and equipment.

Grant income

In line with SORP 2014, the projected Statement of Comprehensive Income shows recognition of grant income upon completion of the properties. The result of this is operating margin increasing or decreasing in line with the level of grant income. Depreciation will increase in line with an increased asset base.

Expenditure

The planned asset growth, improved working practices and closer collaboration with our service providers over the next 5 years will result in efficiency savings that achieve a 3.4% reduction in operating cost per unit.

Finance Costs

Interest payable on our borrowings increases over the five years as debt increases, to fund the new build programme.

Investment Property Valuation Movement

Mid-market properties are held on the Statement of Financial Position as Investment Properties. These properties are valued annually, with any increase or decrease in valuation recognised within the Statement of Comprehensive Income.

Housing Property Valuation Movement

Social rent properties are held on the balance sheet at valuation. These properties are valued annually, with any increase or decrease in valuation recognised within the Statement of Comprehensive Income, below the operating surplus line. The year on year variation in the figure is driven by the profile of new build completions in any one year.

Total Comprehensive Income

The completion of new units has a significant impact on the reported total comprehensive income. Recognition of grant income in relation to completed units increases the reported operating surplus; however, this is offset by a downward valuation of housing properties in the year of completion. Under SORP 2014 new build grants are not considered when calculating valuation movements. In general, the gross development cost, i.e. excluding grant, of these newly completed properties will be higher than the EUV-SH valuation and results in a downward valuation. We have adopted a highly conservative approach to valuation adjustments in the projections and the downward valuation adjustments presented are a prudent scenario. Valuation adjustments are non-cash.

Over the five year period total comprehensive income is £68.5m.

b) Statement of Financial Position

Table 17 – Statement of Financial Position

Statement of financial position	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
Housing Assets	535,272	568,611	585,492	614,561	656,312
Investment Properties	71,072	79,586	90,101	95,684	100,487
Other Fixed Assets	10,859	9,883	8,882	8,003	7,109
Total Fixed Assets	**617,203**	**658,080**	**684,475**	**718,248**	**763,908**
Current Assets	10,721	10,721	10,721	10,721	10,721
Current Liabilities	(34,198)	(42,132)	(39,987)	(37,664)	(51,964)
Net Current Assets	**(23,477)**	**(31,411)**	**(29,266)**	**(26,943)**	**(41,243)**
Long-Term Liabilities	(289,618)	(308,754)	(323,072)	(347,049)	(363,863)
Net Assets	**304,108**	**317,915**	**332,137**	**344,256**	**358,802**
Retained Earnings	304,108	317,915	332,137	344,256	358,802
Total Reserves	**304,108**	**317,915**	**332,137**	**344,256**	**358,802**

<u>Housing Assets</u>
The plan assumes Housing and Investment Property assets to increase £150.5m over the five years from 1 April 2025 due to construction and delivery of new properties and an assumed increase in the value of our existing stock as a result of investment.

Other Assets
The value of our other assets, which include improvements to our office and environmental equipment purchases, are projected to reduce £3.8m over the course of the five-year plan. This is mainly due to depreciation of the assets.

Current Assets
Current assets include cash, rent arrears, net of bad debt provision; and other debtors, such as office rent and insurance prepayments. The table shows current assets remaining static across the five years, due to matching debt drawdowns with cash requirements.

Current Liabilities
Current liabilities are high throughout the five year period due to the deferral of new build grant income received until the relevant scheme is complete. Deferred grant income is a liability.

Long-Term Liabilities
Long-term liabilities predominantly relate to the loans due from WHE to Wheatley Funding Limited 1 (“WFL1”) and loans to THFC and Allia. The net balance due to WFL1, THFC and Allia, after deduction of cash balances, increases from £263.1m at March 2025 to £340.0m at March 2030, funding new build development. Peak net debt of £418.2m occurs in year 8 (2032/33).

Retained Earnings
During the five year period from 1 April 2025, retained earnings are projected to increase by the reported total comprehensive income of £68.5m. The increase to reserves reflect the performance over the five year period, as well as property valuation movements, which offset losses linked to our borrowing costs.

c) Cashflow

Table 18 – Cashflow Projections

Cashflow	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
Net rental income	52,977	57,210	61,232	64,801	68,156
Operating Expenditure	(25,521)	(27,045)	(27,951)	(28,580)	(29,273)
Net Cash from Operating Activities	27,456	30,165	33,281	36,221	38,883
Core & other Capital Expenditure	(10,101)	(9,391)	(11,937)	(13,198)	(15,473)
New Build Expenditure	(32,921)	(54,098)	(43,008)	(44,964)	(50,409)
Proceeds from sale of property	330	0	0	0	0
Grant income	10,096	31,104	17,308	28,659	22,371
Net cash used in investing activities	**(32,596)**	**(32,385)**	**(37,637)**	**(29,503)**	**(43,511)**
Finance costs	(10,941)	(11,713)	(12,727)	(14,066)	(15,710)
Loan Drawdowns	16,081	13,933	17,083	28,766	20,338
Loan Repayments	0	0	0	(21,418)	0
Net Cash from Funding Activities	**5,140**	**2,220**	**4,356**	**(6,718)**	**4,628**
Net movement in cash	**0**	**0**	**0**	**0**	**0**

<u>Net Cash from Operating Activities</u>

The plan assumes cash from operating activities to increase by 41.6% in five years. Rent increases and the completion and handover of new build properties, creates additional rental and lease income; the positive movement being further assisted by the operating cost per unit decreasing 3.4% over the same period.

<u>Net Cash used in Investing Activities</u>

This reflects the on-going core programme and other investment works, and the new build programme.

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5.4 Asset cover

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6. Risk analysis

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Better homes, better lives
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Wheatley Homes South Financial Projections 2025/26

Classified as Internal

1 Headlines

The landscape in which we operate has experienced a challenging economic period over the past two years as inflation rose steeply and the Bank of England responded with sustained interest rate rises, creating financial pressure to both businesses and households. Over the last year the monetary policy decisions by the Bank of England have helped reduce inflation and while there are now signs of economic stabilisation, and potential for further interest rate reductions, challenges remain in keeping inflation close to the Bank of England 2% target and creating sustainable growth. While general Consumer Price Index (CPI) inflation remains above but close to target, costs remain higher for key areas of our business such as repairs and insurance and inflation. Forecasts are inflation will remain close to or slightly above the target 2% prompting interest rate reductions from the current rate of 4.75% in 2025. A large proportion of our existing funding is at fixed rates which limits our interest rate exposure. We have updated our business plan assumptions to reflect expectations for future inflation and interest rates on existing and new funding.

Keeping rents affordable remains a key strategic aim but it is important that we strike an appropriate balance between affordability for our tenants whilst ensuring the ongoing financial viability of our operations and the appropriate levels of investment in our homes and services to customers.

After managing our services through the recent period, the rent increase implemented in April 2024 allowed us to begin rebuilding financial capacity in our business plan and, along with assumed future rent increases, provided an appropriate level of funding for investment in lifecycle replacements and our legislative obligations in our homes. During the year, as part of our asset management strategy discussions, we agreed the investment priorities set out in our neighbourhood plans be reflected in our rent setting proposals together with starting to create provision to fund energy efficiency improvements in our homes which will be required to meet the new Scottish Housing Net Zero Standard (SHNZS) and we have updated our business plan accordingly.

The UK budget in October 2024 announced an extra 1.2% on employers' national insurance and a lowering of the threshold at which contributions start being paid on employee salaries from £9,100 a year to £5,000. This change has a direct impact on our projections increasing staff costs and the costs to provide services such as repairs, environmental services and housing management to tenants. This increase in national insurance contributions was not previously anticipated in our business plan.

We recognise that economic factors are continuing to put pressure on household income and we have retained a prudent provision in our rent arrears assumptions and have also assumed that all working age tenants on benefits will have moved to Universal Credit by March 2026. As part of focus on tackling poverty and the cost-of-living challenges facing our customers, funding has been set aside in the Wheatley Foundation to support customers. This includes Welfare Benefits and Fuel Advice, Home Comforts (our furniture upcycling service) and a provision in 2025/26 for the Helping Hand Fund. This fund helps our customers who are facing financial hardship manage their rent accounts.

We are forecast to invest £16.1m in existing homes this year and projected to complete 101 new build properties in 2024/25. This is in the context of a challenging development market coupled with the Scottish Government 2024/25 budget reduction to the affordable housing supply programme (AHSP).

A total of 2,933 new build homes are assumed to be completed by the RSL Borrower Group over the next 5 years with 74% of these for social rent, and we will complete over 6,400 over the 10-year period. Subject to agreement of the 2025 budget, the Scottish Government has announced an increase to the AHSP in 2025/26 but with no firm commitment to future years. Our new build programme has aligned our expectations to grant availability, especially in the early years of the plan which will be impacted by the delays faced in 2024/25 while also acknowledging a multi-year funding settlement for housing has not been provided by the Scottish Government. WH South has plans to deliver 532 homes in the next 5 years and over the next 10 years, over 1,100 properties will be developed.

Over the next five years, we will continue to invest in our staff to ensure they have the skills, attitude, engagement and influence to excel in this hybrid working environment. Our financial plan helps fund a continued focus on staff development in a technology enabled workplace and, in our leadership, apprenticeship opportunities and graduate programmes.

The updated financial projections for 2025/26 and beyond include:

- Provision to deliver 526 additional new build homes for social rent and 6 mid-market rent units in the first 5 years of the plan.
- £66.3m of repairs spend in our existing housing stock in the first 5 years.
- £85.8m of investment in our existing housing stock in the first 5 years of the projections, including a provision of £5.4m for our neighbourhood priorities and £1.2m provision to fund energy efficiency improvements to meet the new Scottish Housing Net Zero Standard (SHNZS).
- Provision of £6.1m for investment in our digital transformation and centres of excellence strategies.
- £4.9m of funding for Initiatives, including the Wheatley Foundation, across the first 5 years of the plan.
- Efficiency savings in our management costs, in real terms, delivered through the achievement of value for money and operational efficiencies. This results in our operating costs per unit reducing from £2,686 to £2,613, excluding inflation, over the 5 year period.

During the development period, our financial forecasts are driven by the profile and relative size of our development programme and the value of grant income and valuation adjustments on completion of new build properties. The forecast bottom line total comprehensive income, net assets, cashflow and ratios reflect the higher level of borrowing to support our new build programme. WH South's peak net debt of £278.2m is forecast to be reached in 2033/34 (year 9).

It is important to note that continued control of costs are an important aspect of managing our financial position.

2 Key assumptions

The key financial assumptions in the 2025/26 Business Plan are highlighted below. All figures include VAT and inflation, unless stated otherwise.

2.1 Cost Inflation

Despite CPI in September 2024 dipping below the Bank of England target rate of 2.0%, as forecast, inflation has steadily crept back into the UK economy and rose to 2.6% in November falling marginally to 2.5% in December, with the UK Government Budget in October 2024 and Public Sector pay increases being contributing factors. According to most recent market expectations, inflation forecasts from the Bank of England and commercial economists now expect CPI won't fall back to the long term 2.0% target rate until closer to 2027. Increases in the cost of fuel, utilities, insurance and repairs and maintenance costs have had notable impact on our cost base. Fuel and utilities costs have stabilised to some extent; however, insurance and repairs and maintenance costs are still subject to higher price increases.

The financial projections have been aligned to focus activities to benefit our customers most in need with provision made to strengthen the support provided through the Helping Hand Fund.

The general cost inflation rate assumed for running costs/overheads within the financial projections are shown in the table below.

Table 1 - Inflation assumptions

General Inflation Assumptions	2025/26	2026/27	2027/28	2028/29	2029/30
General cost inflation	2.5%	2.5%	2.5%	2.5%	2.5%
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

2.2 Stock numbers

At 1 April 2025, WH South is assumed to own a total of 10,348 homes, 10,247 for social rent and 101 mid-market rent properties. This is based on the stock as at 31 March 2024 as reported in the audited statutory accounts, adjusted to reflect 101 new build properties completed at Curries Yard and Springholm. A total of 126 properties were planned for demolition during 2024/25, with a further 224 properties marked for demolition over the 10 year period. It is assumed that 532 new homes will be completed over the five-year period to March 2030. This will bring the total new homes completed since joining the group to 754.

Table 2 – Housing Stock Numbers

Stock Numbers		Forecast				
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Social Housing						
Opening Units	10,272	10,247	10,280	10,376	10,469	10,688
New Build	101	33	121	93	219	60
Demolition	(126)	0	(25)	0	0	0
Closing Units	**10,247**	**10,280**	**10,376**	**10,469**	**10,688**	**10,748**
Mid-Market Rent	101	101	107	107	107	107
Total Closing	**10,348**	**10,381**	**10,483**	**10,576**	**10,795**	**10,855**

2.3 Rental Income and Service Charges

The rent and service charge increases supports the continued investment in our existing homes and our services while remaining comparable with the Sector.

The plan assumes an average weekly rent based on the current average rent and, subject to Board approval, a 6.9% rent increase in April 2025. In addition to rental income, WH South receives income from service charges, which is increased in line with rent increases. Based on current charges, forecast income is £348k in year 1. This includes service charges for Temporary Accommodation and Young Person Project which are significantly higher than general needs.

The table below shows the rent and service charge growth assumptions over the next five years noting that future years' rent increase levels are considered annually by the Board.

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2.4 Operating Performance

The percentage of rent lost to voids and bad debts has been based on historical performance together with our performance expectations going forward.

Table 4 – Void rent loss, bad debt and arrears assumptions

	2025/26	2026/27	2027/28	2028/29	2029/30
Voids (Retained Properties)	1.0%	1.0%	1.0%	1.0%	1.0%
Bad Debts	2.0%	2.0%	2.0%	2.0%	2.0%
Arrears (£'000) – net of bad debt provision	1,883	1,897	1,897	1,897	1,897

Void losses are assumed at 1.0% over the five years for core rented stock. This is prudent compared to our current year performance to December 2024 of 0.6%. For the 224 properties assumed to be demolished a higher void rate has been assumed. This has been estimated based on current empty and unlettable units and projected clearances.

The provision for bad debts has been assumed at a constant 2.0% of gross rental income in 2025/26, which is also prudent compared to our performance of 0.5% in the current year to December 2024.

Business plan assumptions on the movement in arrears have been updated to take into account the economic challenges facing our customers together with our experience to date with Universal Credit. The 2025/26 Business Plan arrears reflect the assumption that all working age tenants on benefits move to UC by end of March 2026.

2.5 Other Income

Table 5 – Other income including inflation and other uplifts

Other Income	2025/26	2026/27	2027/28	2028/29	2029/30
Leased Properties	172	178	185	187	188
Garage & Garage Sites	369	388	503	522	543
MMR	447	456	465	475	484
Commercial Properties	57	58	59	61	62
Office lease income	116	122	123	126	129
Total Income	**1,162**	**1,202**	**1,336**	**1,371**	**1,406**

In addition to rental and service charge income, a further £1.2m is expected to be generated by WH South in 2025/26 from other income streams. This is comprised of the following: -

- Leased properties – WH South lease 24 properties across three sites to other organisations generating £172k of income each year. This income increases in line with rent increase.
- Garage and Garage Site Rents – Income of £369k net of voids is projected to be received from the rental of WH South's garages and garage sites.
- Mid Market Rent Lease Income –WH South receive a lease income from Lowther Homes for the 101 properties of £447k per annum, assumed to increase by 2% each year.
- Commercial Properties – 16 commercial units are managed by Lowther Homes in exchange for a management fee. Income from the commercial properties is expected to be £57k in 2025/26.
- Office lease income - £116k is assumed to be received from Wheatley Solutions for use of the WH South office space.

2.6 Other Grant Income

Table 6 – Other grant income including inflation and other uplifts

Other Income	2025/26	2026/27	2027/28	2028/29	2029/30
Aids & Adaptations Grant	540	540	540	540	540
RHI Grants	36	27	10	8	0
Temporary Accommodation Grant	613	0	0	0	0
Young Person Project Grant	215	0	0	0	0
Sheltered Housing Grant	138	0	0	0	0
Total Income	**1,542**	**567**	**550**	**548**	**540**

Other grant income is comprised of the following:

- Aid and Adaptations – The capital investment spend on aids and adaptation is 100% funded by the Scottish Government. WH South expect to receive £540k each year to cover the spend.
- RHI grant - £36k of income is projected to be received in 2025/26 reducing to £8k by year 4 in line with grant applications.
- Temporary Accommodation - £613k is projected to be received in 2025/26 only, in line with the current contract. This contract may be extended beyond year 1, however this has not been reflected within the financial projections.
- Young Persons Project - £215k expected to be received in 2025/26 only, in line with the current contract. This contract may be extended beyond year 1, however this has not been reflected within the financial projections.
- Sheltered Housing grant income of £138k to be received in 2025/26. This contract is renewed year to year and assumed for year 1 only.

2.6 Management Costs

WH South's employee cost assumptions reflect costs in relation to delivering the direct staff structure including any costs associated with changes to the structure. Additionally, WH South pays an appropriate share of the salaries of the Compliance and Investment, New Build, Environmental Service (NETs) and Wheatley 360 staff teams. The increase in employers' national insurance, effective from 1 April 2025, has a direct impact on our projections increasing staff costs by £0.2m and the costs to provide services such as repairs, environmental services and housing management to tenants.

Running costs include day to day expenditure and an appropriate share of the Environmental Service and Wheatley 360 running costs but exclude Initiatives. Overall, running costs are projected to increase linked to the growth in the number of new build properties, but on an individual cost per unit, will reduce over the five year period.

The plan assumes recharges from Group, which includes employee and running costs for central services such as the Customer First Centre, Employee Relations, IT and Finance with the increase in employers' national insurance overall mitigated by value for money and efficiency savings resulting from continued investment in back office services, particularly through the use of technology and improved working practices. Table 7 sets out the overall management costs that are assumed in the plan.

Management costs per unit decreases 3.6% over the five year period.

Table 7 – Management cost assumptions (excluding inflation)

Management Costs	2025/26	2026/27	2027/28	2028/29	2029/30
Employee Costs	4,627	4,652	4,570	4,467	4,415
Running Costs	2,415	2,469	2,558	2,573	2,639
Wheatley Solutions Recharges	5,579	5,728	5,672	5,674	5,670
Total	**12,622**	**12,849**	**12,800**	**12,714**	**12,723**
Average Cost per Unit £	1,216	1,226	1,210	1,178	1,172

2.7 Asset management and growth

a) Repair & Maintenance Costs

Repair costs remain a central part of our projections with our customer satisfaction surveys consistently showing a direct link between the repairs service tenants receive and their satisfaction levels. A significant proportion of the planned maintenance budget is to enable us to comply with legislative requirements as a landlord (e.g. gas servicing, electrical inspections, emergency lighting, window safety catches and TMVs). 2024/25 planned maintenance is higher due to timing of EICR works deferred from 2023/24, this goes back down to a normal level from 2025/26.

The provision for repairs recognises the continued increase in demand that we have experienced in 2024/25 and growth from the additional stock. This results in the average repairs and maintenance cost per unit increasing by 1.0%, excluding inflation, between 2024/25 budget (stated in 2025/26 prices) and the projection for 2025/26. Table 8 summarises the revenue repairs and maintenance assumptions.

Table 8 – Planned and Routine maintenance costs (excluding inflation)

Repairs	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Responsive Repairs £000	9,018	9,529	9,470	9,601	9,734	9,867
Planned Maintenance £000	3,335	2,967	2,967	2,967	2,967	2,967
Total	**12,354**	**12,496**	**12,437**	**12,568**	**12,702**	**12,834**
Cost per unit	1,194	1,204	1,186	1,188	1,176	1,182

2.8 Operating Cost per Unit

As a result of the assumed efficiencies in management costs, our operating costs per unit, excluding depreciation and finance costs, decrease over the five year period, with an increase noted in year 5 for demolition costs to clear the Lochside units.

Table 9 - Projected operating cost per unit (excluding inflation)

Operating costs	2025/26	2026/27	2027/28	2028/29	2029/30
Operating Costs (£'000)	27,887	27,712	27,894	27,853	28,368
No. of Units in year	10,382	10,483	10,576	10,795	10,855
Operating Cost per Unit (£)	**2,686**	**2,643**	**2,637**	**2,580**	**2,613**

This represents an 2.7% decrease in the operating cost per unit over the five year period, driven by increased number of units and efficiency savings will also arise due to continuing investment in service transformation, including online services for customers.

2.9 Capital Investment

As part of our business planning and asset strategy, we have looked at the level of financial capacity within our financial projections for investment in existing homes and to support the delivery of energy efficiency projects including those that will go towards delivering the standards outlined in the Scottish Government consultation on the Social Housing Net Zero standard.

Table 10 summarises the capital investment programme for the next five years. Investment in existing stock in 2024/25 is forecast to be £16.1m. Over the next five years investment will continue with a further £81.1m, stated before inflation, or £85.8m including inflation, of planned investment in existing stock. Excluding the in-year grant funded SHNZ spend in 2024/25, on average, this provides an annual uplift of £3.6m (before inflation) of investment in existing stock from 2024/25 levels.

Informed by the development of our Asset Management Strategy, our investment programme over the next five years includes £5.4m including inflation allocated to the investment priorities set out in our neighbourhood plans and the creation of a provision of £1.2m including inflation to fund energy efficiency improvements in our homes which will be required to meet the new Scottish Housing Net Zero Standard (SHNZS).

The capacity to increase in our investment programme over the five year plan is possible due to operational efficiencies in management costs, generating operational cashflows from rental income as well as financial flexibility provided by the removal of capital investment (MRI) from our interest cover covenant.

Capitalised void costs include the costs of carrying out the programme of void works as well as the costs of clearing the properties carried out by a specific voids team in our Group Environmental service. The in-house service gives us greater control over the void turnaround process.

Table 10 – Capital investment programme (including VAT, fees and inflation)

£000s	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Core Investment	7,017	5,724	10,156	13,085	17,341	53,323
Capitalised repairs	944	967	992	1,016	1,042	4,961
Medical Adaptations	540	540	540	540	540	2,700
Capitalised Voids	3,565	3,654	3,744	3,836	3,930	18,729
Capitalised Employee Costs	1,156	1,202	1,229	1,254	1,279	6,119
Total	**13,222**	**12,088**	**16,661**	**19,730**	**24,132**	**85,832**

2.10 New Build Programme

The new build programme is set out in table 11 to deliver 526 additional new build homes for social rent and 6 mid market homes in the first 5 years of the plan. Table 11 outlines the investment in new build homes over the next five years. Development costs and grant assumptions have been updated to reflect actual amounts, where known, and our latest expectations on delivery.

Table 11 – New build funding profile (including inflation)

£000s	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Development Cost	24,354	31,718	45,405	32,348	26,726	**160,550**
Grant Income	(19,390)	(15,026)	(27,802)	(19,039)	(12,373)	**(93,630)**
Capitalised New Build Staff	1,264	1,328	1,365	1,396	1,427	**6,780**
Capitalised Interest	396	624	735	1,027	523	**3,304**
Net Cost	**6,624**	**18,644**	**19,703**	**15,731**	**16,302**	**77,004**
Units Completed	33	127	93	219	60	532

A provision of £50k has been included for a development fund. This can go towards projects of strategic importance to help where there is a small funding gap. It has not been assigned to a project at the present time and if unused will be rolled forward.

Demolition Costs

The financial projections assume that the final 25 units at Newington will be demolished in 2026/27 and the costs associated will be capitalised, in line with our accounting treatment of regeneration sites.

At this stage, the programme is an assumption for business planning purposes only, and the proposed demolition projects will be presented to the Board for approval to consult on, and formally classify for demolition, as the programme develops taking account of, for example, the availability of alternative rehousing accommodation.

2.11 Initiatives and Other Provisions

a) Initiatives

The projections also include provision for initiatives which are available to tenants.

The key initiative is our contribution to the Wheatley Foundation of £4.9m over the next 5 years. The Wheatley Foundation is a charitable trust established with the aim of delivering community benefits. The majority of the Foundation's income is received from the other subsidiaries within the Group in the form of donations from the RSLs and through gift aid contributions from Lowther Homes. Over the five year financial projections 90% of forecast income in the Foundation is from Group entities. The income recognised in the Foundation will be used to continue our commitment to the Community Improvement Partnership, working with police and fire services, in addition to Group Protection and to fund several projects that will benefit customers and communities across the Group. These initiatives include projects such as the Here For You Fund, Wheatley Works, educational bursaries, Home Comforts service as well as the provision of Welfare Benefit Advisers. These projects are considered to be an investment in creating strong and sustainable communities and providing better opportunities for our tenants. It is anticipated that this will contribute to the sustainability of the income stream for WH South over the long term.

WH South's contribution to these initiatives over the next five years is summarised in the below table. The projections assume funding for the share of Group initiatives in 2025/26, is partly met through use of Foundation cash reserves linked to the higher donations made to the Foundation in 2023/24. Other initiatives relate to Think Yes spend.

Table 12 – Initiatives (excluding inflation)

Other Group Recharges £000	2025/26	2026/27	2027/28	2028/29	2029/30
Donation to Wheatley Foundation	333	1,121	1,077	1,112	1,031
Other Initiatives	40	40	40	40	40

b) IT Capital Investment

In total, across the Group the financial projections provide for a five year IT capital investment programme of £35.4m. This investment is in recognition of the key role technology has in supporting the delivery of the key strategic aims in the Group's 2021-26 strategy. Alongside the digital aspirations for Group services to customers and staff, the funding also provides for a safe, secure and reliable technology service. WH South makes a capital contribution towards the overall Group IT capital costs. The table below details WH South's contribution over the next 5 years.

Table 13 – IT Capital Contribution (including inflation)

IT Capital Programme	2025/26	2026/27	2027/28	2028/29	2029/30	Total
IT Capital Contribution (£'000)	1,301	1,285	1,286	1,288	930	6,090

The 5 year IT Capital Investment programme is aligned to 7 workstreams, delivering key business strategy outcomes and ongoing investment across staff and customer digital services and platforms.

The workstreams are:

- Digital Workplace, Workflows and Automation
- Customer Self Service
- Housing and Care Transformation
- Asset & Repairs Transformation
- Core Architecture
- Cyber Security
- Data, AI and Innovation

The investment will support a range of projects aligned to transforming and improving service delivery models, investment in platforms and systems, maintaining and improving Group cyber security and the evolution of our digital, voice and face-face channels of delivery.

- **Digital Workplace, Workflows and Automation** – an ongoing programme of technology and facility upgrades and improvements in Corporate office services (collaboration and meeting technology, remote and home working devices, software and support); improvements to software and platforms supporting staff and 3rd party engagement, content and document sharing and shared service delivery. A range of AI-enabled and RPA (robotic process automation), data integration and automation services to support efficient and effective business and customer service delivery.
- **Customer Digital and Self Service** – Ongoing service improvements and alignment of our online service portfolio with end to end customer journey maps and customer outcomes. Review and replacement of our current customer self-service platforms for tenants and owners and ongoing improvements aligned to customer feedback, customer journey maps and customer outcomes. Ongoing integration of Group multi-channel services to STORM platform. Ongoing customer and community engagement and

feedback service improvements through digital platforms including MS Dynamics and MyVoice, aligned with Stronger Voices and wider customer engagement programmes.

- **Housing and Care Transformation**– Housing service delivery transformation through improvements to staff mobile and desktop applications and services; housing platform upgrades and process improvements through business improvement projects and application consolidation. Key projects include replacement of Group factoring management system; upgrades and improvements to Group Housing Management System; improvements to platforms and services supporting Anti-Social Behaviour, Tenancy Support Services, Welfare Benefits and Environmental service delivery and improvements to customer payment collection platforms and services.
  - **Asset and Repairs Transformation** – Technology and business change programme aligning Group West Repairs technology approach and service delivery models to a standard Group approach across platforms, reporting, customer communications and end-end service delivery. Evolution of Group Book-it, Track-it, Rate-it services and improvements to Trade and Inspector field and mobile working through improved devices, system and data access across core delivery, compliance and asset management.
  - **Core Architecture** – A programme to ensure the ongoing maintenance, compliance and improvement of Group technology platforms, ensuring the security, stability and support of critical business operations. Delivery and implementation of cyber-technology platforms and services to ensure ongoing security compliance and technical control of applications, data, user activity and cyber-incident responsiveness. Key projects include the final stage of Group data centre terminations and cloud migrations; platform and software upgrades to ensure ongoing compliance and assurance of technology estate and replacement of Group Virtual Desktop services through cloud desktop and 'secure-access, service edge' approach for remote access and hybrid workers.
  - **Cyber Security** – Investment and projects improving and advancing core cyber controls, supporting increasingly comprehensive compliance and audit requirements, extending services and logs subject to 24-hour alerting and monitoring services, and delivering Cyber Essentials certification for Care and Group.
  - **Data, AI and Innovation** – A programme of projects ensuring delivery of Group Data Strategy and Data Strategy technology roadmap including improvements to reporting, analytics, and data aggregation platforms, including City Building repairs and compliance analytics. An AI (Artificial Intelligence) programme establishing Group AI strategy, governance and delivery roadmap across staff, manager and platform AI improvements.

2.13 [redacted]

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Rental Income

Investment in the new build programme and assumed rental increases will generate 25% growth in rental income over the next 5 years ensuring the preservation of appropriate levels of investment in our homes and services to customers while keeping rents affordable.

Grant income

In line with SORP 2014, the projected Statement of Comprehensive Income shows recognition of grant income upon completion of the properties. The result of this is operating margin increasing or decreasing in line with the level of grant income. Depreciation will increase in line with an increased asset base. Grant income also includes grants and funding received for medical adaptations and our Care services. The fluctuation over the five years is driven by number of new build units completed.

Other income

Other income includes garage and garage site rents, mid market rent lease income and commercial property rents. This increases in line with agreed rent rises.

Housing Property Valuation Movement

Social rent properties are held on the balance sheet at valuation. These properties are valued annually, with any increase or decrease in valuation recognised within the Statement of Comprehensive Income, below the operating surplus line. The year on year variation in the figure is driven by the profile of new build completions in any one year.

Operating Expenditure

The planned asset growth, improved working practices and closer collaboration with our service providers over the next 5 years will result in efficiency savings that achieve a 2.7% reduction in operating cost per unit (excluding inflation).

Repairs and Maintenance

Repairs and maintenance costs are projected to remain relatively stable over the period with increases in line with assumed inflation and additional provisions for new homes.

Investment Property Valuation Movement

Mid-market properties are held on the Statement of Financial Position as Investment Properties. These properties are valued annually, with any increase or decrease in valuation recognised within the Statement of Comprehensive Income.

Finance Costs
Interest payable on our borrowings increases over the five years as debt increases, to fund the new build programme.

Total Comprehensive Income
The completion of new units has a significant impact on the reported total comprehensive income. Recognition of grant income in relation to completed units increases the reported operating surplus; however, this is offset by a downward valuation of housing properties in the year of completion. Under SORP 2014 new build grants are not considered when calculating valuation movements. In general, the gross development cost, i.e. excluding grant, of these newly completed properties will be higher than the EUV-SH valuation and results in a downward valuation. We have adopted a highly conservative approach to valuation adjustments in the projections and the downward valuation adjustments presented are a prudent scenario.

Over the five year period total comprehensive income is £56.2m.

3.2 Statement of Financial Position

Table 16 – Statement of Financial Position

STATEMENT OF FINANCIAL POSITION	Forecast				
	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£’000
Housing assets	509,144	525,952	565,738	567,486	592,478
Investment Properties	12,142	12,258	12,376	12,494	12,614
Other Fixed Assets	5,180	6,311	6,548	6,859	7,102
Total Fixed Assets	**526,466**	**544,521**	**584,662**	**586,840**	**612,194**
Current Assets	12,094	12,127	12,159	12,193	12,227
Current Liabilities	(32,149)	(26,375)	(45,491)	(23,410)	(36,898)
Net Current Liabilities	**(20,055)**	**(14,248)**	**(33,332)**	**(11,217)**	**(24,670)**
Long term liabilities	(177,869)	(189,494)	(198,658)	(219,018)	(221,822)
Provisions	(171)	(171)	(171)	(171)	(171)
Net Assets	**328,372**	**340,608**	**352,501**	**356,434**	**365,531**
Retained Earnings	171,424	183,660	195,553	199,486	208,583
Total Reserves	**328,372**	**340,608**	**352,501**	**356,434**	**365,531**

Housing Assets
The plan assumes Housing & Investment Property assets to increase £83.3m over five years from 1 April 2025 due to the construction of 532 additional properties and an assumed increase in the value of our existing stock as a result of investment.

Other Assets
Other Fixed Assets include fixtures and fittings and IT equipment, the increases are a result of assumed investment in office accommodation and IT.

Current Assets
Current assets include cash, rent arrears, net of bad debt provision; and other debtors, such as office rent and insurance prepayments. The table shows current assets remaining fairly static across the five years, due to matching debt drawdowns with cash requirements.

Current Liabilities
Current liabilities are high throughout the five year period due to the deferral of new build grant income received until the relevant scheme is complete. Deferred grant income is a liability.

Long Term Liabilities
Long-term liabilities relate to the loan due from WH South to Wheatley Funding Limited 1 ("WFL1") and long term other deferred income. The net balance due to WFL1 increases from £90m at March 2026 to £152m at March 2030, funding new build development. Peak net debt of £278.2m occurs in year 9 (2033/34).

Reserves
During the five year period from 1 April 2025, retained earnings are projected to increase by the reported total comprehensive income of £56.2m. The increase to reserves reflect the performance over the five year period, as well as property valuation movements, which offset losses linked to our borrowing costs.

3.3 Statement of Cashflow

Table 17 – Statement of cashflow

Cash Flow	Forecast				
	Year 1 2025/6	Year 2 2026/27	Year 3 2027/28	Year 4 2028/29	Year 5 2029/30
	£'000	£'000	£'000	£'000	£'000
Operating Activities					
Turnover (excl Grant)	55,717	57,562	61,377	64,439	68,129
Operating Expenditure	(26,600)	(27,060)	(27,893)	(28,528)	(29,784)
Net Cash from Operating Activities	**29,117**	**30,502**	**33,484**	**35,911**	**38,344**
Investing Activities					
Core & Other Capital Expenditure	(15,891)	(14,830)	(18,750)	(21,839)	(25,901)
New Build Expenditure	(25,618)	(33,046)	(46,770)	(33,743)	(28,153)
Grant Income	19,390	15,026	27,802	19,039	12,373
Net Cash used in Investing Activities	**(22,119)**	**(32,850)**	**(37,718)**	**(36,543)**	**(41,681)**
Funding Activities					
Finance Costs (Cash)	(6,203)	(6,617)	(7,218)	(8,441)	(9,291)
Working capital movements	(2,973)	(43)	(122)	(49)	0
Loan Drawdowns	2,177	15,934	18,766	15,711	12,628
Loan Repayments	0	(6,926)	(7,193)	(6,589)	0
Net Cash from Funding Activities	**(6,998)**	**2,348**	**4,233**	**632**	**3,336**
Net Movement in Cash	**0**	**0**	**0**	**0**	**0**

Net Cash from Operating Activities

The plan assumes cash from operating activities to increase by 32% in five years. Rent increases and the completion and handover of 532 new build properties, creates additional rental and lease income; the positive movement being further assisted by operating cost per unit decreasing 2.7% over the same period.

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Wheatley Foundation Financial Projections 2025/26

Classified as Internal

1. Strategic context

1.1 The Wheatley Foundation is the Group's charitable company through which we can support our most disadvantaged customers and communities. Having a charitable foundation in the Group allows the expertise and track-record that exists in many of Wheatley's subsidiaries to be shared more widely for the benefit of all tenants and customers and brings a collective approach to our activities. The Foundation's brand and identity have developed to reinforce the Group's reputation for supporting better lives. This is evidenced by the external funding awards secured previously from the Scottish Government and the National Lottery.

1.2 The Foundation plays a key role in the Group's response to challenges our customers are facing. As part of focus on tackling poverty and the cost-of-living challenges facing our customers, funding was allocated to the Here For You fund in 2022/23 and 2023/24, to provide assistance to our customers who were facing financial hardship with food, fuel and rent. In 2024/25, the Foundation re-introduced the Helping Hand Fund to support tenants who are struggling with rent. This has proved beneficial to tenants and funding for this has been included in the financial projections for 2025/26 and 2026/27.

2. Wheatley Foundation Financial Projections

Income

	2025/26	2026/27	2027/28	2028/29	2029/30
Income	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Gift Aid/RSL donations	4,768	7,331	7,144	7,422	7,308
External grant	731	873	591	460	725
Total income	**5,499**	**8,204**	**7,734**	**7,882**	**8,033**

2.1 The majority of the Foundation's income is received from the other subsidiaries within the Group in the form of donations from the RSLs and through gift aid contributions from Lowther Homes. Over the five-year financial projections, 90% of forecasted income is from Group entities. The opening reserves of the Foundation at 1 April 2025 reflect the increased donations from the RSLs brought forward from 2023/24. The step up in RSL donations from 2026/27 compared to 2024/25 reflects the utilisation of these advanced donations and the return to annual donations at a level necessary to fund the projects and initiatives which have been agreed and which will benefit customers and communities across the Group.

2.2 The financial projections also assume a level of external grant income to support Foundation activities which are sought by the Foundation team. For the financial projections, these are split into two categories:

- Confirmed external grants: These grants have either been awarded already or are grants that we have confidence will be awarded. Across years 1-5, a total of £1,379k of funding associated with community benefit clauses within our new build development agreements is projected. All new Wheatley Group housing developments are delivered under the new build framework which includes a community benefit clause requiring developers to provide a contribution of £775 per new build property to the Foundation. These funds help support activities in the local areas to which they relate, and the projected income is in line with expected new build site start dates.

- Targeted external grants: This is an area targeted to help grow the impact of the Foundation. A number of discussions are ongoing with partners to secure funding for next year and beyond, to look for additional, publicly available, sources of funding to match fund our contributions in specific projects. New funding has been assumed from financial years 2025/26 onwards at £400k per annum. This target considers the economic climate we operate in as well as a level of prudence adopted.

Expenditure

Expenditure	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Overheads	983	1,030	1,055	1,077	1,100
Tackling Poverty & Social Inclusion	550	561	572	583	594
Education	165	165	90	90	90
Training & Employment	890	899	897	905	913
Digital Inclusion	70	70	-	-	-
Helping Hand Fund	1,000	500	-	-	-
Community Policing & Group Protection	2,692	2,878	2,959	3,023	3,087
Money & Welfare advice	1,947	2,101	2,161	2,205	2,249
Total expenditure	**8,297**	**8,204**	**7,734**	**7,882**	**8,033**

2.3 The income recognised in the Foundation will be used to fund projects and initiatives that will benefit customers and communities across the Group. These initiatives include projects such as the Helping Hand Fund, Wheatley Works, educational bursaries, the Home Comforts service, as well as the provision of Welfare Benefit Advisers and Group Protection and Community Policing. These projects are intended to improve the prospects and lives of our customers and communities.

2.4 The expenditure allocations in the table above show indicative spend across the five key themes with RSL donations and gift aid from Lowther used to provide funding for committed initiatives linked to RSL activities such as welfare benefits advice, Group Protection and Community Policing, and the Helping Hand Fund. As discussed in 2.2 a target for external grant funding is included which, if achieved, will provide scope to consider further initiatives within each of the key programmes.

2.5 In addition to spend on key programmes, there is also an element of overheads. These are assumed to be £983k in 2025/26 and relate to the staff costs for the Foundation team who bid for funding and administer monies available on behalf of the Wheatley Foundation and a contribution towards the cost of shared services provided by Wheatley Solutions.

National Insurance increase

2.6 The Foundation's employee cost projections reflect the direct staff structure. In October 2024, the UK Government announced changes to employers' National Insurance with a lowering of the threshold from £9,100 to £5,000 and an increase in the rate payable from 13.8% to 15%. These changes are effective from 1 April 2025 and have a direct impact on our projections, increasing direct staff costs and the costs of the services we deliver (including the money and welfare benefits advice, Community Policing and Group Protection, and Wheatley Works) by c£100k per annum with these additional costs accommodated within the financial capacity and funding envelope of the Foundation.

Inflation

2.7 The landscape in which we operate has experienced a challenging economic period over the past two years as inflation rose steeply and the Bank of England responded with sustained interest rate rises, creating financial pressure to both businesses and households. Over the last year the monetary policy decisions by the Bank of England have helped reduce inflation and while there are now signs of economic recovery, challenges remain in keeping inflation close to the Bank of England 2% target and creating sustainable growth. While general Consumer Price Index (CPI) inflation remains above but close to target, costs remain higher for key areas of our business such as repairs and insurance. Forecasts are that inflation will remain close to the target; this has been reflected in our updated business planning assumptions.

The financial projections for the Foundation have been aligned to focus activities to benefit our customers most in need with provision made in the projections to continue the support provided to the RSLs through the Helping Hand Fund and Welfare Benefits service.

2.8 The general cost inflation rate assumed for running costs/overheads within the financial projections are shown in the table below.

Table 1 – Cost Inflation assumptions

	2025/26	2026/27	2027/28	2028/29	2029/30
General Cost Inflation	2.50%	2.50%	2.50%	2.50%	2.50%

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2.9 The following table shows the projected income and expenditure on the key programmes over the five-year period including inflation and pay increases:

Table 2 – Projected Income and Expenditure

	2025/26	2026/27	2027/28	2028/29	2029/30
Income	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Gift Aid/RSL Donations	4,768	7,331	7,144	7,422	7,308
External grant	731	873	591	460	725
Total income	**5,499**	**8,204**	**7,734**	**7,882**	**8,033**
Expenditure					
Overheads	983	1,030	1,055	1,077	1,100
Tackling Poverty & Social Inclusion	550	561	572	583	594
Education	165	165	90	90	90
Training & Employment	890	899	897	905	913
Digital Inclusion	70	70	-	-	-
Helping Hand Fund	1,000	500	-	-	-
Community Policing & Group Protection	2,692	2,878	2,959	3,023	3,087
Money & Welfare advice	1,947	2,101	2,161	2,205	2,249
Total expenditure	**8,297**	**8,204**	**7,734**	**7,882**	**8,033**
Net cash from operating activities	**(2,798)**	**-**	**-**	**-**	**-**
Opening cash	**2,998**	**200**	**200**	**200**	**200**
Closing cash	**200**	**200**	**200**	**200**	**200**

2.10 The confirmed Gift Aid and RSL donations and the opening cash balance are expected to be used to fund core activities such as:

- Helping Hand Fund
- Welfare Benefit advice
- Community Policing and Group Protection
- Apprenticeship programmes
- Core team overheads
- Home Comforts

2.11 The commitment to other Foundation projects including My Great Start, Wheatley Works, Greener Communities, Imagination Library and the bursary programme, is to be met from external fundraising:

- Community benefit donations from new build contracts.
- External grant target of £0.4m.

Table 2.13 provides more details.

2.12 The key assumption is that projects which are funded by external fundraising will not be committed until the external income has been confirmed. Closing cash is projected to reduce to £200k at the end of year 1 as the Foundation is anticipated to open the year with a cash surplus having benefitted from higher RSL donations in 2023/24 and to utilise these remaining cash reserves in delivering their programme of activities in 2025/26. Across years 2-5 of the financial projections, the Foundation is expected to end each year with a positive cash balance of £200k. The Foundation will manage its cashflows effectively by waiting for funding to be confirmed before expenditure is committed.

2.13 The opening cash balance at 1 April 2025 is expected to be £3.0m. The projections show a reduction in this cash balance during year 1 as these reserves are targeted towards specific projects and utilised over the year; this assumption is consistent with the 2024/25 Business Plan presented to the Board. We have been prudent with respect to the external grant targets in the financial projections, however, any income earned over and above the £0.4m included in the plan would allow for higher cash reserves and/or additional new projects to be funded in excess of what has been assumed in the projections.

Key Foundation Programmes:

2.14 The table below illustrates which Foundation projects are funded via Group contributions and those by external means:

	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
Key Projects					
Funded by RSL donations/Gift aid:					
Internal staff & Solutions recharge	983	1,030	1,055	1,077	1,100
Money & welfare advice	1,947	2,101	2,161	2,205	2,249
JV apprentices	500	500	500	500	500
Community Policing & Group Protection	2,692	2,878	2,959	3,023	3,087
Helping Hand Fund	1,000	500	-	-	-
Modern apprentices	69	71	72	74	75
Home Comforts	256	262	268	274	280
Starter Packs	80	80	80	80	80
	7,527	7,422	7,095	7,232	7,371
Funded by external grant:					
Bursaries	150	150	75	75	75
My Great Start	190	194	199	204	209
Wheatley Works	311	318	325	331	338
Imagination Library	15	15	15	15	15
Greener Communities	25	25	25	25	25
Digital Inclusion	70	70	-	-	-
Developing Young Workforce	10	10	-	-	-
	770	783	639	650	662
Total expenditure	8,297	8,204	7,734	7,882	8,033

2.15 Internal staff & Solutions recharge include staff costs for the core Foundation team at a value of £0.6m and recharges from Wheatley Solutions for shared service functions such as Finance, HR and IT, at a value of £0.4m per annum.

2.16 The key programmes funded by the Foundation are detailed below:

- Helping Hand Fund: During 2024/25, the Helping Hand Fund was re-introduced with the primary focus to support customers to make their rent payments during 2024/25 when facing financial hardship. This is projected to continue during 2025/26 with funding of £1m and a further £0.5m for 2026/27. For the previous two years, the Here for You campaign was put in place to support customers during the cost-of-living crisis with a specific fund to help customers with fuel, food and rent.

- Tackling Poverty & Social Inclusion: Alongside the Helping Hand Fund, our other wraparound services are in operation to ensure customers have access to long term practical support and advice:

    - My Great Start project: this provides financial inclusion advice with a focus on preventative measures in order to help tenancies succeed.
    - Home Comforts provides free refurbished furniture, electrical appliances and white goods to help customers on low incomes furnish their homes and access essential items. The financial projections include over £250k per annum towards the costs of this initiative. Local organisations based in Edinburgh, Dumfries and Stranraer are now working in partnership with the Foundation to deliver Home Comforts style services for Wheatley Homes East and Wheatley Homes South customers.
    - The Foundation's Greener Communities programme aims to raise awareness of environmental initiatives among Wheatley customers and staff. The programme will continue to focus on key themes of Active Travel; Community Growing; Re-use & Recycling; and Food waste reduction.

- The welfare benefits and fuel advice service is delivered to communities across the Group at a projected annual cost of £1.9m in 2025/26. This service ensures customers know the benefits they are entitled to, the tariffs best suited for them and provides support to help them achieve this.

- Group Protection and Community Policing have been included at an annual cost of £2.7m in 2025/26 for staff and running costs for the delivery of programmes to RSLs in key areas such as suicide prevention as well as providing resources to support victims of domestic abuse and targeting anti-social behaviour and crime in our communities.

- Education
    - Bursaries programme: this programme has been running for several years and allows customers to progress into further education with the knowledge that there is financial assistance for them.
    - Funding has been included in years 1-5 of the projections for the continued involvement with Dolly Parton's Imagination Library which provides books to children from birth to age 5.

- Training and Employment
    - The Wheatley Works programme supports customers of any age to secure jobs, training and apprenticeship opportunities within a range of sectors including housing, construction, social care, retail and hospitality. This includes:
        - Training places on a range of Foundation delivered employability programmes, such as the Changing Lives 12-month training programme and pre-employment training courses supporting work preparation, such as Environmental Roots; and
        - Work with Group suppliers and contractors to maximise work placements, apprenticeships and job opportunities for priority groups through Community Benefits.
    - Funding has been included for the modern apprenticeship programme within the Group. Funding has also been included for the existing commitment to City Building's apprentice programme across the 5 years of the financial projections at a value of £500k per annum.
    - Funding has been provided for years 1 and 2 of the projections to continue work with Developing Young Workforce (DYW) through the Construction Aware programme to support at least 150 young people to obtain the Construction Aware qualification through training and time spent with local employers. A 3-year award was made during the 2024/25 financial year.

- Digital Inclusion
  - The Foundation supports customers to get free access to the internet and digital support through our partnership with Glasgow Kelvin College and the John Wheatley Learning Network. Thirty Click and Connect centres are currently located throughout Glasgow.
  - The Foundation provides free repurposed digital devices to help customers and communities get easier access to online support and services – aligned with the staff renewal of laptops and ipads.

Any variance in income secured would require to be offset by a corresponding change in spend and would therefore have no impact on cashflows. No commitments should be made to projects until funding has been confirmed, except for the existing commitments:

- DYW funding across 2025/26 and 2026/27;
- Continuing bursary students in 2025/26 who received an award in 2024/25;
- My Great Start funding for 2025/26 across Wheatley Homes East and Loretto, supported by external grant funding;
- Wheatley Works projects and continuing Wheatley Pledge commitments;
- Imagination Library for 2025/26, supported by external grant funding; and
- Greener Communities for 2025/26, supported by funding awarded by Dunedin Canmore Foundation.

3 Risk Analysis

3.1 One of the key considerations for the Wheatley Foundation is to manage its cashflow to avoid any cash shortfalls. This risk is mitigated through regular financial monitoring to the Foundation Board so that the Board are made aware of the available cash that can be committed before any decision is taken on whether to approve a new initiative that is looking to secure funding.

3.2 The financial projections assume the annual external grant target is achieved to help fund the Foundation to deliver community benefit activities. The competitive nature of the external funding environment could mean that the Foundation finds it difficult in securing money from external sources although this risk is mitigated by our ongoing dialogue with key partners so that we are aware of funding sources that we can apply for funding from. Projects are only approved if they have identified and committed funding.

3.3 A proportion of external income is likely to be dependent on delivery of outcomes, although no awards contributing to the 2025/26 target of £0.4m target have been confirmed. All projects are closely monitored and reported to the Foundation Board on a quarterly basis to ensure delivery against agreed outcomes.

3.4 Selecting and delivering projects which deliver maximum benefit to communities across the Group is one of the main considerations for the Foundation. The formal approvals process put in place should help to ensure that the Foundation Board direct funding to achieve the maximum impact across our communities.

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8.2 In line with our approved methodology for the appraisal of new build schemes, a [redacted]

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Report

To: **Wheatley Group Board**

By: **Frank McCafferty, Group Director of Repairs and Assets**

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

Subject: **Five-year Capital Investment Plan**

Date of Meeting: **26 February 2025**

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1. Purpose

1.1 To seek approval of the Group's five-year plan for capital investment plan in our existing homes for the period 2025/26 – 2029/30.

2. Authorising and strategic context

2.1 Under our Terms of Reference, the Board is responsible for approving our five-year capital investment plan.

2.2 Investment in existing homes is a key component of the "Making the most of our homes and assets" theme in our five-year strategy; in particular it supports the strategic outcome of investing in existing homes and environments.

2.3 Each RSL Board and the Lowther Homes Board have approved their individual capital investment plans, which form the basis of the Group position presented in this report.

3. Background

3.1 Our capital investment plan is the third strand of our annual investment planning approach and how we ensure that our investment choices meet the needs of customers including as set out in the other two strands – our Asset Strategy and our Asset Management and Investment Plan, which Group and RSL Boards approved in September 2024.

3.2 The capital investment plan presented here has been developed reflecting:

- Discussion with customers on their priorities;
- Priorities and agreed plans from subsidiary boards;
- Our compliance obligations; and
- in-depth understanding through our asset management and repairs data.

3.3 Once this capital investment plan is approved, the RSL plans that underpin it will provide a basis for continuing engagement between our customers, asset investment delivery teams and our housing management teams to ensure customer priorities are delivered.

4. Discussion

4.1 Our capital investment plan across the RSLs and Lowther includes a core programme budget of £264.5m over the next five years. This investment will ensure we meet our compliance obligations, make improvements linked to our neighbourhood plans, significantly expand our component replacement programmes, support our net-zero ambition and target property types with particular investment needs.

4.2 In addition to the core programme, this investment is supplemented by £141.4m for improvements and capitalised repairs to void properties and £19.6m to support the delivery of medical adaptations to help customers remain independent in their homes for longer.

4.3 Total investment, including relevant costs for staff who are involved in delivering our programmes, over the five years is £533m. This reflects the assumptions on rent increases in our business plan, and updated stock investment assumptions to ensure we deliver customer priority investment.

4.4 Our core investment activities over the next five years reflect the five investment drivers agreed previously with the Board. The investment drivers are:

- **Compliance** including gas servicing, smoke and heat detector ‘relifing’ and fire safety;
- **Neighbourhood priorities** – investment to ensure our properties and their local environment meet customer needs and our aspirations for our communities;
- **Component replacement** – investment to ensure facilities like kitchens, bathrooms, windows etc in our homes are to a good standard;
- **Particular stock types** - to reflect the diversity of stock, and therefore particular investment challenges; and
- **Energy efficiency** – covering fabric efficiency and heating system.

4.5 Further details of the programme for each RSL and Lowther that will deliver on these drivers are provided at Appendix 1. The figures in Appendix 1 and below are before on-costs unless otherwise stated.

<u>Compliance</u>

4.6 Through our capital investment plan, we place a strong emphasis on ensuring our customer homes remain safe and secure. Over the five years, we will deliver £20m of capitalised improvements across the RSLs and Lowther and spend £149m in revenue across a range of Home Safety related programmes encompassing:

Programme	Capitalised improvements
Gas:	Annual gas servicing for 46,269 homes
Electricity	▪ Domestic wiring upgrades where required through our periodic electrical inspection regime. ▪ Annual servicing of electrical heated properties
Fire:	▪ Funding for dwelling door checks, in line with Scottish Government requirements for checks in buildings above 18m is included. This will see around 22,000 checks carried out next year and in the years that follow. ▪ Lifecycle replacement of LD2 smoke and heat detection across all stock types Installation of emergency lighting in all our core stock MSFs by 2025/26. ▪ Provision for planned improvement works as recommended in our Fire Risk Assessments.
Asbestos	▪ Funding for a rolling programme of annual asbestos re-inspections of relevant property common areas.
Water management	▪ Installation of Thermostatic Mixer Valves (TMVs) for new customers that require one. ▪ Inspection and testing of communal water tanks.
Lifts	▪ Upgrades of Mechanical & Electrical communal infrastructure ▪ One-off conversion to digital technology to mitigate risk of PSTN (Public Switched Telephone Network) switch off

<u>Neighbourhood Priorities</u>

4.7 Investing in our neighbours was identified as a particular priority, reflecting our wider neighbourhood plan ambition and our desire to improve the external fabric of our properties and their local environment.

4.8 Our ability to have a positive impact for customers through investing in neighbourhood priorities was tested through three pilot projects (one each in Cranhill, Ibrox and Drumchapel in Glasgow) that were completed last year. Experience from these projects has informed the plan presented here.

4.9 Each pilot project took a different approach to improving our neighbourhoods. These approaches were:

- Large scale fabric and block improvement that included repairs to existing render system, balcony repairs and resurfacing, the installation of new fascia's and soffits and painting of the external façade
- More targeted improvement focused on internal and external common areas that included the redecoration of the common close area, new flooring, new secure entry doors and localised environmental repairs to paths and slabbed areas within the backcourt; and
- Local environmental improvements that included power-washing the slabbed areas, fence painting and the cutting of hedges and grass around the block.

4.10 Group-wide, we plan to invest £46.8m to improve 1,915 blocks over the next five years across the RSLs; benefiting circa 9,496 customers. As part of this investment, we plan to spend £10.4m in 2025/26 to improve 399 blocks and benefit circa 1,596 customers.

4.11 Our approach to delivering this investment will build on the pilot projects to improve the fabric of our properties and their local environment. Improvement activities will generally align with one of three broad approaches:

- ***Environmental maintenance works*** including power cleaning hard surfaces, gutter cleaning, fence and boundary hedge maintenance, common grass cutting and minor environmental improvements, such as replacing damaged paving slabs;

- ***Communal improvement works*** including close painting, entrance way and door repair, and larger local environmental repairs such as to access staircases; and

- ***Large scale fabric improvement*** and component replacement including rainwater goods repair and replacement, render cleaning and repairs, window painting and soffit/facias improvement.

4.12 Where applicable, environmental maintenance works will be carried out on a cyclic basis with the intention of ensuring that 5,029 of our blocks are cleaned and improved over a three-year period. This is expected to benefit 31,497 customers.

4.13 The other two approaches – communal improvement works and larger-scale fabric improvement have been prioritised through local investment planning. This has included working with our repairs and investment colleagues to gather survey information and local insight from housing teams to prioritise areas with greatest customers and community impact.

4.14 The table below shows planned ***communal and large-scale fabric improvement works*** next year by RSL.

Subsidiary	Communal Works - Number of Blocks	Large scale Fabric Works – Number of Blocks
WH Glasgow	300	20
Loretto	10	3
WH South	21	5
WH East	35	3
TOTAL	**366**	**31**

4.15 Priorities for large-scale fabric improvement works include investing in:

- Foyers at Lincoln Ave Multistorey flats and completing the improvements to 15 tenement blocks at Downcraigs Drive in Glasgow;
- Blocks of flats at Osbourne Drive in Dumfries involving render repair, external painting and rainwater good replacement;
- Flats in the Grassmarket, Newington and Newhaven areas of Edinburgh; and
- Blocks, owned by Loretto, in West Dumbartonshire and Renfrewshire.

Component Replacement

4.16 Across our RSLs and Lowther we plan to invest £247.4m over the next five years including £39.4m in 2025/26 improving components in our properties. The component replacement programme will also contribute to improvements in energy efficiency and our neighbourhood. Examples of what this investment is planned to deliver are shown in the table below:

Component	2025/26					
	WHG	Loretto	WHS	WHE	Lowther	2025/26 to 2030/31
Kitchens	720	82	264	150	90	10,315
Windows	580	104	200	100	145	7,592
Heating Replacements	1246	254	250	135	22	13,145

4.17 Addresses for these improvements have been identified using our asset data and through engaging with customers on priority areas.

4.18 Local delivery plans will provide details of both the location and timing of planned investment work. This approach will ensure customers and housing officers are better informed about planned investments in their area and will help to facilitate earlier engagement with customers in advance of planned improvements to their homes.

4.19 Technical surveys will also be undertaken as part of the project development phase to help refine the scope of work. This visit provides an opportunity for customers to find out more details about the project and to select their choices for internal improvements such as kitchen renewals.

Particular stock types

4.20 Our diverse stock base across the RSLs means we have stock types such as, multi-story flats, pre-1919 tenements and those connected to district heating networks with particular investment requirements. While much of the investment needs in these types of properties is addressed through our other investment drivers, there are also more specific requirements because of the characteristics of the stock.

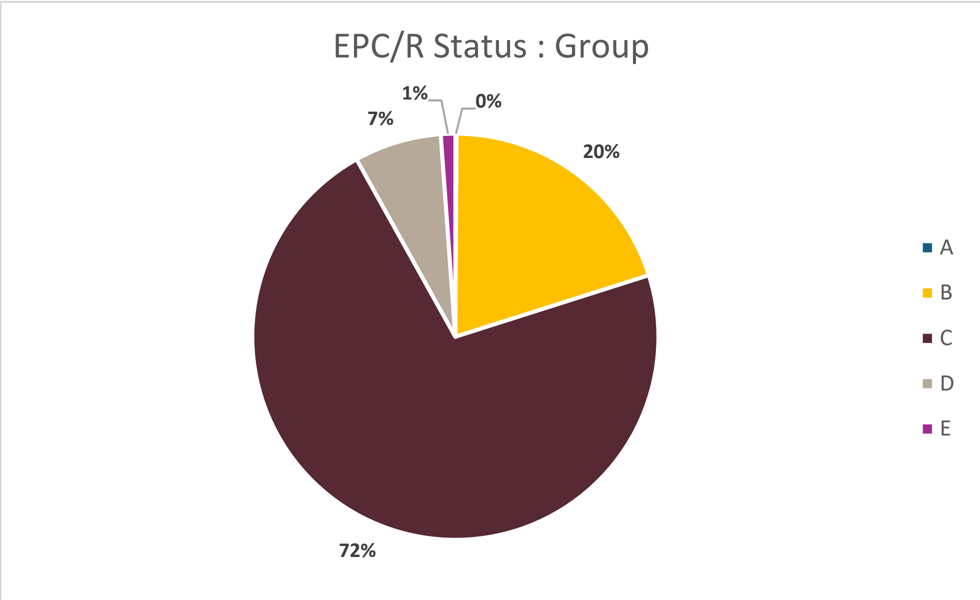
4.21 Our capital investment plan recognises the importance of our Mechanical and Electrical ("M&E") infrastructure investment. This is particularly important in our multi-storey properties, to ensure vital services are maintained. Our capital investment plan includes £11.4m for planned improvements to M&E components including the lifecycle replacement of pump sets and water storage tanks, ventilation plant, CCTV and lifts across the RSLs.

4.22 This also includes continued provision to migrate our lift and other alarms from analogue technology to digital to mitigate the impact of the planned analogue PSTN (Public Switched Telephony Network) switch-off in 2025.

4.23 The capital investment plan also includes £1.8m for the continuation of our £4.5m programme to deliver a new control and management system across our district heating networks in WH Glasgow and WH East. This project, to deploy the Minibems technology, commenced in 2023/24 and encompasses 1,455 homes in Glasgow and 495 homes in Edinburgh, that are connected to the district heating networks we manage. By improving the efficiency of the heating networks, we are able to limit the cost of energy waste, which in turn allows us to ensure that tariffs for heating remain affordable and better value for customers than alternative options.

Energy Efficiency

4.24 The reduction in energy waste from the investment mentioned above in Minibems also has a significant impact in reducing CO_2 emissions from burning fossil fuel at our district heating sites. Other aspects of our capital investment programme, particularly through component replacement of windows, doors, external wall insulation and inefficient heating systems, will do likewise. The chart below shows energy performance of our stock at present.



4.25 Our planned investment over the next five years in measures that will improve energy efficiency through component replacement across the RSLs and Lowther is £107.6m. As part of this investment, we plan to spend £13.1m in 2025/26 which will improve energy efficiency in 3,070 homes

4.26 Our capital investment plan also includes £3.7m for further SHNZS specific related investment. This investment will focus initially on fabric efficiency investment, beyond our core component replacement activities, including insulation top-up and draught proofing. However, this will be kept under review and priorities will change as need be to ensure alignment with Scottish Government policy on net zero for social housing once this is defined.

4.27 The Scottish Government recently updated its position on the energy efficiency requirements for private rented sector properties. The updated position removes the requirement for stock to be at EPC ‘C’, at change of tenancy from 2025 but confirms the target for all private rental properties to reach EPC ‘C’ by 2028.

4.28 A total of five Lowther properties have been identified as having and EPC below band C. These properties require upgraded electric storage heating to bring them to an EPC band C, however, arranging access with customers in these properties has been a challenge. We are now progressing with enforcement action to ensure that we can complete these improvements and meet the required energy standard.

4.29 We will continue to explore, as we have done successfully in recent years, external funding opportunities such as from the Scottish Government and Energy Company Obligation ("ECO") to maximise our existing programme and further support the delivery of our sustainability ambitions. Our plans will remain agile to react to the emerging policy environment and opportunities.

5. Customer engagement

5.1 We have engaged customer voice panels across the RSLs around the drivers in the asset strategy and have collated feedback from customers on investment priorities in their communities. This information has informed the prioritisation and approaches in the Strategic Asset and Investment Plan and is reflected in the capital investment plan. These discussions have been constructive with support for each of the drivers and a particular emphasis on neighbourhood improvements and component replacement.

5.2 A key priority is to revitalise the way we engage and communicate with customer, and key stakeholders who we know also engage with our tenants, on our investment plans. It is intended that we will develop a range of new or enhanced measures, including:

- A microsite within our website where people, can access information on investments plans in their own locality;
- Localised newsletters, a combination of physical and digital, providing customers with regular update on ongoing and future investment work in their locality.
- Engaging with local community councils and elected members, with regular briefings on our investment plans; and
- Customer voices spending more times engaging with local communities updating them on our local investment plans as well more targeted local focus groups; and
- The use of digital screens within multi storey properties to provide information on local priorities as well as solicit feedback from customers.

6. Environmental and sustainability implications

6.1 The Scottish Government has yet to publish the conclusion of its consultation on the SHNZS, and there is no definitive information on when this is expected. For now, our focus is on improving energy efficiency where it benefits customers.

6.2 At Group level, we set a target to reduce emissions from our homes by 20,000 tonnes of CO_2 during the strategy period 2021 to 2026. The investment works proposed in the first year of the capital investment plan set out here are expected to reduce emissions from our homes by 1,400 tonnes.

6.3 This, combined with the progress we have made through earlier investment during the strategy period means that we are likely to fall around 4,000 tonnes CO_2 short of our Group target. This is a result of delaying investment during the covid period and, more significantly, our focus on meeting customer needs and a 'just transition' which means that we are not routinely changing gas heating systems for more expensive electric based systems that produce significantly less CO_2 emissions. We will keep this under review in the year ahead.

7. Digital transformation alignment

7.1 Information on investment in our properties including component lifecycles and replacement dates for planning purposes is stored digitally in our PIMSS asset management system. This information is used to inform investment planning and the information in this report.

8. Financial and value for money implications

8.1 The five-year capital investment expenditure has been provided for within the 2025/26 Business Plan that the Board is also considering at this meeting.

9. Legal, regulatory and charitable implications

9.1 Our capital investment plan will help ensure that asset-related legal and regulatory compliance requirements including those relating to fire safety, and when finalised, the SHNZS are met through clearly defining investment requirements and our approach.

10. Risk appetite and assessment

10.1 Our risk appetite for investing in existing homes and environments 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". Key risks associated with the capital investment delivery plan and how we propose to mitigate these are set out below:

Risk	Mitigation
Cost inflation means that the proposed investment does not deliver the anticipated impact for customers.	The multi-year nature of our plan and its scale, along with robust procurement approaches will help to maximise the value we achieve from our proposed investment.
Lack of delivery capacity means that anticipated programmes are not delivered.	The long-term opportunity that comes with our capital investment plan facilitates a more efficient approach to investment delivery through allowing CBG, and our other delivery partners, to plan more effectively, develop future delivery capacity and leverage economies of scale through their supply chain.
Wider financial pressures mean less availability of Scottish Government grant, especially for energy efficiency related works.	We will continue to work closely with Scottish Government to ensure we have a strong reputation as a reliable delivery partner which will help maximise funding opportunities where they exist, and we will build relations with others to access other funding sources such as ECO.

11. Equalities implications

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

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

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

12. Key issues and conclusions

12.1 Our core investment programme will deliver £264.5m of planned improvements in our property portfolio over the next five years.

12.2 The continuing focus of our programme is on delivering improvements that contribute the greatest value to our tenants and neighbourhoods, with 83% of our core programme geared towards known customer priority investment.

12.3 Customers voice has been integral to the investment planning process with the feedback from customer voice panels informing the prioritisation and approaches in our Asset Strategy and our Asset Management and Investment Plan which is reflected in the capital investment plan.

12.4 Safety remains a key priority for us with over £20m earmarked for property compliance and fire safety-related works over the next five years.

12.5 Our capital investment programme will support the objectives of our sustainability framework, specifically around improving the fabric efficiency of our homes. We will continue to explore external funding opportunities such as from Scottish Government and ECO to bolster our existing programme and further support the delivery of our sustainability ambitions. Our plans will remain agile to react to the outcome of the consultation on SHNZS.

13. Recommendations

13.1 The Board is asked to approve the Group’s five-year capital investment plan 2025-2030.

LIST OF APPENDICES:

Appendix 1: Five-year Capital Investment Plans by RSL and Lowther Homes

Appendix 1:
Wheatley Homes Glasgow Five-year Capital Investment Plan 2025-2030

PROPOSED WHG PROGRAMME (INC VAT)								
WorkGroup	Investment Drivers	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	TOTAL £'000	Number of Customers Benefiting over 5Yrs
Gas Heating	Component Replacement/Energy Efficiency	3,306	3,465	3,550	4,081	4,179	**18,581**	6,445
Electric Heating Renewals	Component Replacement/Energy Efficiency	716	730	1,195	3,539	3,625	**9,805**	1,376
Low-rise Fabric	Component Replacement/Neighbourhoods/ Energy Efficiency	3,201	1,283	1,810	1,845	1,885	**10,024**	100 Blocks
Pre-1919 Tenements (Major Fabric Repair)	Component Replacement/Neighbourhoods/Energy Efficiency	300	360	300	300	360	**1,620**	9
Kitchen	Component Replacement	3,670	6,258	6,428	7,500	7,694	**31,550**	5,870
Bathroom	Component Replacement	220	400	400	431	442	**1,893**	521
Rewire/Electrical	Component Replacement/Compliance	720	815	832	865	886	**4,118**	800
Windows & Doors	Component Replacement/Energy Efficiency	3,180	5,139	5,269	5,390	5,521	**24,499**	4,300
Environmental	Component Replacement/Neighbourhoods	1,000	1,565	1,250	-	-	**3,815**	532 Blocks
Common Work	Component Replacement/Neighbourhoods	1,911	200	1,573	1,612	1,632	**6,928**	967 Blocks
Mechanical & Electrical	Component Replacement/Particular Stock	250	561	874	500	750	**2,935**	215
High-rise Fabric	Component Replacement/Particular Stock	675	3,400	2,700	2,000	1,000	**9,775**	8
EESSH/SHNZ	Component Replacement/Energy Efficiency	-	-	378	-	413	**791**	635
Lift Replacements	Component Replacement/Particular Stock	920	600	1,025	1,235	1,659	**5,439**	15
Fire Safety	Component Replacement/Compliance	545	480	480	480	480	**2,465**	1,000
District Heating Component Replacements (Non JV)	Component Replacement/Particular Stock	-	80	600	1,500	500	**2,680**	900
Minibems District Heating Control Management	Component Replacement/Particular Stock/Energy Efficiency	1,375	-	-	-		**1,375**	582
Investment (Other)	Component Replacement	580	115	117	120	123	**1,056**	500
Capital Contingency		-	-	-	-	-	-	-
Core Programme Total		**22,569**	**25,451**	**28,781**	**31,398**	**31,149**	**139,349**	**24,775**
Emergency Lighting Installations	Compliance	540	1,375	925	900	-	**3,740**	13
Smoke/Heat Detector Installs	Compliance	425	971	1,555	2,561	4,068	**9,580**	32,000
TMV Taps	Compliance	-	150	150	150	150	**600**	1,200
Core Programme & Capital Compliance Total (inc VAT)		**23,534**	**27,947**	**31,411**	**35,009**	**35,367**	**153,269**	**57,988**

Loretto Housing Association Five-Year Capital Investment Plan 2025-2030

PROPOSED LORETTO PROGRAMME (INC VAT)								
		2025/26	2026/27	2027/28	2028/29	2029/30	TOTAL	Number of Customers Benefiting over 5Yrs
WorkGroup	Investment Driver	£'000	£'000	£'000	£'000	£'000	£'000	
Gas Heating	Component Replacement/Energy Efficiency	675	522	519	727	745	3,188	1,140
Electric Heating Renewals	Component Replacement/Energy Efficiency	29	30	30	31	32	152	30
Low-rise Fabric	Component Replacement/Neighbourhoods	225	100	236	409	1,277	2,247	37
Kitchen	Component Replacement	417	426	437	447	459	2,186	410
Bathroom	Component Replacement	128	12	100	181	188	609	165
Rewire	Component Replacement/Compliance	62	63	63	64	65	317	63
Windows & Doors	Component Replacement/Energy Efficiency	563	108	301	650	668	2,290	400
Environmental	Component Replacement/Neighbourhoods	722	330	500	650	284	2,486	124 Blocks
Common Work	Component Replacement/Neighbourhoods	230	-	224	215	920	1,589	104 Blocks
Mechanical & Electrical	Component Replacement/Particular Stock	60	60	60	60	60	300	150
EESSH/SHNZ	Component Replacement/Energy Efficiency	-	-	585	-	368	953	139
Fire Safety	Component Replacement/Compliance	42	42	42	42	42	210	42
Investment (Other) - Office Conversion	Component Replacement/Particular Stock	82	-	-	-	-	82	2
Capital Contingency		-	-	-	-	-	-	-
Core Programme Total		**3,235**	**1,693**	**3,097**	**3,476**	**5,108**	**16,609**	**2,805**
Smoke/Heat Detector Installs	Compliance	23	20	30	64	164	301	996
TMV Taps	Compliance	10	10	10	10	10	50	25
Core Programme & Capital Compliance Total (inc VAT)		**3,268**	**1,723**	**3,137**	**3,550**	**5,282**	**16,960**	**3,826**

Wheatley Homes South Five-Year Capital Investment Plan 2025-2030

PROPOSED WHS INVESTMENT PROGRAMME (INC VAT)								
		2025/26	2026/27	2027/28	2028/29	2029/30	TOTAL	Number of Customers Benefiting over 5Yrs
Working Group	Investment Driver	£'000	£'000	£'000	£'000	£'000	£'000	
Gas Heating	Component Replacement/Energy Efficiency	750	1,177	1,990	1,890	2,371	8,178	2,725
Low Carbon Heating (ASHP)	Component Replacement/Energy Efficiency	175	175	475	700	700	2,225	178
Low-rise Fabric	Component Replacement/Neighbourhoods	2,355	1,385	2,038	2,430	2,572	10,780	188
Sturctural	Component Replacement	40	40	40	100	100	320	8
Kitchen	Component Replacement	1,400	1,400	2,864	3,790	5,300	14,754	2,780
Bathroom	Component Replacement	22	33	44	100	100	299	54
Windows & Doors	Component Replacement/Energy Efficiency	1,401	1,400	2,051	3,790	5,500	14,142	2,020
Common Work	Neighbourhoods	410	50	210	210	210	1,090	105 Blocks
Mechanical & Electrical	Component Replacement	10	10	10	10	10	50	25
Environmental Sensors	Component Replacement	10	10	10	10	10	50	50
EESSH/SHNZ	Energy Efficiency	400	-	380	-	414	1,194	668
Fire Safety	Compliance	34	34	34	34	34	170	57
Garages	Particular Stock	10	10	10	20	20	70	70
Contingency		-	-	-	-	-	-	-
Core Programme Total (inc VAT)		7,017	5,724	10,156	13,084	17,341	53,322	8,928

Wheatley Homes East Five-Year Capital Investment Plan 2025-2030

PROPOSED WH East PROGRAMME (INC VAT)								
		2025/26	2026/27	2027/28	2028/29	2029/30	TOTAL	Number of Customers Benefiting Over 5Yrs
WorkGroup	Investment Driver	£'000	£'000	£'000	£'000	£'000	£'000	
Gas Heating	Component Replacement/Energy Efficiency	417	417	565	600	805	**2,804**	935
Electric Heating Renewals	Component Replacement/Energy Efficiency	100	100	122	122	130	**574**	115
Low-rise Fabric	Component Replacement/Neighbourhoods	730	711	992	920	1,323	**4,676**	72
Pre-1919 Tenements (Major Fabric Repair)	Component Replacement/Neighbourhoods	750	600	1,200	1,172	1,500	**5,222**	21
Kitchen	Component Replacement	752	752	900	1,250	1,395	**5,049**	1,010
Bathroom	Component Replacement	400	400	526	628	770	**2,724**	775
Rewire	Component Replacement/Compliance	-	-	249	450	486	**1,185**	237
Windows & Doors	Component Replacement	550	550	550	900	900	**3,450**	650
Environmental	Component Replacement/Neighbourhoods	-	-	-	35	35	**70**	7
Common Work	Component Replacement/Neighbourhoods	700	439	700	961	700	**3,500**	175 Blocks
Mechanical & Electrical	Component Replacement/Particular Stock	150	188	300	400	500	**1,538**	3,658
EESSH/SHNZ	Component Replacement/Energy Efficiency	-	-	378	-	411	**789**	385
Lift Replacements	Component Replacement/Particular Stock	100	173	200	300	400	**1,173**	15
Fire Safety	Component Replacement/Compliance	226	200	250	250	350	**1,276**	255
Minibems District Heating Control Manageme	Particular Stock/Energy Efficiency	412	-	-	-	-	**412**	101
Capital Contingency		-	-	-	-	-	**-**	-
Core Programme Total		**5,287**	**4,530**	**6,932**	**7,988**	**9,705**	**34,442**	**8,411**
Emergency Lighting Installations	Compliance	-	-	-	100	400	**500**	202
Smoke/Heat Detector Installs	Compliance	50	51	150	200	400	**851**	2,059
Core Programme & Capital Compliance Total (inc VAT)		**5,337**	**4,581**	**7,082**	**8,288**	**10,505**	**35,793**	**10,672**

[redacted]

							Number of Customers Benefiting over 5Yrs
[redacted]							
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
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Wheatley Group

Report

To: Wheatley Group Board

By: Frank McCafferty, Group Director of Repairs and Assets

Approved by: Steven Henderson, Group Chief Executive

Subject: Radio Teleswitch switch off update

Date of Meeting: 26 February 2025

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1. Purpose

1.1. To update the Board on the implications of the planned switch off of the Radio Teleswitch (“**RTS**”) systems for our customers.

2. Authorising and strategic context

2.1 Under our Terms of Reference, the Board is responsible for considering matters of strategic importance.

2.2 The planned switch-off of RTS has potential implications for the electricity supply to a significant number of our customers and is therefore considered strategically important.

3. Background

3.1 RTS is a legacy electricity metering system that relies on an obsolescent long-wave radio signal to communicate with electricity meters. The system is due to be shut off in June 2025, although recent discussions indicate a phased approach could take place, which might provide a few months longer. OFGEM has compelled energy companies with RTS metering to replace these with Smart metering, but progress has been slow. It is estimated that around 1 million homes across the UK have a RTS meter, and that we have around 5,775 such meters in our stock, distributed across our geographic operating area. These meters are in homes with electric storage heating, and there is a high concentration in our MSF stock in Glasgow. Changing these electric systems for alternatives is not practical because of the inability to install gas in MSFs and the lack of concentration of meters in one location means it is technically and economically unfeasible to link to the gas network or deploy a heat network.

3.2 RTS meters rely on the long wave radio signal to switch between peak and off-peak tariffs. After the signal is shut off, there is a risk that meters in our customers’ homes could be left with heating either permanently ‘on’ or permanently ‘off’, depending on the last signal received.

3.3 Ownership and management of the RTS meter, like all utility meters, is with the energy company, and as such it is not something that we can change on their behalf. Changing RTS meters is further complicated by the regulated nature of the energy market which means that specific conversations need to happen between the supplier and the customer in advance of switching. In addition, in some cases, a tariff change is required because the legacy tariff associated with RTS meters is not available on smart meters. The implications of this will be customer specific but we understand in some cases customers may have to pay slightly more for their electricity as a consequence of the switch.

4. Discussion

4.1 The RTS issue has been known by the electricity industry for many years, and the planned switch off of the signal has been delayed previously because of lack of progress in moving their customers to smart meters.

4.2 This lack of progress has previously led us to raise the issue directly, and through the SFHA, including with OFGEM, Scottish and UK Government and energy companies, especially Scottish Power who operate the vast majority of meters in our area. These awareness-raising activities included engaging directly with OFGEM and Energy UK (the energy industry trade body) through participating in their 'RTS Summit' in September 2024 and the subsequently formed RTS Consumer Engagement Group which meets monthly (scheduled until December 2025). Despite these awareness raising discussions and calls for action, energy industry progress has still been slow, as demonstrated by the level of RTS meters that are still in operation.

4.3 More promisingly, we have successfully developed a relationship, and put a data sharing agreement in place, with Scottish Power that has seen around 2,500 customers with RTS meters convert to smart meters in the last year or so. This was achieved through Scottish Power providing information on affected properties, so we could send letters and texts to customers encouraging them to contact Scottish Power to arrange to switch and through engaging with affected customers directly, alongside Scottish Power, through our Connected Response programme.

4.4 Recently there has been more of a focus on the RTS switch off by energy companies and in the media. This focus has seen increasing willingness among the energy companies to engage with the issue and us. Linked to this we have developed various approaches to encourage our customers to switch their RTS meters including:

- Sending further letters to affected customers urging them to respond to Scottish Power's communications and to book appointment;
- Having posters in our MSF blocks to encourage customers to switch;
- Adding prompts for affected customers so that our CFC call handlers can reinforce the need for customers with RTS meters to contact their energy company and switch; and
- A staff awareness campaign that provides them with the information they need to encourage switching.

4.5 We are also working with Scottish Power to develop an area based joint campaign, which would see them making bulk smart meter installation appointments available in a particular block or postcode. We would then support customer take up and access through our housing officers, concierge staff and outbound calling from our customer first centre.

4.6 While the vast majority (over 85%) of our customers with a RTS meter are Scottish Power customers, around 13% of affected customers receive their electricity from Utilita, our void switching partner. We are currently working with Utilita so it can trial its smart meter solution to replace RTS meters, with a view to encouraging switching, in the same way we are doing for Scottish Power customers.

4.7 We are hopeful that our efforts, along with the recent stepping up of activity by energy companies to encourage switching including press and radio adverts and better engagement with partners, will help mitigate the risk for our customers. However, we cannot be confident at this point that our customers will not be impact if RTS is switched off. To help address this on-going concern, we have formed an internal project team to monitor progress with switching and to coordinate the various actions in this paper.

4.8 We also plan to write to the Scottish Government and the SHR to share our concern at lack of progress in removing RTS meters and the implications for our tenants, and to write to Energy UK and OFGEM indicating the need for the RTS switch off to be delayed, given the number of such meters that are still installed.

5. Customer engagement

5.1 We are working with our customers, as set out elsewhere in this report, to encourage switching.

6. Environmental and sustainability implications

6.1 There are no environmental and sustainability implication for us as the change from RTS meters to smart meters is for the energy companies to make.

7. Digital transformation alignment

7.1 The move to smart meters is part of a wider agenda towards the use of digital technologies nationally, although there are no direct implications for our digital strategy.

8. Financial and value for money implications

8.1 The cost of replacing RTS meters is for the energy companies.

9. Legal, regulatory and charitable implications

9.1 There are no legal, regulatory or charitable implications associated with this paper.

10. Risk appetite and assessment

10.1 We are committed to delivering an exceptional customer experience. The RTS switch-off presents a risk to this because of the adverse implications for customers, and in particular their supply of electric heating. The approaches discussed in this paper are how we will look to mitigate this risk.

11. Equalities implications

11.1 We are working with the energy companies to encourage affected customers to switch from a RTS meter to a smart meter. Doing this will help ensure that all customers, including those with particular vulnerabilities are protected from the potential harm that could arise from the RTS switch-off.

12. Key issues and conclusions

12.1 Energy companies are planning to switch off the legacy RTS meter system in June 2025. While it is possible an extension to this date may yet be agreed, there is a growing risk that the planned switch-off will have adverse implications for our 4,829 customers with this type of meter. We are working to address this impact including with energy companies to encourage switching. Given progress by energy companies to date, we will keep this situation under close scrutiny and take whatever action we can to ensure the impact of this national issue on our customers is mitigated. The Board will be further updated at meetings between now and June.

13. Recommendations

13.1 The Board is asked to note this update.

LIST OF APPENDICES:

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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: **26 February 2025**

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1. Purpose

1.1 The purpose of this paper is to:

- Provide the Board with the financial results for the period to 31 December 2024;
- Provide the Board with the forecast full-year out-turn following the completion of the 9 months to 31 December; and
- Seek approval for submission of the RSL Borrower Groups management accounts to 31 December 2024 to our bank lenders as part of our quarterly covenant returns.

2. Authorising and strategic context

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

2.2 The key themes and aims of the 2021-26 strategy, Your Home, Your Community, Your Future set the context for the 2024/25 budget.

3. Background - Financial performance to 31 December 2024

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

	Year to Date (Period 9)		
£m	**Actual**	**Budget**	**Variance**
Turnover	364.6	358.0	6.6
Operating expenditure	(267.7)	(270.8)	3.1
Operating surplus	**96.9**	**87.2**	**9.7**
Operating margin	*26.6%*	*24.4%*	
Net interest payable	(54.7)	(55.6)	0.9
Surplus	**42.2**	**31.6**	**10.6**
Net Capital Expenditure	**142.7**	**141.8**	**(0.9)**

4. Discussion

4.1 The Group is reporting a statutory surplus of £42.2m, £10.6m favourable to budget. The financial performance reported to date includes additional new build grant awarded following a tenure flip from Mid-Market Rent ("**MMR**") to social rent properties and earlier than budgeted new build completions. Operating performance continues to be strong and favourable to budget with higher levels of net rental income from improved void rates and a favourable expenditure position compared to budget, including running cost savings and repairs and maintenance spend, which has been in line with budget since the start of the financial year.

4.2 Key variances against budget include:

- Net rental income is £1.0m favourable to budget with additional rental income from earlier than budgeted new build handovers in all RSLs and a continuation of the strong letting performance previously reported, which is contributing to lower void levels which are running at a rate of 1.12% compared to the budget of 1.33%; and
- New build grant income relates to 530 new build properties completed (331SR and 199MMR) to date and is £4.9m favourable to budget with early completion units at Deans South Ph1A & 1B, Blindwells, West Craigs Ph1 & 2, Shandwick Street and Constarry Road. Grant income reported includes the approved additional funding of £1,450k linked to the tenure flip of 32 MMR properties to social rent at Calton as part of our joint working with Glasgow City Council around the number of homeless families in temporary accommodation.
- Within operating expenditure, total costs are £3.1m favourable to budget:
  - Running costs reflect the value for money and cost efficiencies delivered in IT running costs and the timing of spend in Wheatley Solutions, resulting in lower than budgeted group recharges from Wheatley Solutions of £0.6m and lower than budgeted direct costs of £0.3m, mainly due to the timing of spend compared to budget;
  - Repairs and maintenance performance is favourable to budget by £0.7m. The timing of compliance spend against the budgeted programme and the improvement plan implemented in 2023/24 to help monitor the drivers of repairs costs, improve efficiency and keep repairs spend within budget continues to support the delivery of reactive repairs and contribute to this favourable variance. Within repairs spend, the position on responsive repairs is £0.1m favourable and this continues to be closely monitored; and
  - bad debt costs are £1.4m lower than budget. As in previous years our approach has been to include a prudent level of provision for costs.
- Net interest payable is £0.9m favourable to budget with unbudgeted interest received of £0.3m. Interest payable is £0.6m favourable to budget due to the timing of drawn balances, a lower base rate on the variable loans and the completion of the new loan with Pricoa at a lower rate than assumed in the financial projections.

4.3 Within capital expenditure, net new build spend is £3.7m unfavourable to budget with new build investment spend £29.6m lower than budget and grant income £33.3m lower than budget. Securing approvals for new projects has been challenging this year in light of the reduction in the amount of grant available to support housing development; a key driver for the reduction in overall grant income and associated new build development spend. Further details of the variances are outlined on page 1a) in Appendix 1.

4.4 The net core investment spend of £54.5m is £2.4m favourable to budget. The reduced spend in voids to date has been fully offset by increased capitalised repairs spend. The favourable position is mainly driven by the timing of the Core Investment spend, however this is planned to increase in Q4 and will include the extra £3.8m of investment released following the covenant changes.

Q3 Forecast

	Q3 Forecast		
£m	**Budget**	**Forecast**	**Variance**
Turnover	487.4	501.7	14.3
Operating expenditure	(360.2)	(360.0)	0.2
Operating surplus	**127.2**	**141.7**	**14.5**
Operating margin	*26.1%*	*28.2%*	
Net interest payable	(78.1)	(76.8)	1.3
Statutory surplus	**49.1**	**64.9**	**15.8**
Net Capital Expenditure	**195.8**	**197.0**	**(1.2)**

4.5 The forecast full-year out-turn for the Group shows a statutory surplus of £64.9m to 31 March 2025, £15.8m favourable to budget. The forecast recognises the additional new build grant income on earlier than budgeted completions as well as the favourable forecast operating performance in net rental income, bad debts and interest payable.

4.6 The Group's forecast underlying surplus after excluding grant income on new build completions and capital investment is forecast to be £4.0m, £0.6m unfavourable to budget. The movement from budget reflects the agreed £3.8m additional core investment work agreed earlier in the year following the changes to the interest cover covenant and also accommodates the fire door inspection programme in our high-rise properties, the formation of a new neighbourhood improvement team and additional repairs staff in WH East.

4.7 The forecast variations to budget on individual lines are managed within the parameters of the overall budget for 2024/25 and the headroom in our covenant golden rules. The full-year out-turn projections show us remaining compliant with borrowing covenants and we will meet our trading cashflow golden rule of 110% at 31 March 2025.

5. Customer Engagement

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

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1 As noted above.

9. Legal, regulatory and charitable implications

9.1 As noted above.

10. Risk Appetite and assessment

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

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

11. Equalities implications

11.1 There are no equalities implications arising from this report.

12. Key issues and conclusions

12.1 This paper presents the financial performance position for the period to 31 December 2024.

13. Recommendations

13.1 The Board is requested to:

1) Note the Group management accounts for the period ended 31 December 2024;
2) Note the forecast full-year out-turn for 2024/25 at Appendix 1; and
3) Approve the RSL Borrower Group accounts at Appendix 2 for submission to the Group's lenders.

LIST OF APPENDICES:

Appendix 1: Group Financial Report to 31 December 2024
Appendix 2: RSL Borrower Group Financial Report to 31 December 2024

Appendix 1: Wheatley Group Financial Report To December 2024 (Period 9)

1a) Wheatley Group – Period to December 2024

	Period to 31 December 2024			Full Year Budget £'000
	Actual £'000	Budget £'000	Variance £'000	
INCOME				
Net Rental Income	265,866	264,893	973	352,784
Grant income New Build	60,222	55,298	4,924	79,557
Grant income Other	5,941	5,824	117	14,018
Other Income	32,588	31,986	602	41,006
Total Income	**364,617**	**358,001**	**6,616**	**487,365**
EXPENDITURE				
Employee Costs	68,511	68,560	49	91,019
ER/VR	108	108	-	1,050
Running Costs	35,709	36,584	876	52,049
Repairs & Maintenance	69,623	70,345	722	88,887
Bad debts	2,000	3,410	1,410	4,542
Depreciation	91,372	91,372	-	122,109
Demolition Programme	406	400	(6)	523
Total Expenditure	**267,728**	**270,780**	**3,052**	**360,179**
NET OPERATING SURPLUS	**96,889**	**87,221**	**9,668**	**127,186**
	26.6%	24.4%		26.1%
Net interest payable	(54,675)	(55,560)	885	(78,116)
STATUTORY SURPLUS/(DEFICIT)	**42,214**	**31,661**	**10,553**	**48,832**

Key highlights:

Net operating surplus is £96,889k, £9,668k favourable to budget. A statutory surplus of £42,214k is reported, £10,553k favourable compared to budget. The financial performance reported to date includes additional new build grant awarded following a tenure flip from MMR to social rent properties and earlier than budgeted new build completions. Operating performance continues to be strong and favourable to budget with higher levels of net rental income from improved void rates and a favourable expenditure position compared to budget, including repairs and maintenance spend which has been in line with budget since the start of the financial year.

- Net rental income is £973k favourable to budget. Gross rental income is favourable due to the "cease to let" at Livingwell properties in Glasgow being slower than anticipated, resulting in £202k additional income to budget, and earlier than budgeted new build handovers in all RSLs. In addition, rent loss on voids is £548k favourable with voids at 1.12% compared to the budgeted 1.33%.
- New build grant income recognised to date relates to 526 units completed (331SR and 199MMR). Overall grant income is £4,924k favourable with the early completion of new build properties. Grant income reported includes the approved additional funding in WH Glasgow of £1,450k linked to the tenure flip from MMR to SR at Calton.
- Other grant income is £117k favourable to budget, with higher than budgeted renewable heat incentive grant income and Supporting People grant income from DGC in WH South and £408k of unbudgeted SHNZ income (with matched additional investment spend) for WH East and WH Glasgow. This is partly offset by the reduced adaptations grants claimed in WH South (with matched reduced spend).
- Other income is £602k favourable to budget, mainly arising in WH Glasgow with improved commercial void performance and higher wayleave income. Additional factoring resale fees in Lowther and additional external funding received (with matched spend) in Foundation are also reported.
- Employee costs (direct and group services) reflect the favourable spend in direct staff costs in WH South due to vacancies earlier in the year were and in Wheatley Care linked to a reduction in service delivery hours offset by additional spend from Wheatley Solutions for group employee costs.
- Running costs (direct and group services) are £876k favourable to budget attributable to value for money and cost efficiencies resulting in lower than budgeted group recharges from Wheatley Solutions of £647k and lower than budgeted direct costs of £229k which are mainly due to the timing of spend compared to budget at this point in the year.
- Revenue repairs and maintenance spend is £722k favourable to budget, with reduced spend noted across responsive repairs of £100k and £622k reduced compliance spend across all RSL's, due to timing of spend. All legislative requirements have been met.
- Bad debts are £1,410k favourable to budget with a prudent provision set aside for increases in arrears.

Net Interest payable is £885k favourable to budget. Net interest payable includes unbudgeted interest received of £283k, mainly relating to interest received in Wheatley Foundation. Interest payable is £602k favourable to budget due to timing of drawn balances compared to budget and a lower interest rate on the variable loans compared to budget.

1a) Wheatley Group – Period to December 2024

Capital Investment	Period to 31 December 2024 Actual £'000	Budget £'000	Variance £'000	Full Year Budget £'000
CORE PROGRAMME				
SHNZ	1,998	1,590	408	3,404
Adaptations	1,418	1,798	(380)	2,902
Grant Income	**3,416**	**3,388**	**28**	**6,306**
Core Investment Programme	33,501	35,860	2,359	47,699
SHNZ	1,998	1,590	(408)	3,404
Adaptations	2,629	3,092	463	4,184
Voids	11,293	11,718	425	14,087
Capitalised Repairs	8,445	7,955	(490)	11,697
Total Core Investment	**57,866**	**60,215**	**2,349**	**81,071**
NET CORE INVESTMENT SPEND	**54,450**	**56,827**	**2,377**	**74,765**
NEW BUILD				
New Build Grant Income Received	44,017	77,352	(33,335)	116,755
New Build investment	123,682	153,329	29,647	224,975
NET NEW BUILD INVESTMENT SPEND	**79,665**	**75,977**	**(3,688)**	**108,220**
OTHER FIXED ASSET INVESTMENT SPEND	**8,653**	**9,032**	**379**	**12,856**
TOTAL NET CAPITAL INVESTMENT SPEND	**142,768**	**141,836**	**(932)**	**195,841**

Key highlights:

- The net core investment spend was £2,377k favourable to budget with reduced spend in voids and the timing of the core investment programme works in the RSLs and Lowther, partially offset by increased capitalised repairs.
- Net new build spend is £3,688k unfavourable to budget with new build investment spend £29,647k lower than budget and grant income £33,335k lower than budget. Shawbridge Arcade, North Toryglen and Deans South Ph2 are all now on site with spend of £9,319k in the year to date, the grant for which will be claimed in 2025/26.
- New build grant income of £44,017k is £33,335k less than budget due to reduced claims made in Loretto for Forfar, reduced claims at Ashwood Drive and College Mains at WH South, WH Glasgow for Shawbridge Arcade, Calton Phase 2, Sighthill Phase 2 and North Toryglen. There have also been reduced claims in WH East for Deans South Ph 2 and for grants received in 2023/24 budgeted to be received in 2024/25 for Wallyford 5 A/B, West Craigs Ph3 and Winchburgh BB partially offset by accelerated claims in WH East for Blindwells and Dalhousie South Phase 1. Reduced claims were also noted in Lowther for Ashgill Road for grants received in 2023/24, budgeted to be received in 2024/25.
- Reduced new build spend reflects the delay in the works at Forfar and Duke Street in Loretto, Sighthill Phase 2, Calton Phase 2, Kelvin Wynd and the timing of spend at North Toryglen in WH Glasgow, a delay in the spend at Ashwood and College Mains at WH South and delayed works at Deans South Ph2, West Craigs Ph1 & 2, Winchburgh BB and Wallyford 5 A/B in WH East. This underspend was offset by accelerated spend at sites in WHGlasgow at Shawbridge Arcade, in WHEast including Blindwells, Sibbalds Brae, Dalhousie South Ph1, additional spend at Johnstonebridge in WH South and additional spend at Ashgill Road in Lowther.
- Other fixed assets investment includes spend on corporate estate and IT capital projects. The reduced spend of £379k is mainly due to the timing of spend on IT projects.

Wheatley Group Financial Report
To December 2024 (Period 9)

RSL Borrower Group

2a) RSL Borrower Group – Period to December 2024

	Period to 31 December 2024			Full Year Budget £'000
	Actual £'000	Budget £'000	Variance £'000	
INCOME				
Net Rental Income	250,095	249,292	803	331,406
Grant income New Build	59,970	53,197	6,773	77,456
Grant income Other	5,941	5,824	117	14,018
Other Income	10,895	10,659	235	14,794
Total Income	**326,901**	**318,972**	**7,928**	**437,674**
EXPENDITURE				
Employee Costs	49,813	49,763	(51)	65,458
ER/VR	108	108	-	1,050
Running Costs	26,591	27,526	936	36,926
Repairs & Maintenance	64,976	65,779	803	82,737
Bad debts	1,575	3,169	1,594	4,225
Depreciation	91,372	91,372	-	122,109
Demolition Programme	406	400	(6)	523
Total Expenditure	**234,841**	**238,117**	**3,277**	**313,028**
NET OPERATING SURPLUS	**92,060**	**80,855**	**11,205**	**124,646**
	28.2%	25.3%		28.5%
Interest receivable	128	98	30	118
Interest payable	(52,862)	(53,469)	607	(75,329)
STATUTORY SURPLUS/(DEFICIT)	**39,326**	**27,484**	**11,842**	**49,435**

Key highlights:

The operating surplus to 31 December is £92,060k, £11,205k favourable to budget. Statutory surplus of £39,326k is reported, £11,842k favourable compared to budget. The financial performance reported to date includes additional new build grant awarded following a tenure flip from MMR to social rent properties and earlier than budgeted new build completions.

Operating performance continues to be strong and favourable to budget with higher levels of net rental income from improved void rates and a favourable overall expenditure position compared to budget including in repairs spend.

- Net rental income is £803k favourable to budget. Gross rental income is favourable due to the "cease to let" at Livingwell properties in Glasgow being slower than anticipated, resulting in £202k additional income to budget, and earlier than budgeted handovers in the East and South. In addition, rent loss on voids is £292k favourable with voids at 1.14% compared to the budgeted 1.25%.
- New build grant income is £6,773k favourable with earlier completions: Loretto - 15 SR units at Constarry Road; WH East - 75SR and 19MMR units at Deans South Ph 1A & 1B, Blindwells and West Craigs Ph1 & 2 is offset in part by delays at West Craigs Ph 1 & 2 (10SR) and West Craigs Ph3 (44SR and 15MMR). In WH Glasgow grant income reported includes the approved additional funding of £1,450k linked to the tenure flip from MMR to SR at Calton.
- Other grant income is £117k favourable to budget, with higher than budgeted renewable heat incentive grant income and Supporting People grant income from DGC in WH South and £408k of unbudgeted SHNZ income (with matched additional investment spend) for WH East and WH Glasgow being partly offset by the reduced adaptations grants claimed in WH South (with matched reduced spend).
- Other income is £235k favourable to budget due to lower commercial voids, additional wayleave, solar panels and water rebate income received in WH Glasgow and additional MMR lease income in WH East due to earlier than budgeted MMR property completions.
- Employee costs (direct and group services) are £51k unfavourable. The favourable variance in direct staff costs in WH South due to vacancies earlier in the year were offset by changes from the budgeted structure in WH East and Wheatley Solutions.
- Running costs (direct and group services) are £936k favourable to budget mainly attributable to lower than budgeted group recharges of £589k due to a number of departments reporting lower costs across Wheatley Solutions and savings in direct costs due to the timing of spend compared to the budget phasing.
- Revenue repairs and maintenance spend is £803k favourable to budget. Responsive repairs are £181k lower than budget across all RSLs and cyclical repairs are also £622k lower than budget due to timing of spend. All legislative requirements have been met.

Interest payable is £607k favourable to budget due to timing of drawn balances compared to budget and a lower base rate on the variable loans compared to budget.

2a) RSL Borrower Group – Period to December 2024

Wheatley Group

Capital Investment	Period to 31 December 2024			Full Year
	Actual £'000	Budget £'000	Variance £'000	Budget £'000
CORE PROGRAMME				
SHNZ / EV	1,998	1,590	408	3,404
Adaptations	1,418	1,798	(380)	2,902
Grant Income	**3,416**	**3,388**	**28**	**6,306**
Core Investment Programme	33,113	34,873	1,760	46,352
SHNZ / EV	1,998	1,590	(408)	3,404
Adaptations	2,629	3,092	463	4,184
Voids	11,293	11,718	425	14,087
Capitalised Repairs	8,445	7,955	(490)	11,697
Total Core Investment	**57,478**	**59,228**	**1,750**	**79,724**
NET CORE INVESTMENT SPEND	**54,062**	**55,840**	**1,778**	**73,418**
NEW BUILD				
New Build Grant Income Received	40,068	71,520	(31,452)	114,958
New Build investment	114,711	144,886	30,175	213,200
NET NEW BUILD INVESTMENT SPEND	**74,643**	**73,366**	**(1,277)**	**98,242**
OTHER FIXED ASSET INVESTMENT SPEND	**8,498**	**8,901**	**403**	**12,681**
TOTAL NET CAPITAL INVESTMENT SPEND	**137,203**	**138,107**	**904**	**184,341**

Key highlights:

- Net core investment spend is £1,778k favourable to budget with the timing of the core investment programme compared to budget contributing to the variance. The overall favourable position is partially offset by increased capitalised repairs. Capitalised repairs are higher than budget due to a number of high value repairs being undertaken including roof, fencing, windows, asbestos and damp and rot jobs in WH Glasgow and WH East.

- Net new build spend is £1,277k unfavourable to budget with new build spend £30,175k below budget and grant income £31,452k below budget. Shawbridge Arcade, North Toryglen and Deans South Ph2 have proceeded with grant to be claimed in 2025/26, spend on these projects of £9,319k is reported in the year to date.

- New build grant income of £40,068k is £31,452k less than budget due to reduced claims made in Loretto for Forfar, reduced claims at Ashwood Drive and College Mains at WH South, WH Glasgow for Shawbridge Arcade, Calton Phase 2, Sighthill Phase 2 and North Toryglen. There have also been reduced claims in WH East for Deans South Ph 2 and for grants received in 2023/24 budgeted to be received in 2024/25 for Wallyford 5 A/B, West Craigs Ph3 and Winchburgh BB partially offset by accelerated claims in WH East for Blindwells and Dalhousie South Phase 1.

- Reduced new build spend includes the delay in new project approvals some of which are a result of the reduction in the 2024/25 housing budget and the allocation of new grant funding this year. The variance includes works at Forfar and Duke Street in Loretto, Sighthill Phase 2, Calton Phase 2, Kelvin Wynd and the timing of spend at North Toryglen in WH Glasgow, a delay in the spend at Ashwood and College Mains at WH South and delayed works at Deans South Ph2, West Craigs Ph1 & 2, Winchburgh BB and Wallyford 5 A/B in WH East. This underspend was offset by accelerated spend at sites in WHGlasgow at Shawbridge Arcade, in WHEast including Blindwells, Sibbalds Brae, Dalhousie South Ph1, and additional spend at Johnstonebridge in WH South.

- Other fixed assets investment includes spend on corporate estate and IT capital projects. The reduced spend of £403k is mainly due to the timing of spend on IT projects and the deferral of the Stranraer office.

2b) RSL Borrower Group underlying surplus – Period to December 2024

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

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

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

An underlying surplus of £13,250k has been reported for the period to 31 December 2024. The variance to budget is primarily driven by an improved net operating surplus position due to higher net rental income and other income benefitting from earlier than budgeted completions and lower operating expenditure and lower capitalised void spend. The timing of the core investment programme compared to budget is contributing to the variance

Borrower Group Underlying Surplus - December 2024

	YTD Actual £ks	YTD Budget £ks	YTD Variance £ks	FY Budget £ks
Net Operating Surplus	92,060	80,855	11,205	124,646
add back:				
Depreciation	91,372	91,372	0	122,109
less:				
Grant Income	(59,970)	(53,197)	(6,773)	(77,456)
Net interest payable	(52,734)	(53,371)	637	(75,329)
Total Core investment	(57,478)	(59,228)	1,750	(79,724)
Underlying surplus	**13,250**	**6,431**	**6,819**	**14,246**

2c) Wheatley Homes Glasgow – Period to December 2024

Wheatley Homes Glasgow

	Period To December 2024			Full Year
	Actual	Budget	Variance	Budget
	£ks	£ks	£ks	£ks
INCOME				
Rental Income	169,941	169,698	243	225,333
Void Losses	(1,942)	(2,024)	82	(2,693)
Net Rental Income	167,999	167,674	325	222,640
Grant Income New Build	15,409	12,944	2,465	20,527
Grant Income Other	2,512	2,342	170	8,000
Other Income	8,719	8,559	160	14,823
Total Income	**194,639**	**191,519**	**3,120**	**265,990**
EXPENDITURE				
Employee Costs - Direct	24,633	24,644	11	32,504
Employee Costs - Group Services	12,383	12,301	(82)	15,922
ER / VR	108	108	0	840
Direct Running Costs	10,624	10,665	41	14,292
Running Costs - Group Services	6,579	7,003	424	9,564
Revenue Repairs and Maintenance	47,488	47,622	134	58,089
Bad debts	1,013	1,966	953	2,622
Depreciation	63,210	63,210	0	84,281
Demolition	6	0	(6)	0
TOTAL EXPENDITURE	**166,044**	**167,519**	**1,475**	**218,114**
NET OPERATING SURPLUS / (DEFICIT)	**28,595**	**24,000**	**4,595**	**47,876**
Net operating margin	*14.7%*	*12.5%*	*2.2%*	18%
Interest payable & similar charges	(36,946)	(36,914)	(32)	(54,332)
STATUTORY SURPLUS / (DEFICIT)	**(8,351)**	**(12,914)**	**4,563**	**(6,456)**

INVESTMENT	Period To December 2024			Full Year
	Actual	Budget	Variance	Budget
	£ks	£ks	£ks	£ks
Total Capital Investment Income	**14,913**	**33,420**	**(18,507)**	**50,977**
Investment Programme Expenditure	39,466	39,807	341	53,829
New Build Programme	36,633	53,605	16,972	85,317
Other Capital Expenditure	6,712	6,174	(538)	8,946
TOTAL CAPITAL EXPENDITURE	**82,811**	**99,586**	**16,775**	**148,092**
NET CAPITAL EXPENDITURE	**67,898**	**66,166**	**(1,732)**	**97,115**

Key highlights:

A net operating surplus of £28,595k, £4,595k favourable to budget and a statutory deficit of £8,351k, £4,563k favourable to budget is reported. Grant income from an additional new build grant award, earlier than budgeted new build completions and a favourable expenditure position compared to budget are contributing to the favourable performance.

- Net Rental income is £325k favourable to budget with the variance relating to Livingwell properties where a "cease to let" was approved by the Board in September 2022, however the properties have cleared slower than anticipated.
- New build grant income reports a favourable variance of £2,465k, due to additional grant income for Calton and unit completions being slightly ahead of profile. At the end of December 101 units (32 SR and 69 MMR) at Calton Phase 1 had completed in addition to 28 units at Shandwick Street.
- Other grant income includes £170k of unbudgeted SHNZ grant income with corresponding costs in Investment programme expenditure.
- Other income is £160k favourable to budget linked to commercial void performance being favourable to budget and higher Wayleave and Solar Panel income, reflecting the prudent budget set.
- Total employee costs (direct and group services) are £71k unfavourable to budget with some additional posts in Wheatley Solutions for group employee costs including the MyRepairs team.
- Total running costs (direct and group services) are £465k favourable to budget. Group recharges are £424k favourable to budget due to savings in IT running costs and several other departments reporting lower costs across Wheatley Solutions.
- Revenue repairs and maintenance spend is £134k favourable to budget. Responsive repairs and cyclical spend are £95k favourable to budget and compliance spend is £39k favourable due to the timing of planned spend. At December, compliance includes £177k of unbudgeted spend on the MSF fire door inspection programme, with the full year spend recognised in the forecast.
- Net Interest payable is £32k unfavourable to budget linked to the timing of loan drawdowns compared to budget.

Net capital expenditure of £67,898k is £1,732k higher than budget.

- Capital investment income (grants) is £18,507k lower than budget mainly due to the timing of spend at Calton Phase 2 and Sighthill Phase 2, and at North Toryglen and Shawbridge Arcade where the grant has been confirmed as being claimable in 2025/26.
- Investment programme spend is £341k favourable to budget due to the phasing of core programme spend and a lower level of expenditure on capitalised voids.
- New build spend is £16,972k lower than budget, following a delay in the works at Sighthill Phase 2 and Kelvin Wynd, a delayed site start at North Toryglen earlier in the year, as well as lower spend at Calton Phase 2. This is offset in part by accelerated spend at Shawbridge Arcade due to an earlier than budgeted site start.
- Other capital expenditure of £6,712k is £538k higher than budget with higher spend on the concierge office refurbishment programme and Nets depots partly offset by the timing of IT project spend.

2d) Loretto Housing – Period to December 2024

Loretto Housing

	Period To 31 December 2024			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Rental Income	12,816	12,818	(2)	17,103
Void Losses	(238)	(322)	84	(423)
Net Rental Income	**12,578**	**12,496**	**82**	**16,680**
Grant Income	**1,709**	**0**	**1,709**	**5,766**
Other Grant Income	**37**	**37**	**0**	**117**
Other Income	**83**	**84**	**(1)**	**815**
Total Income	**14,407**	**12,617**	**1,790**	**23,378**
EXPENDITURE				
Employee Costs - Direct	918	934	16	1,246
Employee Costs - Group Services	674	670	(4)	885
ER / VR	0	0	0	0
Direct Running Costs	1,333	1,419	86	1,905
Running Costs - Group Services	349	371	22	507
Revenue Repairs and Maintenance	3,211	3,215	4	4,464
Bad debts	101	129	28	172
Depreciation	5,343	5,343	0	7,156
TOTAL EXPENDITURE	**11,929**	**12,081**	**152**	**16,335**
OPERATING SURPLUS / (DEFICIT)	**2,478**	**536**	**1,942**	**7,043**
Net operating margin	*17.2%*	*4.2%*	*13.0%*	
Interest Payable	(2,763)	(2,981)	218	(4,157)
STATUTORY SURPLUS / (DEFICIT)	**(285)**	**(2,445)**	**2,160**	**3,124**

	Period To 31 December 2024			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INVESTMENT				
Total Capital Investment Income	**4,981**	**11,528**	**(6,547)**	**14,933**
Investment Programme	2,593	2,936	343	3,496
New Build Programme	13,133	18,870	5,737	24,959
Other Capital Expenditure	183	291	108	387
TOTAL CAPITAL EXPENDITURE	**15,909**	**22,097**	**6,188**	**28,842**
NET CAPITAL EXPENDITURE	**10,928**	**10,569**	**(359)**	**13,909**

Key highlights:

A net operating surplus of £2,478k, £1,942k favourable to budget and a statutory deficit of £285k, £2,160k favourable to budget is reported. Grant income from earlier than budgeted new build completions at Croy and a favourable expenditure position compared to budget is contributing to the favourable performance.

- Net rental income is £82k favourable to budget due to lower than budgeted voids. Void losses in the period are £84k favourable with a rate of 1.86% against a budget of 2.51%.
- Total employee costs (direct and group services) are £12k favourable to budget linked to a vacancy in the team, partly offset with additional spend from Wheatley Solutions for group employee costs.
- Total running costs are £108k favourable to budget, linked to savings in cleaning and council tax on voids, the timing of direct spend and lower group recharges due to efficiency savings in IT running costs and several Wheatley Solutions departments currently reporting lower costs.
- Revenue repairs and maintenance is £4k favourable to budget. Responsive repairs are £174k favourable to budget, offset by compliance spend being £170k higher than budget due to the acceleration of EICR checks.
- Net Interest payable is £218k favourable due to the timing of loan drawdowns compared to budget and a lower base rate on the variable loans compared to budget.

Net capital expenditure of £10,928k is £359k higher than budget.

- Capital investment income (grant) is £6,547k lower than budget due to the phasing of new build grant claims; at Forfar, which is not yet on site, and South Crosshill, which was received in full in the prior year.
- New build spend is £5,737k lower than budget due to the timing of spend for Forfar Avenue and Duke Street, which is partially offset with spend at Bank Street and Constarry Road being ahead of budget.
- Investment programme expenditure of £2,593k relates to core programme works, capitalised repairs and voids. Capitalised repairs and void repairs both report spend slightly higher than budget and is being closely monitored to align spend to budget for the full financial year.
- Other capital expenditure of £183k relates to Loretto's contribution to Wheatley Group IT costs, with the favourable position reflecting the timing of IT projects being undertaken.

2e) Wheatley Homes East – Period to December 2024

	Year to 31 December 2024			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Rental Income	31,575	31,456	119	42,007
Void Losses	(464)	(428)	(35)	(563)
Net Rental Income	**31,111**	**31,028**	**83**	**41,444**
Grant Income Recognised in the Year	26,434	23,835	2,599	34,745
Other Grant Income	645	406	239	604
Other Income	2,752	2,575	177	7,324
TOTAL INCOME	**60,942**	**57,844**	**3,098**	**84,117**
EXPENDITURE				
Employee Costs - Direct	3,583	3,468	(115)	4,621
Employee Costs - Group Services	1,970	1,958	(12)	2,586
ER/VR	0	0	0	0
Direct Running Costs	3,658	3,683	25	4,910
Running Costs - Group Services	1,171	1,244	73	1,700
Revenue Repairs and Maintenance	5,206	5,298	92	7,138
Bad Debts	280	282	2	375
Depreciation	11,238	11,238	0	15,231
TOTAL EXPENDITURE	**27,106**	**27,171**	**65**	**36,561**
NET OPERATING SURPLUS	**33,836**	**30,673**	**3,163**	**47,556**
Net Operating Margin	*56%*	*53%*	*2%*	*57%*
Interest payable & similar charges	(7,567)	(7,819)	252	(9,335)
STATUTORY SURPLUS	**26,269**	**22,854**	**3,415**	**38,221**

	Year to 31 December 2024			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INVESTMENT				
Total Capital Investment Income	**19,957**	**23,462**	**(3,505)**	**32,744**
Investment Programme Expenditure	5,661	5,449	(212)	6,966
New Build & Other Investment	60,074	64,327	4,253	87,201
Other Capital Expenditure	678	908	230	1,211
TOTAL CAPITAL EXPENDITURE	**66,413**	**70,683**	**4,270**	**95,378**
NET CAPITAL EXPENDITURE	**46,456**	**47,221**	**765**	**62,634**

Key highlights:

Net operating surplus of £33,836k is £3,163k favourable to budget. Statutory surplus for the period is £26,269k, £3,415k favourable to budget with the earlier than budgeted release of grant income on new build completions and unbudgeted SHNZ grant funding contributing to the variance.

- Gross rental income is £119k favourable to budget due to additional rental income from earlier than budgeted new build completions. Void losses of £464k are £35k adverse to budget due to higher voids at supported sites.
- Grant income recognised is £2,599k favourable to budget with completions ahead of budget at P9 include West Craigs Ph1 & 2 (19MMR), Deans South 1B (46SR), Deans South 1A (6SR) and Blindwells (23SR). This is offset by later than planned completions at West Craigs Ph 1&2 (10SR) and Ph3 (44SR & 15MMR).
- Other grant income of £645k includes £238k of unbudgeted SHNZ grant income with corresponding additional costs in Investment spend noted below.
- Other income of £2,752k is £177k favourable to budget and includes lease income from Lowther for the earlier than budgeted completions of MMR properties at West Craigs and Southfort.
- Total employee costs are £127k unfavourable to budget. Direct employee costs are £115k unfavourable to budget, due to an additional project worker post and agency costs at the Harbour and as well as absence cover in the Housing team. Group employee costs are £12k unfavourable to budget due to the timing of changes within budgeted structures in Wheatley Solutions.
- Total running costs are £98k favourable to budget and includes group running costs £73k favourable to budget due to several departments reporting lower costs across Wheatley Solutions.
- Revenue repairs and maintenance spend is £92k favourable to budget with responsive repairs £23k favourable and cyclical maintenance £69k favourable due to timing of spend.

Net interest payable of £7,567k includes interest due on the loans due to Wheatley Funding No.1 Ltd and external funders and is favourable to budget due to the timings of drawdowns and a lower base rate on the variable rate loans compared to budget.

Net capital expenditure of £46,456k is £765k lower than budget.

- Capital investment income is £3,505k lower than budget due to lower grant claims at Deans South Ph2 following a revised grant drawdown profile in 2025/26 and 2026/27 and earlier claims made in 2023/24 for Wallyford 5 A/B, Winchburgh BB and West Craigs Ph3. This unfavourable position was partly offset by additional claims for Blindwells and Dalhousie South Ph1.
- Core programme spend is £212k unfavourable to budget, mainly due to the additional unbudgeted SHNZ spend.
- New build spend of £60,074k is £4,253k lower than budget due to later than budgeted start dates at Deans South Ph2 and reduced in year spend at West Craigs Ph1 & 2, Winchburgh BB and Wallyford 5 A/B. The reduced spend was partly offset by accelerated spend at Blindwells which was budgeted as a development project in WDS but now delivered as a turnkey project with the completed units acquired by WH East directly, and accelerated spend at Sibbalds Brae and Dalhousie South
- Other capital expenditure of £678k is £230k lower than budget due to timing of IT spend.

2f) Wheatley Homes South – Period to December 2024

OPERATING STATEMENT	Period to December 2024 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INCOME				
Rental Income	38,638	38,487	151	51,163
Void Losses	(231)	(393)	162	(521)
Net Rental Income	**38,407**	**38,094**	**313**	**50,642**
Grant Income	16,418	16,418	0	16,418
Other Grant Income	2,747	3,039	(292)	5,297
Other Income	862	858	4	2,152
TOTAL INCOME	**58,434**	**58,409**	**25**	**74,508**
EXPENDITURE				
Employee Costs - Direct	3,825	3,970	145	5,277
Employee Costs - Group Services	2,672	2,655	(17)	3,508
ER/VR	0	0	0	210
Direct Running Costs	1,894	1,944	50	2,651
Running Costs - Group Services	1,587	1,688	101	2,305
Revenue Repairs and Maintenance	9,143	9,733	590	13,122
Bad debts	181	792	611	1,056
Depreciation	11,581	11,581	0	15,441
Demolition and compensation	400	400	0	523
TOTAL EXPENDITURE	**31,283**	**32,763**	**1,480**	**44,093**
NET OPERATING SURPLUS	**27,151**	**25,646**	**1,505**	**30,415**
Net operating margin	*46%*	*44%*	*3%*	*41%*
Interest receivable	96	23	73	30
Interest payable & similar charges	(5,559)	(5,680)	121	(7,417)
STATUTORY SURPLUS	**21,688**	**19,989**	**1,699**	**23,028**

INVESTMENT	Actual £ks	Budget £ks	Variance £ks	Budget £ks
TOTAL CAPITAL INVESTMENT INCOME	**3,632**	**6,497**	**(2,865)**	**16,304**
Capital Investment spend	9,758	11,036	1,278	15,432
New Build Programme	9,421	14,224	4,803	24,207
Other Fixed Assets	925	1,528	603	2,137
TOTAL INVESTMENT EXPENDITURE	**20,103**	**26,788**	**6,685**	**41,776**
NET CAPITAL EXPENDITURE	**16,471**	**20,292**	**3,821**	**25,472**

Key highlights :

Net operating surplus of £27,151k, £1,505k favourable to budget and a statutory surplus of £21,688k, £1,699k favourable is reported. Lower spend across expenditure and favourable net income position are contributing to the better than budgeted performance.

- Net rental income is £313k higher than budget. Void losses are £162k favourable to budget, with a void loss rate of 0.6% vs 1.0% in budget. Rental income is £151k higher due to unbudgeted rental income from earlier handover of Curries Yard and Lochside clearance no longer taking place.
- Grant income is in line with budget following the completion of 54 units at Curries Yard and 47 units at Springholm, all for social rent.
- Other grant income is £292k adverse to budget due to lower than budgeted aids & adaptations grant funding (with lower corresponding costs in investment spend), partly offset by higher renewable heat incentive (RHI) grant income and higher Supporting People grant income from DGC.
- Total employee costs (direct and group services) are £128k favourable to budget due to the timing of changes to the budgeted structure partly offset by additional spend from Wheatley Solutions for Group employee costs.
- Total running costs (direct and group services) are £151k favourable to budget primarily due to several departments reporting lower costs across Wheatley Solutions
- Repairs costs are £590k favourable to budget. Responsive repairs are in line with budget. Cyclical & gas maintenance and compliance are favourable due to timing and reprofiling of the programmes.
- Demolition costs includes three buy backs at Summerhill and the demolition costs at Ecclefechan with all 13 units at Ecclefechan now demolished.

Interest payable of £5,559k represents interest due on the loans due to Wheatley Funding No.1 Ltd and external funders. The £121k favourable variance is due to lower drawdowns and a lower base rate charged on the variable loans than budgeted. than budgeted.

Net capital expenditure of £16,471k is £3,821k lower than budget.

- Capital investment income is £2,865k lower than budget. New build grant income is unfavourable to budget due to a delayed start at Ashwood Drive and College Mains. Grant received relates to Johnstonebridge. Adaptation (£370k) and SHNZ (£1,590k) grant income also included here.
- Total capital investment spend of £9,758k is £1,278k lower than budget, mainly due to the timing of spend on core investment programme and lower adaptation spend, partly offset by increased void costs.
- New Build expenditure is £4,803k lower due to later than budgeted start dates at Ashwood Drive and College Mains. Curries Yard, now complete and fully handed over has spend less than budgeted spend in 2024/25 due to advanced spend in 2023/24. This is partially offset by additional spend in Springholm and Johnstonebridge.
- Other capital expenditure of £925k is £603k lower than budget due to timing of IT spend and deferral of the Stranraer office to 2025/26.

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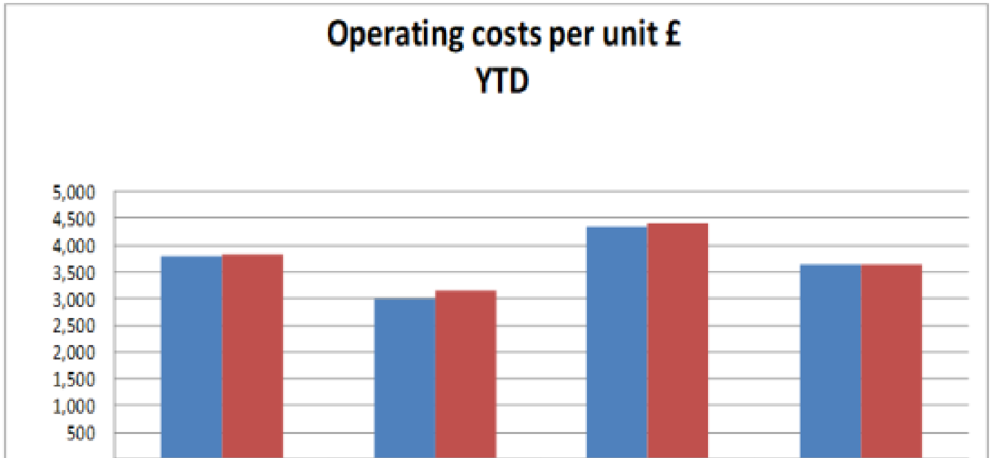
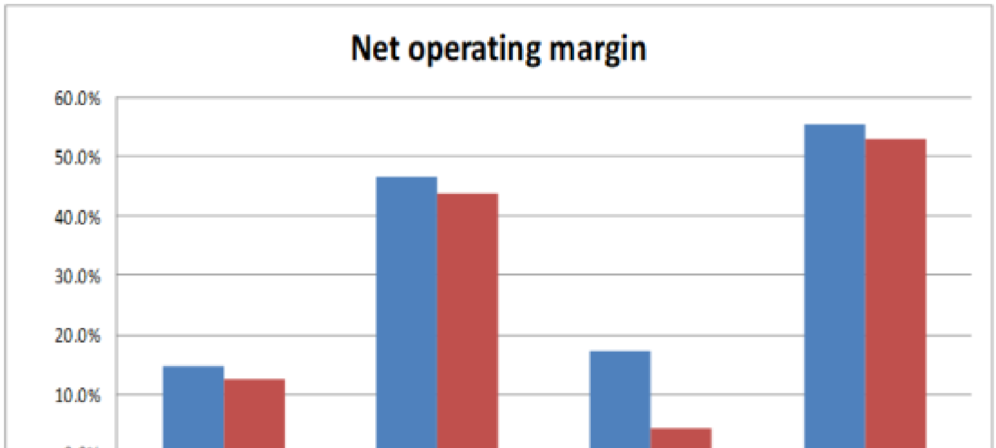
3) Summary of RSL operating costs and margin v budget



	WH-Glasgow	WHSouth	LHA	WHEast
Actual	3,789	3,005	4,360	3,632
Budget	3,826	3,147	4,416	3,640



	WH-Glasgow	WHSouth	LHA	WHEast
Actual	14.7%	46.5%	17.2%	55.5%
Budget	12.5%	43.9%	4.2%	53.0%

Operating costs per unit:

- At December 2024 operating costs per unit are lower than budget for all RSL's. This lower unit cost variance is attributable to the lower expenses and bad debts.
- Operating costs per unit vary across the RSLs depending on the stock profiles and types of accommodation offered.

Net operating margin

- Net operating margin is favourable to budget in all RSL's and in particular, LHA due to the early release of the new build grants.
- Similar to operating costs, the variances across expenditure lines is impacting margins in the RSLs.

Wheatley Group Financial Report
To December 2024 (Period 9)

Non RSL entities

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6) Wheatley Foundation – Period to December 2024

	Dec 2024			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Donations from Wheatley subsidiaries	1,994	1,994	0	3,123
External income	1,016	801	215	1,176
TOTAL INCOME	**3,010**	**2,795**	**215**	**4,299**
EXPENDITURE				
Overheads	622	651	29	865
Tackling Poverty & Social Inclusion	562	434	(128)	572
Education	77	86	9	165
Digital Inclusion	61	70	9	70
Employability	1,022	825	(197)	953
Money/Welfare Benefits advice	1,504	1,539	35	2,044
Community Policing & Group Protection	1,831	1829	(2)	2,441
Helping Hand Fund	395	503	108	1,000
TOTAL EXPENDITURE	**6,075**	**5,937**	**(138)**	**8,110**
INTEREST RECEIVED	**210**	**0**	**210**	**0**
NET OPERATING SURPLUS / (DEFICIT)	**(2,855)**	**(3,143)**	**288**	**(3,811)**

Opening reserve 1 April 2024	6,569
Surplus / (Deficit) for year	(2,855)
Closing reserve 31 December 2024	3,714

Key highlights:

The Wheatley Foundation reports a deficit of £2,855k for the period to December 2024. This is favourable to budget by £288k and results in a closing reserve of £3,714k.

Income of £3,010k is £215k favourable to budget:
- Donations and gift aid from Wheatley Group subsidiaries of £1,994k are in line with budget.
- External income of £1,016k is £215k higher than budget. External funding awards can fluctuate during the year depending on the timing of grant awards. Income recognised to date includes:
  - £269k for the Way Ahead programme. The costs linked to this project are reported under the Employability theme;
  - No One Left Behind (Glasgow and Edinburgh) employability projects income of £208k;
  - Secondment income of £5k and £44k from GCC and the Scottish Government respectively (both now ended);
  - Income of £299k from community benefit clauses written into Group new build contracts;
  - National Lottery grant income of £31k to support Home Comforts; and
  - Donations of £10k from Wheatley Group suppliers to support the Better Christmas campaign.

Expenditure of £6,075k has been incurred for the period, which is £138k higher than budget:
- Tackling Poverty & Social Inclusion reports expenditure of £562k; £128k higher than budget. Spend includes £167k on Home Comforts, £184k on My Great Start, £87k on No One Left Behind employability projects, £52k on Starter Packs to support tenancy sustainment and £31k costs linked to a National Lottery award. The overspend is due to unbudgeted but funded spend on the Edinburgh No One Left Behind project of £58k, with associated income only confirmed after the budget was set, National Lottery project spend of £31k and £10k for the Better Christmas campaign both offset by additional income reported above. Unbudgeted donations to Simon Community £5k, Business in the Community £10k, Alzheimers' Scotland £2k and Social Bite at £5k are also recorded here.
- Education expenditure of £77k represents the first two payments through the Bursary programme and support of £15k to the Dolly Parton Imagination Library.
- Employability expenditure of £1,022k includes £245k of unbudgeted but funded (refer above) spend on the Way Ahead programme, £500k support for City Building apprenticeship programme, £31k for Modern Apprentices programme and £246k on Wheatley Works programme.
- Community Policing & Group Protection spend of £1,831k includes staff and running costs for the delivery of programmes to RSLs in key areas such as suicide prevention as well as providing resources to support victims of domestic abuse and targeting anti-social behaviour and crime in our communities.
- Money and welfare advice spend of £1,504k is below budget by £35k due to staffing structure changes and reduced running costs to date.
- Interest Received of £210k relates to unbudgeted interest earned from a high interest, short-term deposit account.

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8) Wheatley Group – Consolidated Balance Sheet

	As at 31 December 2024 £ks	As at 31 March 2024 £ks
Fixed Assets		
Social Housing Properties	3,031,644	2,935,892
Investment properties	310,911	309,971
Other tangible fixed assets	81,025	78,829
Investments -other	116	116
Fixed Assets	**3,423,696**	**3,324,808**
Current Assets		
Stock	2,251	1,926
Trade debtors	3,870	4,170
Rent & Service charge arrears	19,320	20,935
less: Provision for rent arrears	(10,892)	(10,654)
Prepayments and accrued income	15,942	10,073
Other debtors	19,409	25,019
	49,900	**51,469**
Bank & Cash	40,324	36,305
Current Assets	**90,224**	**87,774**
Current Liabilities		
Trade Liabilities	(9,858)	(20,265)
Accruals	(46,678)	(52,937)
Deferred income	(64,616)	(57,553)
Rents & service charges in advance	(16,847)	(23,974)
Bank Loans	(31,176)	(33,503)
Other creditors	(23,942)	(24,175)
	(193,117)	**(212,407)**
Net Current Assets	**(102,893)**	**(124,633)**
Long Term Liabilities		
Contingent efficiencies grant	(46,280)	(46,280)
Bank finance	(1,380,354)	(1,280,555)
Bond finance	(300,000)	(300,000)
Development Agreement	0	0
Provisions	(11,636)	(11,679)
Deferred income	(58,249)	(79,591)
Intercompany creditors	0	0
Loan arrangement fees	0	0
Other creditors	0	0
Pension liability	(8,405)	(8,405)
Long Term Liabilities	**(1,804,924)**	**(1,726,510)**
Net Assets	**1,515,879**	**1,473,665**
Funding Employed		
Capital & Reserves		
Share Capital	0	0
Retained Income b/fwd	720,296	723,098
Income & Expenditure	42,214	(2,802)
Revaluation Reserves	753,369	753,369
Funding Employed	**1,515,879**	**1,473,665**

Key highlights:

- The Balance Sheet as at 31 March 2024 reflects the audited position.

At 31 December 2024:

- The movement in fixed assets reflects investment in the core programme, the new build programme, and other fixed asset additions, less depreciation to date.
- Current assets (excluding cash) have decreased by £1.6m since March 2024. £1.9m relates to a decrease in rent arrears due to timing of receipt of Housing Benefit.
- Bank and Cash of £40.3m includes deposits in transit and outstanding payments showing in the bank after the month end.
- Current liabilities are £19.3m lower than the year end position. An increase in deferred income of £7.1m (decrease in long term creditors) is partly offset by decreases of £10.4m in trade creditors, a decrease of £7.1m in prepaid rents and service charges due to the timing of the receipt of housing benefit, the repayment of £2.3m EIB bank loans and an increase in accruals and other creditors of £6.6m due to timing of invoices being raised for costs.
- Long term liabilities at 31 December 2024 are £78.4m higher than the year end position due to £99.8m additional loans received to finance the developments across the RSL's and £21.3m decrease in deferred income with a compensating increase in current liabilities as grant received for new build projects becomes due for release within 12 months.
- Income and expenditure of £42,214k relates to the group surplus for the period.

9a) Wheatley Group – Q3 Forecast 2024/25

Wheatley Group

	FULL YEAR		
	Budget £000	Forecast £000	Variance £000
INCOME			
Net Rental Income	352,784	353,849	1,065
Grant Income New Build	79,557	95,006	15,449
Grant Income Other	14,018	11,253	(2,765)
Other Income	41,007	41,618	611
Total Group Income	**487,366**	**501,726**	**14,360**
EXPENDITURE			
Employee Costs	91,019	91,188	(169)
ER/VR	1,050	1,286	(236)
Running Costs	52,051	51,928	123
Repairs & Maintenance	88,886	89,749	(863)
Bad debts	4,542	3,291	1,251
Depreciation	122,109	122,109	-
Demolition	523	475	48
Total Group Expenditure	**360,180**	**360,026**	**154**
NET OPERATING SURPLUS	**127,186**	**141,700**	**14,514**
Net operating margin	26.1%	28.2%	2.1%
Net Interest Payable	(78,116)	(76,795)	1,321
STATUTORY SURPLUS	**49,070**	**64,905**	**15,835**

INVESTMENT	FULL YEAR		
	Budget £000	Forecast £000	Variance £000
Total Capital Investment Income	(123,061)	(64,470)	(58,591)
Core Investment Programme	81,071	85,907	(4,836)
New Build Programme	224,975	162,718	62,257
Other fixed assets	12,856	12,856	-
NET CAPITAL INVESTMENT SPEND	**195,841**	**197,011**	**(1,170)**

Key highlights:

The Group forecast full year out-turn at Q3 shows a net operating surplus of £141.7m, which is £14.5m favourable to budget and a statutory surplus of £64.9m, which is £15.8m favourable to budget.

The adjusted EBITDA after excluding grant income on new build completions and capital investment is forecast to be £80.8m compared to an EBITDA of £82.7m budgeted, a £1.9m unfavourable variance. The favourable forecast performance in net rental income and bad debts is offset by the additional £3.8m for investment agreed following the covenant change and after the 2024/25 budget was set.

- Net rental income is forecast to be £1.1m favourable to budget and includes the impact of the timing of new build completions across the RSLs and the favourable void performance including in Lowther.
- New Build grant income is expected to be £15.4m favourable to budget due to the early completions. The additional income includes the additional grant funding for the Calton Ph1 and West Craigs Ph1 & Ph2 and West Craigs Ph3 developments, linked to tenure change from 65MMR to SR units.
- Other grant income is forecast to be £2.8m unfavourable to budget. A reduced number of property acquisitions in WH Glasgow of £4.1m and reduced adaptation grants of £0.4m (with a corresponding reduction in Investment costs) is partly offset with an overall increase of £0.4m in the SHNZ grant funding following the final approval of grant for energy efficiency works and additional funding for investment works on long term void properties of £1.2m (corresponding investment costs recognised in the Core Investment programme line below).
- Other income is forecast to be £0.6m favourable to budget with £0.6m additional external funding secured for Foundation (with corresponding increased running costs recognised) and additional factoring resale income in Lowther, offset by reduced income in Wheatley Care based on service hours to be delivered.
- Employee costs are forecast to be £0.2m higher than budget reflecting the implementation of the Neighbour Environmental Improvement Team to support delivery of the Strategic Asset Investment Plan in Glasgow. ERVR costs are £236k higher due to the increase in early retirement factors from Strathclyde Pension Fund.
- Running costs are forecast to be £0.1m overall lower than budget. This includes £0.6m savings generated through the value for money and cost efficiencies in Wheatley Solutions which is fully offset by the provision of £0.6m additional grant funded costs for the Foundation.
- Repairs and maintenance costs are forecast to be £0.5m higher. The favourable position at December 2024 is partly expected to unwind as cyclical programme spend is expected to align to budget in Q4. This will be offset by additional spend forecast of £0.8m for our MSF fire door inspection programme in line with Scottish Government guidance and in keeping with our commitment to effective fire prevention and mitigation.
- Net interest payable is forecast to be £1.3m lower with £0.6m of the favourable variance linked to the impact of the new private placement funding interest rate being less than budgeted. An extra £0.4m interest receivable is forecast.

Net capital expenditure is forecast to be £1.2m higher than budget.

- Within capital investment income, new build grant income has reduced by £58.6m reflecting grant received in 2023/24 but budgeted for in 2024/25, reduction in grant availability to support housing developments and movements in the timing of the delivery of the new build programme for a number of sites across all our RSLs. An additional £0.4m of SHNZ grant has been recognised following the final approval of projects.
- The new build development spend is forecast to be £62.3m lower than budget with the main reductions noted in Sighthill Ph2, North Toryglen, Kelvin Wynd and Calton Village Ph2 & Ph3 in WH Glasgow, Forfar Avenue and Duke Street in Loretto, at Corsbie Road, Dumfries High Street, Ashwood Drive and College Mains in WH South and Wallyford Area 5, Deans South Ph2, Winchburgh Ph3, West Craigs Ph 1 & Ph 2 and Charlesfield in WH East.
- The core investment programme is £4.8m higher than budget recognising the additional £3.8m spend on core investment programme the capacity for which was created through our interest cover covenant change, additional spend of £1.2m for bringing long term void properties into the letting pool (with additional grant funding) and additional SHNZ work

9b) Wheatley Group underlying surplus – Q3 Forecast 2024/25

The Wheatley Group and RSL Borrower Group operating Statement (Income and Expenditure Account) 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 full Group Q3 forecast out-turn 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.

An underlying surplus of £3,982k has been forecast for the financial year 2024/25, a reduction of £569k to budget. This favourable operating performance generated from net rental income, bad debts and net interest payable is offset by the additional investment spend agreed as part of our covenant changes which goes towards meeting our objective to provide high quality housing and invest to improve the energy efficiency of our homes. This is in conjunction with additional revenue repairs spend on fire safety and additional costs to support the formation of the Neighbourhood Environmental Improvement Team to deliver environmental work in our Glasgow communities.

Full Group Underlying Surplus

	Budget £ks	Forecast £ks	YTD Variance £ks
Net Operating Surplus	127,186	141,700	14,514
add back:			
Depreciation	122,109	122,109	0
less:			
Grant Income	(85,557)	(97,125)	(11,568)
Net interest payable	(78,116)	(76,795)	1,321
Total Core investment	(81,071)	(85,907)	(4,836)
Underlying surplus	**4,551**	**3,982**	**(569)**

Appendix 2: Wheatley Group Financial Report RSL Borrower Group & Quarterly Covenants To December 2024 (Period 9)

1a) RSL Borrower Group – Period to December 2024

	Period to 31 December 2024			Full Year Budget £'000
	Actual £'000	Budget £'000	Variance £'000	
INCOME				
Net Rental Income	250,095	249,292	803	331,406
Grant income New Build	59,970	53,197	6,773	77,456
Grant income Other	5,941	5,824	117	14,018
Other Income	10,895	10,659	235	14,794
Total Income	**326,901**	**318,972**	**7,928**	**437,674**
EXPENDITURE				
Employee Costs	49,813	49,763	(51)	65,458
ER/VR	108	108	-	1,050
Running Costs	26,591	27,526	936	36,926
Repairs & Maintenance	64,976	65,779	803	82,737
Bad debts	1,575	3,169	1,594	4,225
Depreciation	91,372	91,372	-	122,109
Demolition Programme	406	400	(6)	523
Total Expenditure	**234,841**	**238,117**	**3,277**	**313,028**
NET OPERATING SURPLUS	**92,060**	**80,855**	**11,205**	**124,646**
	28.2%	25.3%		28.5%
Interest receivable	128	98	30	118
Interest payable	(52,862)	(53,469)	607	(75,329)
STATUTORY SURPLUS/(DEFICIT)	**39,326**	**27,484**	**11,842**	**49,435**

Key highlights:

The operating surplus to 31 December is £92,060k, £11,205k favourable to budget. Statutory surplus of £39,326k is reported, £11,842k favourable compared to budget. The financial performance reported to date includes additional new build grant awarded following a tenure flip from MMR to social rent properties and earlier than budgeted new build completions.

Operating performance continues to be strong and favourable to budget with higher levels of net rental income from improved void rates and a favourable overall expenditure position compared to budget including in repairs spend.

- Net rental income is £803k favourable to budget. Gross rental income is favourable due to the "cease to let" at Livingwell properties in Glasgow being slower than anticipated, resulting in £202k additional income to budget, and earlier than budgeted handovers in the East and South. In addition, rent loss on voids is £292k favourable with voids at 1.14% compared to the budgeted 1.25%.
- New build grant income is £6,773k favourable with earlier completions: Loretto - 15 SR units at Constarry Road; WH East - 75SR and 19MMR units at Deans South Ph 1A & 1B, Blindwells and West Craigs Ph1 & 2 is offset in part by delays at West Craigs Ph 1 & 2 (10SR) and West Craigs Ph3 (44SR and 15MMR). In WH Glasgow grant income reported includes the approved additional funding of £1,450k linked to the tenure flip from MMR to SR at Calton.
- Other grant income is £117k favourable to budget, with higher than budgeted renewable heat incentive grant income and Supporting People grant income from DGC in WH South and £408k of unbudgeted SHNZ income (with matched additional investment spend) for WH East and WH Glasgow being partly offset by the reduced adaptations grants claimed in WH South (with matched reduced spend).
- Other income is £235k favourable to budget due to lower commercial voids, additional wayleave, solar panels and water rebate income received in WH Glasgow and additional MMR lease income in WH East due to earlier than budgeted MMR property completions.
- Employee costs (direct and group services) are £51k unfavourable. The favourable variance in direct staff costs in WH South due to vacancies earlier in the year were offset by changes from the budgeted structure in WH East and Wheatley Solutions.
- Running costs (direct and group services) are £936k favourable to budget mainly attributable to lower than budgeted group recharges of £589k due to a number of departments reporting lower costs across Wheatley Solutions and savings in direct costs due to the timing of spend compared to the budget phasing.
- Revenue repairs and maintenance spend is £803k favourable to budget. Responsive repairs are £181k lower than budget across all RSLs and cyclical repairs are also £622k lower than budget due to timing of spend. All legislative requirements have been met.

Interest payable is £607k favourable to budget due to timing of drawn balances compared to budget and a lower base rate on the variable loans compared to budget.

1a) RSL Borrower Group – Period to December 2024

Wheatley Group

Capital Investment	Period to 31 December 2024			Full Year Budget £'000
	Actual £'000	Budget £'000	Variance £'000	
CORE PROGRAMME				
SHNZ / EV	1,998	1,590	408	3,404
Adaptations	1,418	1,798	(380)	2,902
Grant Income	**3,416**	**3,388**	**28**	**6,306**
Core Investment Programme	33,113	34,873	1,760	46,352
SHNZ / EV	1,998	1,590	(408)	3,404
Adaptations	2,629	3,092	463	4,184
Voids	11,293	11,718	425	14,087
Capitalised Repairs	8,445	7,955	(490)	11,697
Total Core Investment	**57,478**	**59,228**	**1,750**	**79,724**
NET CORE INVESTMENT SPEND	**54,062**	**55,840**	**1,778**	**73,418**
NEW BUILD				
New Build Grant Income Received	40,068	71,520	(31,452)	114,958
New Build investment	114,711	144,886	30,175	213,200
NET NEW BUILD INVESTMENT SPEND	**74,643**	**73,366**	**(1,277)**	**98,242**
OTHER FIXED ASSET INVESTMENT SPEND	**8,498**	**8,901**	**403**	**12,681**
TOTAL NET CAPITAL INVESTMENT SPEND	**137,203**	**138,107**	**904**	**184,341**

Key highlights:

- Net core investment spend is £1,778k favourable to budget with the timing of the core investment programme compared to budget contributing to the variance. The overall favourable position is partially offset by increased capitalised repairs. Capitalised repairs are higher than budget due to a number of high value repairs being undertaken including roof, fencing, windows, asbestos and damp and rot jobs in WH Glasgow and WH East.

- Net new build spend is £1,277k unfavourable to budget with new build spend £30,175k below budget and grant income £31,452k below budget. Shawbridge Arcade, North Toryglen and Deans South Ph2 have proceeded with grant to be claimed in 2025/26, spend on these projects of £9,319k is reported in the year to date.

- New build grant income of £40,068k is £31,452k less than budget due to reduced claims made in Loretto for Forfar, reduced claims at Ashwood Drive and College Mains at WH South, WH Glasgow for Shawbridge Arcade, Calton Phase 2, Sighthill Phase 2 and North Toryglen. There have also been reduced claims in WH East for Deans South Ph 2 and for grants received in 2023/24 budgeted to be received in 2024/25 for Wallyford 5 A/B, West Craigs Ph3 and Winchburgh BB partially offset by accelerated claims in WH East for Blindwells and Dalhousie South Phase 1.

- Reduced new build spend includes the delay in new project approvals some of which are a result of the reduction in the 2024/25 housing budget and the allocation of new grant funding this year. The variance includes works at Forfar and Duke Street in Loretto, Sighthill Phase 2, Calton Phase 2, Kelvin Wynd and the timing of spend at North Toryglen in WH Glasgow, a delay in the spend at Ashwood and College Mains at WH South and delayed works at Deans South Ph2, West Craigs Ph1 & 2, Winchburgh BB and Wallyford 5 A/B in WH East. This underspend was offset by accelerated spend at sites in WHGlasgow at Shawbridge Arcade, in WHEast including Blindwells, Sibbalds Brae, Dalhousie South Ph1, and additional spend at Johnstonebridge in WH South.

- Other fixed assets investment includes spend on corporate estate and IT capital projects. The reduced spend of £403k is mainly due to the timing of spend on IT projects and the deferral of the Stranraer office.

1a) RSL Borrower Group underlying surplus – Period to December 2024

The Wheatley Group and RSL Borrower Group operating Statement (Income and Expenditure Account) on page 2 is 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.

An underlying surplus of £13,250k has been reported for the period to 31 December 2024. The variance to budget is primarily driven by an improved net operating surplus position due to higher net rental income and other income benefitting from earlier than budgeted completions and lower operating expenditure and lower capitalised void spend. The timing of the core investment programme compared to budget is contributing to the variance

Borrower Group Underlying Surplus - December 2024				
	YTD Actual £ks	YTD Budget £ks	YTD Variance £ks	FY Budget £ks
Net Operating Surplus	92,060	80,855	11,205	124,646
add back:				
Depreciation	91,372	91,372	0	122,109
less:				
Grant Income	(59,970)	(53,197)	(6,773)	(77,456)
Net interest payable	(52,734)	(53,371)	637	(75,329)
Total Core investment	(57,478)	(59,228)	1,750	(79,724)
Underlying surplus	**13,250**	**6,431**	**6,819**	**14,246**

1b) Wheatley Homes Glasgow – Period to December 2024

	Period To December 2024 Actual £ks	Period To December 2024 Budget £ks	Period To December 2024 Variance £ks	Full Year Budget £ks
INCOME				
Rental Income	169,941	169,698	243	225,333
Void Losses	(1,942)	(2,024)	82	(2,693)
Net Rental Income	167,999	167,674	325	222,640
Grant Income New Build	15,409	12,944	2,465	20,527
Grant Income Other	2,512	2,342	170	8,000
Other Income	8,719	8,559	160	14,823
Total Income	**194,639**	**191,519**	**3,120**	**265,990**
EXPENDITURE				
Employee Costs - Direct	24,633	24,644	11	32,504
Employee Costs - Group Services	12,383	12,301	(82)	15,922
ER / VR	108	108	0	840
Direct Running Costs	10,624	10,665	41	14,292
Running Costs - Group Services	6,579	7,003	424	9,564
Revenue Repairs and Maintenance	47,488	47,622	134	58,089
Bad debts	1,013	1,966	953	2,622
Depreciation	63,210	63,210	0	84,281
Demolition	6	0	(6)	0
TOTAL EXPENDITURE	**166,044**	**167,519**	**1,475**	**218,114**
NET OPERATING SURPLUS / (DEFICIT)	**28,595**	**24,000**	**4,595**	**47,876**
Net operating margin	*14.7%*	*12.5%*	*2.2%*	18%
Interest payable & similar charges	(36,946)	(36,914)	(32)	(54,332)
STATUTORY SURPLUS / (DEFICIT)	**(8,351)**	**(12,914)**	**4,563**	**(6,456)**

INVESTMENT	Period To December 2024 Actual £ks	Period To December 2024 Budget £ks	Period To December 2024 Variance £ks	Full Year Budget £ks
Total Capital Investment Income	**14,913**	**33,420**	**(18,507)**	**50,977**
Investment Programme Expenditure	39,466	39,807	341	53,829
New Build Programme	36,633	53,605	16,972	85,317
Other Capital Expenditure	6,712	6,174	(538)	8,946
TOTAL CAPITAL EXPENDITURE	**82,811**	**99,586**	**16,775**	**148,092**
NET CAPITAL EXPENDITURE	**67,898**	**66,166**	**(1,732)**	**97,115**

Key highlights:

A net operating surplus of £28,595k, £4,595k favourable to budget and a statutory deficit of £8,351k, £4,563k favourable to budget is reported. Grant income from an additional new build grant award, earlier than budgeted new build completions and a favourable expenditure position compared to budget are contributing to the favourable performance.

- Net Rental income is £325k favourable to budget with the variance relating to Livingwell properties where a "cease to let" was approved by the Board in September 2022, however the properties have cleared slower than anticipated.
- New build grant income reports a favourable variance of £2,465k, due to additional grant income for Calton and unit completions being slightly ahead of profile. At the end of December 101 units (32 SR and 69 MMR) at Calton Phase 1 had completed in addition to 28 units at Shandwick Street.
- Other grant income includes £170k of unbudgeted SHNZ grant income with corresponding costs in Investment programme expenditure.
- Other income is £160k favourable to budget linked to commercial void performance being favourable to budget and higher Wayleave and Solar Panel income, reflecting the prudent budget set.
- Total employee costs (direct and group services) are £71k unfavourable to budget with some additional posts in Wheatley Solutions for group employee costs including the MyRepairs team.
- Total running costs (direct and group services) are £465k favourable to budget. Group recharges are £424k favourable to budget due to savings in IT running costs and several other departments reporting lower costs across Wheatley Solutions.
- Revenue repairs and maintenance spend is £134k favourable to budget. Responsive repairs and cyclical spend are £95k favourable to budget and compliance spend is £39k favourable due to the timing of planned spend. At December, compliance includes £177k of unbudgeted spend on the MSF fire door inspection programme, with the full year spend recognised in the forecast.
- Net Interest payable is £32k unfavourable to budget linked to the timing of loan drawdowns compared to budget.

Net capital expenditure of £67,898k is £1,732k higher than budget.

- Capital investment income (grants) is £18,507k lower than budget mainly due to the timing of spend at Calton Phase 2 and Sighthill Phase 2, and at North Toryglen and Shawbridge Arcade where the grant has been confirmed as being claimable in 2025/26.
- Investment programme spend is £341k favourable to budget due to the phasing of core programme spend and a lower level of expenditure on capitalised voids.
- New build spend is £16,972k lower than budget, following a delay in the works at Sighthill Phase 2 and Kelvin Wynd, a delayed site start at North Toryglen earlier in the year, as well as lower spend at Calton Phase 2. This is offset in part by accelerated spend at Shawbridge Arcade due to an earlier than budgeted site start.
- Other capital expenditure of £6,712k is £538k higher than budget with higher spend on the concierge office refurbishment programme and Nets depots partly offset by the timing of IT project spend.

1c) Loretto Housing – Period to December 2024

	Period To 31 December 2024 Actual £k	Budget £k	Variance £k	Full Year Budget £k
INCOME				
Rental Income	12,816	12,818	(2)	17,103
Void Losses	(238)	(322)	84	(423)
Net Rental Income	**12,578**	**12,496**	**82**	**16,680**
Grant Income	**1,709**	**0**	**1,709**	**5,766**
Other Grant Income	**37**	**37**	**0**	**117**
Other Income	**83**	**84**	**(1)**	**815**
Total Income	**14,407**	**12,617**	**1,790**	**23,378**
EXPENDITURE				
Employee Costs - Direct	918	934	16	1,246
Employee Costs - Group Services	674	670	(4)	885
ER / VR	0	0	0	0
Direct Running Costs	1,333	1,419	86	1,905
Running Costs - Group Services	349	371	22	507
Revenue Repairs and Maintenance	3,211	3,215	4	4,464
Bad debts	101	129	28	172
Depreciation	5,343	5,343	0	7,156
TOTAL EXPENDITURE	**11,929**	**12,081**	**152**	**16,335**
OPERATING SURPLUS / (DEFICIT)	**2,478**	**536**	**1,942**	**7,043**
Net operating margin	*17.2%*	*4.2%*	*13.0%*	
Interest Payable	(2,763)	(2,981)	218	(4,157)
STATUTORY SURPLUS / (DEFICIT)	**(285)**	**(2,445)**	**2,160**	**3,124**

	Period To 31 December 2024 Actual £k	Budget £k	Variance £k	Full Year Budget £k
INVESTMENT				
Total Capital Investment Income	**4,981**	**11,528**	**(6,547)**	**14,933**
Investment Programme	2,593	2,936	343	3,496
New Build Programme	13,133	18,870	5,737	24,959
Other Capital Expenditure	183	291	108	387
TOTAL CAPITAL EXPENDITURE	**15,909**	**22,097**	**6,188**	**28,842**
NET CAPITAL EXPENDITURE	**10,928**	**10,569**	**(359)**	**13,909**

Key highlights:

A net operating surplus of £2,478k, £1,942k favourable to budget and a statutory deficit of £285k, £2,160k favourable to budget is reported. Grant income from earlier than budgeted new build completions at Croy and a favourable expenditure position compared to budget is contributing to the favourable performance.

- Net rental income is £82k favourable to budget due to lower than budgeted voids. Void losses in the period are £84k favourable with a rate of 1.86% against a budget of 2.51%.
- Total employee costs (direct and group services) are £12k favourable to budget linked to a vacancy in the team, partly offset with additional spend from Wheatley Solutions for group employee costs.
- Total running costs are £108k favourable to budget, linked to savings in cleaning and council tax on voids, the timing of direct spend and lower group recharges due to efficiency savings in IT running costs and several Wheatley Solutions departments currently reporting lower costs.
- Revenue repairs and maintenance is £4k favourable to budget. Responsive repairs are £174k favourable to budget, offset by compliance spend being £170k higher than budget due to the acceleration of EICR checks.
- Net Interest payable is £218k favourable due to the timing of loan drawdowns compared to budget and a lower base rate on the variable loans compared to budget.

Net capital expenditure of £10,928k is £359k higher than budget.

- Capital investment income (grant) is £6,547k lower than budget due to the phasing of new build grant claims; at Forfar, which is not yet on site, and South Crosshill, which was received in full in the prior year.
- New build spend is £5,737k lower than budget due to the timing of spend for Forfar Avenue and Duke Street, which is partially offset with spend at Bank Street and Constarry Road being ahead of budget.
- Investment programme expenditure of £2,593k relates to core programme works, capitalised repairs and voids. Capitalised repairs and void repairs both report spend slightly higher than budget and is being closely monitored to align spend to budget for the full financial year.
- Other capital expenditure of £183k relates to Loretto's contribution to Wheatley Group IT costs, with the favourable position reflecting the timing of IT projects being undertaken.

1d) Wheatley Homes East – Period to December 2024

	Year to 31 December 2024			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Rental Income	31,575	31,456	119	42,007
Void Losses	(464)	(428)	(35)	(563)
Net Rental Income	**31,111**	**31,028**	**83**	**41,444**
Grant Income Recognised in the Year	26,434	23,835	2,599	34,745
Other Grant Income	645	406	239	604
Other Income	2,752	2,575	177	7,324
TOTAL INCOME	**60,942**	**57,844**	**3,098**	**84,117**
EXPENDITURE				
Employee Costs - Direct	3,583	3,468	(115)	4,621
Employee Costs - Group Services	1,970	1,958	(12)	2,586
ER/VR	0	0	0	0
Direct Running Costs	3,658	3,683	25	4,910
Running Costs - Group Services	1,171	1,244	73	1,700
Revenue Repairs and Maintenance	5,206	5,298	92	7,138
Bad Debts	280	282	2	375
Depreciation	11,238	11,238	0	15,231
TOTAL EXPENDITURE	**27,106**	**27,171**	**65**	**36,561**
NET OPERATING SURPLUS	**33,836**	**30,673**	**3,163**	**47,556**
Net Operating Margin	*56%*	*53%*	*2%*	*57%*
Interest payable & similar charges	(7,567)	(7,819)	252	(9,335)
STATUTORY SURPLUS	**26,269**	**22,854**	**3,415**	**38,221**

	Year to 31 December 2024			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INVESTMENT				
Total Capital Investment Income	**19,957**	**23,462**	**(3,505)**	**32,744**
Investment Programme Expenditure	5,661	5,449	(212)	6,966
New Build & Other Investment	60,074	64,327	4,253	87,201
Other Capital Expenditure	678	908	230	1,211
TOTAL CAPITAL EXPENDITURE	**66,413**	**70,683**	**4,270**	**95,378**
NET CAPITAL EXPENDITURE	**46,456**	**47,221**	**765**	**62,634**

Key highlights:

Net operating surplus of £33,836k is £3,163k favourable to budget. Statutory surplus for the period is £26,269k, £3,415k favourable to budget with the earlier than budgeted release of grant income on new build completions and unbudgeted SHNZ grant funding contributing to the variance.

- Gross rental income is £119k favourable to budget due to additional rental income from earlier than budgeted new build completions. Void losses of £464k are £35k adverse to budget due to higher voids at supported sites.
- Grant income recognised is £2,599k favourable to budget with completions ahead of budget at P9 include West Craigs Ph1 & 2 (19MMR), Deans South 1B (46SR), Deans South 1A (6SR) and Blindwells (23SR). This is offset by later than planned completions at West Craigs Ph 1&2 (10SR) and Ph3 (44SR & 15MMR).
- Other grant income of £645k includes £238k of unbudgeted SHNZ grant income with corresponding additional costs in Investment spend noted below.
- Other income of £2,752k is £177k favourable to budget and includes lease income from Lowther for the earlier than budgeted completions of MMR properties at West Craigs and Southfort.
- Total employee costs are £127k unfavourable to budget. Direct employee costs are £115k unfavourable to budget, due to an additional project worker post and agency costs at the Harbour and as well as absence cover in the Housing team. Group employee costs are £12k unfavourable to budget due to the timing of changes within budgeted structures in Wheatley Solutions.
- Total running costs are £98k favourable to budget and includes group running costs £73k favourable to budget due to several departments reporting lower costs across Wheatley Solutions.
- Revenue repairs and maintenance spend is £92k favourable to budget with responsive repairs £23k favourable and cyclical maintenance £69k favourable due to timing of spend.

Net interest payable of £7,567k includes interest due on the loans due to Wheatley Funding No.1 Ltd and external funders and is favourable to budget due to the timings of drawdowns and a lower base rate on the variable rate loans compared to budget.

Net capital expenditure of £46,456k is £765k lower than budget.

- Capital investment income is £3,505k lower than budget due to lower grant claims at Deans South Ph2 following a revised grant drawdown profile in 2025/26 and 2026/27 and earlier claims made in 2023/24 for Wallyford 5 A/B, Winchburgh BB and West Craigs Ph3. This unfavourable position was partly offset by additional claims for Blindwells and Dalhousie South Ph1.
- Core programme spend is £212k unfavourable to budget, mainly due to the additional unbudgeted SHNZ spend.
- New build spend of £60,074k is £4,253k lower than budget due to later than budgeted start dates at Deans South Ph2 and reduced in year spend at West Craigs Ph1 & 2, Winchburgh BB and Wallyford 5 A/B. The reduced spend was partly offset by accelerated spend at Blindwells which was budgeted as a development project in WDS but now delivered as a turnkey project with the completed units acquired by WH East directly, and accelerated spend at Sibbalds Brae and Dalhousie South
- Other capital expenditure of £678k is £230k lower than budget due to timing of IT spend.

1e) Wheatley Homes South – Period to December 2024

OPERATING STATEMENT	Period to December 2024 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INCOME				
Rental Income	38,638	38,487	151	51,163
Void Losses	(231)	(393)	162	(521)
Net Rental Income	**38,407**	**38,094**	**313**	**50,642**
Grant Income	16,418	16,418	0	16,418
Other Grant Income	2,747	3,039	(292)	5,297
Other Income	862	858	4	2,152
TOTAL INCOME	**58,434**	**58,409**	**25**	**74,508**
EXPENDITURE				
Employee Costs - Direct	3,825	3,970	145	5,277
Employee Costs - Group Services	2,672	2,655	(17)	3,508
ER/VR	0	0	0	210
Direct Running Costs	1,894	1,944	50	2,651
Running Costs - Group Services	1,587	1,688	101	2,305
Revenue Repairs and Maintenance	9,143	9,733	590	13,122
Bad debts	181	792	611	1,056
Depreciation	11,581	11,581	0	15,441
Demolition and compensation	400	400	0	523
TOTAL EXPENDITURE	**31,283**	**32,763**	**1,480**	**44,093**
NET OPERATING SURPLUS	**27,151**	**25,646**	**1,505**	**30,415**
Net operating margin	*46%*	*44%*	*3%*	*41%*
Interest receivable	96	23	73	30
Interest payable & similar charges	(5,559)	(5,680)	121	(7,417)
STATUTORY SURPLUS	**21,688**	**19,989**	**1,699**	**23,028**
INVESTMENT	**Actual £ks**	**Budget £ks**	**Variance £ks**	**Budget £ks**
TOTAL CAPITAL INVESTMENT INCOME	**3,632**	**6,497**	**(2,865)**	**16,304**
Capital Investment spend	9,758	11,036	1,278	15,432
New Build Programme	9,421	14,224	4,803	24,207
Other Fixed Assets	925	1,528	603	2,137
TOTAL INVESTMENT EXPENDITURE	**20,103**	**26,788**	**6,685**	**41,776**
NET CAPITAL EXPENDITURE	**16,471**	**20,292**	**3,821**	**25,472**

Key highlights :

Net operating surplus of £27,151k, £1,505k favourable to budget and a statutory surplus of £21,688k, £1,699k favourable is reported. Lower spend across expenditure and favourable net income position are contributing to the better than budgeted performance.

- Net rental income is £313k higher than budget. Void losses are £162k favourable to budget, with a void loss rate of 0.6% vs 1.0% in budget. Rental income is £151k higher due to unbudgeted rental income from earlier handover of Curries Yard and Lochside clearance no longer taking place.
- Grant income is in line with budget following the completion of 54 units at Curries Yard and 47 units at Springholm, all for social rent.
- Other grant income is £292k adverse to budget due to lower than budgeted aids & adaptations grant funding (with lower corresponding costs in investment spend), partly offset by higher renewable heat incentive (RHI) grant income and higher Supporting People grant income from DGC.
- Total employee costs (direct and group services) are £128k favourable to budget due to the timing of changes to the budgeted structure partly offset by additional spend from Wheatley Solutions for Group employee costs.
- Total running costs (direct and group services) are £151k favourable to budget primarily due to several departments reporting lower costs across Wheatley Solutions
- Repairs costs are £590k favourable to budget. Responsive repairs are in line with budget. Cyclical & gas maintenance and compliance are favourable due to timing and reprofiling of the programmes.
- Demolition costs includes three buy backs at Summerhill and the demolition costs at Ecclefechan with all 13 units at Ecclefechan now demolished.

Interest payable of £5,559k represents interest due on the loans due to Wheatley Funding No.1 Ltd and external funders. The £121k favourable variance is due to lower drawdowns and a lower base rate charged on the variable loans than budgeted. than budgeted.

Net capital expenditure of £16,471k is £3,821k lower than budget.

- Capital investment income is £2,865k lower than budget. New build grant income is unfavourable to budget due to a delayed start at Ashwood Drive and College Mains. Grant received relates to Johnstonebridge. Adaptation (£370k) and SHNZ (£1,590k) grant income also included here.
- Total capital investment spend of £9,758k is £1,278k lower than budget, mainly due to the timing of spend on core investment programme and lower adaptation spend, partly offset by increased void costs.
- New Build expenditure is £4,803k lower due to later than budgeted start dates at Ashwood Drive and College Mains. Curries Yard, now complete and fully handed over has spend less than budgeted spend in 2024/25 due to advanced spend in 2023/24. This is partially offset by additional spend in Springholm and Johnstonebridge.
- Other capital expenditure of £925k is £603k lower than budget due to timing of IT spend and deferral of the Stranraer office to 2025/26.

[redacted]

Wheatley Group

[redacted]

1g) WFL1 and WGC

WFL1 Limited	Period to 31 December 2024
	Actual £ks
INCOME	
Operating Income	2,009
EXPENDITURE	
Administration Costs	(2,009)
TOTAL EXPENDITURE	**0**
NET OPERATING SURPLUS	**0**
Finance Income	50,499
Finance Charges	(50,499)
PROFIT / (LOSS) BEFORE TAX	**0**

Wheatley Group Capital plc	Period to 31 December
	Actual £ks
INCOME	
Operating Income	0
EXPENDITURE	
Administration Costs	0
TOTAL EXPENDITURE	**0**
NET OPERATING SURPLUS	**0**
Finance Income	9,889
Finance Charges	(9,889)
PROFIT / (LOSS) BEFORE TAX	**0**

Wheatley Funding No. 1 Limited

Operating income of £2,009k has been recognised in the period. Operating income relates to the recharge of commitment fees on the loan facility for the RSLs.

Administration expenses are for the commitment fees charged on the borrowings for the RSL Borrower group. £2,009k of fees have been incurred and subsequently recharged to the RSLs.

Finance costs of £50,499k relate to interest charged on the facilities to WFL1 and takes into account interest received on funds held on deposit. These charges are passed on to the RSLs in full.

Wheatley Group Capital Plc

Finance charges of £9,889k have been recognised in the period. This relates to interest on the £300m bond that sits in Wheatley Group Capital plc. The interest rate is 4.375% per annum.

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

2a) RSL Borrower Group – Consolidated Balance Sheet

	As at 31 December 2024 £ks	As at 31 March 2024 £ks
Fixed Assets		
Social Housing Properties	3,014,569	2,927,353
Investment properties	144,537	144,420
Other tangible fixed assets	80,526	78,485
Investments -other	11,940	11,940
Fixed Assets	**3,251,572**	**3,162,198**
Debtors Due More Than One Year		
Inter Company Loan	21,004	18,504
Current Assets		
Stock	2,251	1,926
Trade debtors	1,643	1,600
Rent & Service charge arrears	18,663	20,370
less: Provision for rent arrears	(10,394)	(10,200)
Prepayments and accrued income	13,263	7,786
Intercompany debtors	4,300	5,707
Other debtors	13,936	19,092
	43,662	**46,281**
Bank & Cash	30,458	24,303
Current Assets	**74,120**	**70,584**
Current Liabilities		
Trade Liabilities	(6,818)	(16,752)
Accruals	(38,770)	(46,486)
Deferred income	(56,770)	(55,450)
Rents & service charges in advance	(16,847)	(23,974)
Bank Loans	(31,176)	(33,503)
Intercompany creditors	(1,371)	(5,522)
Other creditors	(23,430)	(17,826)
	(175,182)	**(199,513)**
Net Current Assets	**(101,062)**	**(128,929)**
Long Term Liabilities		
Contingent efficiencies grant	(46,280)	(46,280)
Loan - private finance	(1,304,507)	(1,204,708)
Bond finance	(300,000)	(300,000)
Provisions	(2,261)	(2,304)
Deferred income	(55,701)	(75,042)
Pension liability	(7,949)	(7,949)
Long Term Liabilities	**(1,716,698)**	**(1,636,283)**
Net Assets	**1,454,816**	**1,415,490**
Funding Employed		
Capital & Reserves		
Share Capital	0	0
Retained Income b/fwd	671,906	681,612
Income & Expenditure	39,326	(9,706)
Revaluation Reserves	743,584	743,584
Funding Employed	**1,454,816**	**1,415,490**

Key highlights:

- The Balance Sheet at 31 March 2024 reflects the audited position.

At 31 December 2024:

- Current assets (excluding cash) are £2.6m lower than the year end position, mainly due to the decrease in rent arrears of £1.9m due to the timing of receipt of housing benefit and a decrease in intercompany balances of £1.4m due to the timing of settlements.
- Bank and Cash of £30.5m includes deposits in transit and outstanding payments showing in the bank after the month end.
- Overall current liabilities are £24.3m lower than the year end position. An increase in deferred income of £1.3m is partly offset by decreases in trade creditors of £9.9m, a decrease in prepaid rent of £7.1m due to timing of receipt of housing benefit, the repayment of £2.3m bank loans, decrease in intercompany balances of £4.2m due to timing of settlements and a decrease in accruals and other creditors of £2.1m due to the timing of invoices being raised for costs.
- Long term liabilities at 31 December 2024 are £80.4m higher than the year end position mainly due to £100.0m additional loans (net of loan payments) received to finance the developments across the RSL's and £19.3m decrease in deferred income in line with the profile of new build completions.
- Income and expenditure relates to the RSL Borrower Group surplus for the period to 31 December 2024.

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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: **Performance report**

Date of Meeting: **26 February 2025**

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1. Purpose

1.1 The purpose of this report is to provide an update on performance against targets and strategic projects for 2024/25 to the end of quarter three.

2. Authorising and strategic context

2.1 The Group Board agreed on an updated programme of strategic projects and performance measures and targets for 2024/25 at its meeting in April 2024. Under the Group Standing Orders the Board also has an ongoing role in monitoring the performance of subsidiaries across the Group against the agreed measures. It is also responsible for overseeing the delivery of board-level strategic projects.

3. Background

3.1 This report outlines our performance against targets and strategic projects for 2024/25. Unless specified otherwise, results for all measures are based on year-to-date ("**YTD**") figures. This includes progress with those measures that will be reportable to the Scottish Housing Regulator ("**SHR**") as part of the Annual Return on the Charter 2024/25.

4. Discussion

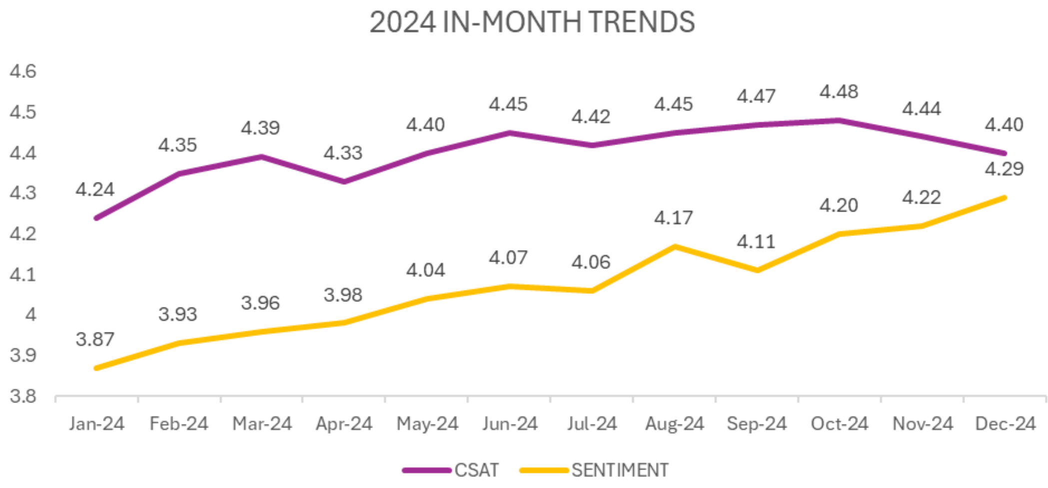
4.1 The following sections present a summary of key measures and strategic projects. Strategic and Other key measures can be found in Appendix 1 and 2 respectively, and strategic projects are found in Appendix 3. ARC and SPSO complaints can be found in Appendix 4.

Delivering Exceptional Customer Experience

Customer First Centre

4.2 Customer satisfaction based on direct customer feedback with the CFC (known as "**CFC CSAT**") remains the key measure. Our overall CFC CSAT score for the rolling 12-month period was 4.4 at the end of quarter three. The chart below shows that customer sentiment, that is the analysis of the emotion and language of the feedback, has been on an upward trend over 2024:

Chart 1



4.3 To further enhance our CSAT and customer sentiment we are launching our new Customer Experience ("**CX**") approach, which combines several approaches within the CFC that can have a direct impact on CX:

- Repeat caller information;
- Quality Management themes; and
- Complaints information.

4.4 Our aim is to be able to draw our key themes more readily, and ensure actions are prioritised to deliver service improvements.

4.5 For the YTD results as of the end of quarter three for our core CFC measures are set out in the table below:

Table 1

Measure	2024/25		
	Value YTD (unless stated)	Target	Status
Group - CSAT score	4.4 (rolling year)	4.5	
Group - Call abandonment rate	5.80%	5%	
Group - Call abandonment rate - those waited over 30secs and abandoned	4.29%	4%	
Group - % of contacts to CFC resolved within CFC	89.61%	93%	

4.6 The recent red alert for Storm Eowyn tested our agility and real-time customer feedback at a point when both our staff and customers needed us to take rapid action, prioritise those most in need and support recovery. Our CFC CSAT score was 4.52 on the day of the storm and the week thereafter recorded 4.55, exceeding our target.

4.7 The call abandonment rate has increased slightly in quarter three to 5.8%, an increase since quarter two which was 5.60%. The call abandonment rate after 30 seconds, whereby our customers have waited over 30 seconds and then abandoned their call, better represents the aspect of the service that may be in the CFC's control. This improved to 4.29%, slightly over the 4% target.

4.8 The percentage of contacts to the CFC resolved within the CFC, without the need to be passed to either Housing Teams or MyRepairs, was 89.61% at the end of quarter three and has exceeded 90% since August. This includes resolution on the phone, with specialist teams and via digital contact.

Repairs Satisfaction

4.9 Tenant satisfaction with our repairs service and individual repair experiences are key drivers of overall customer satisfaction. We measure satisfaction at two points in the process:

1) **On the day of the appointment known as *'Rate it'* -** tenants will receive a text message, with a question based on the tenant's experience during the appointment 'Rate it' on a scale of 1-5; and
2) **1-2 weeks after the repair is complete known as *'My Voice'*** - tenants receive either a text message or an email to ask, on a scale of 1-5, how satisfied they were with the repairs service provided during their last repair.

4.10 In addition to our independent satisfaction surveys undertaken at least every three years, we also use in-house surveys on an ongoing basis throughout the year to assess and monitor how well we are doing.

Rate it – appointment satisfaction

4.11 Our score with the 'Rate It' element of the repair continues to be strong to the end of quarter three as set out below:

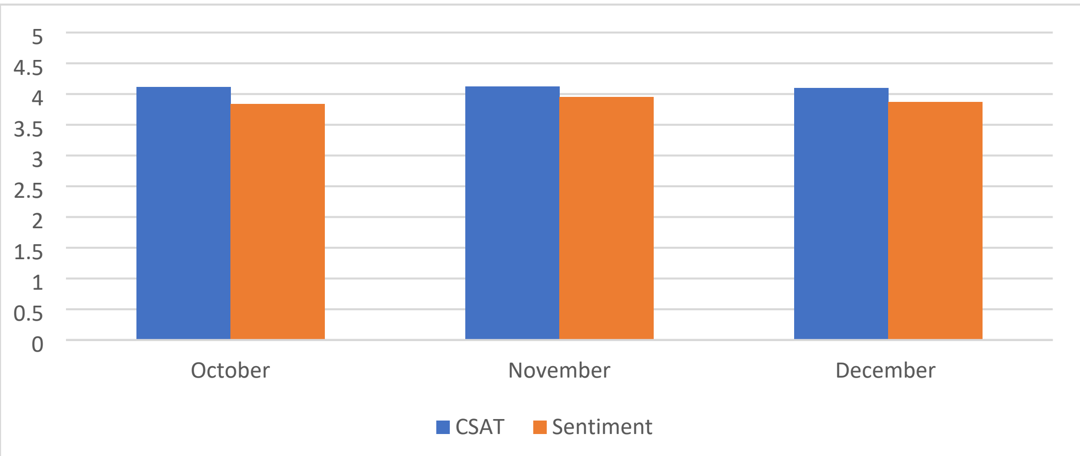
- West is 4.5/5 from 19,079 ratings – 19.02% feedback rate;
- East is 4.4/5 from 1,836 ratings – 16.33% feedback rate; and
- South is 4.7/5 from 4,858 ratings – 16.68% feedback rate.

My Voice – overall repair satisfaction

4.12 MyVoice has been operating in Loretto Housing and Wheatley Homes Glasgow from October. This was to allow us to use digital means to collect customer feedback in the West which was, until then, via whitemail. The use of My Voice also allowed us, as with the CFC, to collect customer sentiment as well as satisfaction scores.

4.13 The rating for both customer satisfaction and customer sentiment has been at a high level, reflecting the scores for the Rate It element, during this period as set out in the chart below :

Chart 2



Classified as public

4.14 We are achieving an average response rate of 17.7%. This is higher than we previously received via whitemail as both a proportion of responses and the absolute number of responses. MyVoice for repairs is now in the process of being extended to Wheatley Homes East and Wheatley Homes South.

Volume of Emergency Repairs

4.15 The table below shows our position against the strategic result to reduce the volume of emergency repairs by 10% by 2026 compared to the updated baseline year of 2022/23. The target for 2024/25 is a reduction of 3.5%. At the end of quarter three, emergency repair numbers are 954 less than last year, a variance of -1.41%, behind target. WHS is the only RSL meeting target.

4.16 Emergency repair volumes are a consequence of customer reports and are affected by external factors such as weather conditions. We will continue to review the raising of emergencies locally with the CFC teams to ensure that repairs being raised are appropriately diagnosed as emergencies.

Table 2

Completed emergency repairs	YTD 23/24	YTD 24/25	Variance	
WHE	6,454	6,698	3.78%	
WHS	9,552	8,553	-10.46%	
WHG	48,560	48,159	-0.83%	
Loretto	2,926	3,128	6.90%	
Group	**67,492**	**66,538**	**-1.41%**	

Repairs Timescales and Right First Time

4.17 Our Group RSL average time taken for emergency repairs was 3.03 hours at the end of quarter three, just above the 3-hour target. This a slight increase on 2.84 hours last quarter however remains better than the Scottish average of 4 hours.

4.18 The average time to complete non-emergency repairs for our Group RSLs and Lowther to the end of quarter two is set out below:

Table 3

Repairs completion timescales (Charter)	Emergency (hours)			Non-emergency (days)		
	Target	Value		Target	Value	
WHE	3.00	3.77		7.5	10.00	
WHS	3.00	2.59		7.5	8.87	
WHG	3.00	2.99		7.5	7.80	
Loretto	3.00	3.29		7.5	8.73	
Group RSLs	3.00	3.03		7.5	8.02	
Lowther Factoring	3.00	4.04		No target	19.65	
Lowther Residential	3.00	3.91		7.5	9.65	
Group including Lowther	3.00	3.10		7.5	8.81	

4.19 To the end of quarter three, Group RSLs took an average of 8.02 days to complete non-emergency repairs, an improvement on 8.31 days to the end of quarter two and 9.14 days to the end of quarter one. WHG achieved 7.5 days or less each month in quarter two and three (July to December) and are now within 10% of target at 7.8 days YTD. This improvement in performance over the last two quarters has been alongside the positive customer satisfaction indicators of reducing numbers of complaints and high ‘Rate it’ levels (equivalent of 90%) set out earlier in the report.

4.20 Right first-time performance to the end of quarter three is currently meeting the 90% target at 90.13%, a slight reduction on 90.33% last quarter yet better than the 2023/24 Scottish average of 88.4%.

Responsive repairs: Damp and mould

4.21 On 14 January 2025, the SHR included three new indicators for reporting on damp and/or mould in the Charter, applicable from financial year 2025/26. Work is underway to assess the data required to compile, calculate and monitor against these new indicators.

4.22 These results must be included in our ARC submission from May 2026 onwards. This means that our 2025/26 performance measures relating to damp and mould will be updated to reflect the new ARC requirements.

4.23 We continue to monitor repairs related to mould, with updates provided to help facilitate greater scrutiny over these types of repairs. We have attended 76.86% of mould inspections within two working days up to the end of quarter three. In the West, over half of inspections that took longer related to customer choice of the appointment time. The table below details the YTD inspection categorisation. Remedial work for the severe cases has been completed.

Table 4

Inspections completed	Category			
	No Mould	3 (mild)	2 (moderate)	1 (severe)
8,814	1,679	6,834	291	10

4.24 Up to the end of quarter three, 78.43% of remedial mould repairs were completed within 15 working days. In December, the in-month average time was 11.1 days.

Complaints

4.25 We continue to be very responsive to complaints, exceeding our Stage 1 and Stage 2 targets of 5 and 20 days respectively across all subsidiaries, as set out in the table below. Further results are presented in Appendix 3.

Table 5

Charter - average time for a full response to complaints (working days) ***Stage 1 - 5-day , Stage 2 – 20-day target***				
Subsidiary	**2023/24**		**2024/25 – YTD**	
	Stage 1	**Stage 2**	**Stage 1**	**Stage 2**
WHS	3.48	12.60	3.39	12.44
WHE	3.79	16.70	4.02	15.54
WHG	3.98	16.47	3.70	14.46
Loretto	3.48	15.17	3.65	15.65
Lowther (ARC equivalent)	3.73	16.37	4.05	13.95

4.26 As reported to Board last quarter, we continue work to support complaint handling, including:

- Reviewing our staff support, guidance and training;
- Using the updated data classification of repairs to allow better analysis of the root cause of the complaint; and
- Periodically taking a deeper dive into various categories complaints as to identify the recurring issues to drive improvements in performance.

Tenancy Sustainment

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

4.28 We continue to support our new customers to sustain their tenancies and to deliver strong performance in the Charter measure and our revised indicator (excluding deaths and transfers to other homes in the wider Group).

4.29 Current performance has further improved from quarter two with the Group Charter result now 92.88% and the revised measure at 94.69%. WHS achieved target for the Charter indicator for the first time since joining the Group in 2019. As a Group we are outperforming the Scottish ARC average of 91.2% for 2023/24.

Table 6

Tenancy Sustainment	Charter – All lets	2024/25 Target - Charter		Charter – Homeless Lets		Revised	2024/25 Target - Revised	
WHE	94.06%	90%		94.02%		95.19%	91%	
WHS	90.23%	90%		87.99%		92.94%	91%	
WHG	93.23%	90%		93.88%		95.06%	91%	
Loretto	94.92%	90%		95.51%		94.85%	91%	
Group	**92.88%**	**90%**		**92.99%**		**94.69%**	**91%**	

Allocations CSAT

4.30 Our Allocations MyVoice measures customer satisfaction with the process of getting their new home. Satisfaction for the Group is slightly below target at 4.3, with WHE, WHS, Loretto and Lowther Letting ahead of the 4.5 target.

4.31 Shaped by WHG customer feedback, the City Building Glasgow ("CBG") void delivery teams are in the process of making changes to streamline the delivery of our voids. WHG has held update sessions in the local hubs with the void trades, ensuring they understand the role they play in the delivery of homes through our re-let and allocations process.

Table 7

Allocations CSAT	2024/25 Rolling year	2024/25 Target	
WHE	4.6	4.5	
WHS	4.6	4.5	
WHG	4	4.5	
Loretto	4.7	4.5	
Lowther Letting	4.7	4.5	
Group	4.3	4.5	

Making the Most of Our Homes and Assets

Development Programme

4.32 Our target is to deliver a total of 772 new homes, including 65 market acquisitions, in 2024/25. At the end of quarter three, we have handed over 534 homes, above the target of 508 expected by the end of quarter three.

Table 8

Sites	Handovers (YTD)	Target (YTD)	Difference/handovers to 31st December
WHG	133	123	10
Cleddans Grove (SR Acquisition)	4	0	+4
Calton Village	101	123	-22
Shandwick/Arnisdale	28	0	28
Loretto	15	0	+15
Constarry Gardens	15	0	+15
WHE	281	256	+25
Rowanbank	33	33	0
West Craigs	123	173	-50
Blindwells Plot 11	23	0	+23
Doctors Field	25	25	0
South Fort Street	25	25	0
Deans South	52	0	+52
WHS	101	101	0
Curries Yard	54	54	0
Ewart Place	47	47	0
Lowther	4	28	-24
Raw Holdings	4	4	0
Victory Lane, Wallyford	0	24	-24
Totals	**534**	**508**	**+26**

Medical Adaptations

4.33 Time to complete medical adaptations remains well within the 25-day target , with the average days to complete at 20.52. We have completed 1,439 adaptations and there are 100 households currently waiting down from 115 at the end of quarter two.

Table 9

Medical Adaptations (Charter)	Current Households Waiting	Number Completed YTD	Average Days to Complete YTD	Target
WHE	17	69	17.57	25
WHS	28	283	37.98	25
WHG	54	1,026	16.07	25
Loretto	1	61	17.72	25
Group	**100**	**1,439**	**20.52**	25

Gas Safety

4.34 We continue to be 100% compliant with gas safety requirements, with no expired gas certificates.

Compliance

4.35 All of our relevant properties are compliant with Legionella assessment requirements. We also include in our programme the inspection of a number of our properties which are beyond our legal requirements (known as 'relevant') but give us additional assurance. For some of those properties we are beyond our target date and we are working to gain access to these properties to complete inspections.

4.36 We carried out safety inspections on all passenger lifts and all but one domestic lift in Glasgow where access to the customer's house is required. Arrangements are being made by housing staff for access following previous customer refusal.

4.37 At the end of quarter three, we had 129 properties where we have been unable to renew the Electrical Installation Condition Report ("EICR"). This is being drive by customers refusing access to allow us to complete a new inspection and we are following up on these to renew as quickly as possible, including enacting forced access if necessary.

4.38 Our housing teams continue to liaise with colleagues throughout the Group in order to support access to all customers' homes where required and remind customers of their legal requirements set out in the tenancy agreement where required. Meantime, we are making excellent progress with the inspection of electrical installation certificates due to expire before the end of the 2024/25.

Health and Safety

4.39 We have had nine RIDDOR incidents this year, comprised of slips, trips or falls, or manual handling injuries. Across the Group, 325 days have been lost during 2024/25 due to work-related accidents. Each RIDDOR incident is thoroughly investigated by both management and the Group Health & Safety team. Where appropriate, changes are made to working practice and instructions or support are provided to affected employees to avoid recurrence.

4.40 There have been no Health and Safety Executive or Local Authority environmental team interventions this year, the same position that we have maintained since the measure started in 2021.

Workplace Fires

4.41 We have not had any workplace fires in 2024/25.

Changing Lives and Communities

Care Service Quality

4.42 This has remained steady for 6 months now with 13 of the 18 registered services with active inspection reports having grades of 5 or above across all quality indicators. This equates to 72% of services against a strategic target of 80%.

4.43 As of the end of December, the Care Inspectorate Datastore (as of 31 December 2024) indicates that 32.40% of services (voluntary or not for profit) comparable to Wheatley Care have achieved an overall grade of 5 or higher. The data shows a slight increase during this reporting period, suggesting that the Care Inspectorate has undertaken a greater number of inspections resulting in grades of 5 and higher. Wheatley Care services consistently exceed the sector average.

4.44 There was one Care Inspectorate inspection carried out in October for West Lothian which was graded at 5s. There were two Care Inspectorate inspections carried out in November for Personalised Self-Directed Support Service North Lanarkshire, which received a grade of 5s, while Falkirk Supported Living Service received a grade of 4, indicating no change in grading as one service increased and another decreased.

4.45 In December the Care Inspectorate carried out an unannounced Care Assurance Inspection at Wheatley Care's Personalised Self-Directed Support Service in Renfrewshire. An unannounced Core Assurance Inspection is part of a pilot being conducted by the Care Inspectorate to evaluate a new methodology for assessing services and ensure that registered services with impressive performance maintain their high standards of care and support.

4.46 The existing grading remains unchanged during these Core Assurance Inspections; however, if the standards of a registered service decline, a full inspection will ensue.

Peaceful Neighbourhoods

4.47 Since 2021 we have had in place a strategic measure on the number of tenancies categorised as Peaceful. This is based on the Police Scotland Safe, Calm and Peaceful methodology and the definitions are as follows:

- **Peaceful** – datazones assessed to be minimal to low priority with a recommendation of regular service delivery;
- **Calm** – datazones assessed as moderate to high priority and carry a recommendation of regular service delivery or monitoring; and
- **Safe** – datazones assessed to be very high to extremely high priority with a recommendation for a prioritisation for enforcement measures.

4.48 The Safe, Calm and Peaceful ratings are calculated by Police Scotland using the Police Scotland Business Intelligence Toolkit (BIT). This tool considers each SIMD datazone, the SIMD deprivation score for the datazone and public reported incidents of ASB which occurred within or near to Wheatley RSL properties (within 25 meters) within the datazone.

4.49 Our strategic measure is for over 80% of our customers to live in neighbourhoods categorised as peaceful by the end of the strategy period. At the end of quarter three, the percentage of tenancies categorised as Peaceful increased from 75.87% in quarter two to 77.40% in quarter three and we are performing better than the 75% target for 24/25.

4.50 There was a 22.08% increase in cases reported to Police Scotland between November (874) and December (1067), which is not unusual at this time of year as it is a seasonal trend we see over the festive period. This month noise nuisance accounted for 32.71% of reports of ASB made at our properties (349) from the 1067 reports made to Police Scotland in December. This is also the accumulation of working with customers in these areas to provide them with the support to report incidences of ASB to Police Scotland and the Group which in the past they have been reluctant to do.

Anti-Social Behaviour resolved

4.51 We aim to resolve 100% of our ASB cases each year to help create thriving neighbourhoods where customers feel safe and secure. The national average resolution rate recorded by the ARC for ASB cases resolved in 2023/2024 was 94.3%.

4.52 To December, 91.16% of ASB reports across the group were resolved as defined by our policy. All subsidiaries were within 10% of target except WHG which is however showing strong in month performance. Both the in-month and YTD results for Group and RSLs are set out in table below.

Table 10

RSL	In-month result	YTD result
GROUP OVERALL	**91.23%**	**91.16%**
WHE	83.87%	91.60%
WHS	87.04%	96.75%
WHG	93.27%	89.20%
LORETTO	93.33%	97.92%

* Please note that ASB information is provided to the performance team 10 working days after period end to allow for as many cases reported to be resolved before the locally agreed timescale (10 working days). All RSLs now submit figures monthly.

Repeat Anti-Social Behaviour cases – number of repeat addresses

4.53 We have a target outlined within our ASB Framework to reduce the number of repeat complaints of ASB by 20% by 2026. This was a key driver for developing our prevention and solutions approach to ASB.

4.54 The purpose of the approach is to focus on tackling the root cause of ASB, finding long term solutions to the issues arising and focusing on and addressing more complex ASB cases and those causing the most disruption in our communities.

4.55 To December, ASB was recorded at 700 repeat addresses, a 14.11% decrease compared to the baseline performance of December 2022 (where the YTD figure was 815 repeat addresses).

4.56 Our robust management of these cases means we remain on target to reach our anticipated 15% reduction in repeat ASB cases during 2024/2025. Our performance this year has helped build a strong foundation to go into 2025/2026 to help us meet the overall target figure of a 20% reduction of repeat cases of ASB by the end of our Group strategy.

Accidental Dwelling Fires

4.57 We have had 70 accidental dwelling fires to the end of quarter three as follows:

Table 11

Number of recorded accidental dwelling fires	2024/25 YTD	2023/24 full year
WHE	17	9
WHS	10	12
WHG	39	98
Loretto	4	1
Group	**70**	**120**

4.58 This contributes towards our Strategic target to reduce RSL accidental dwelling fires by 10% by 2025/26, against the baseline of 215 in 2020/21.

4.59 Our strategy measure aims to ensure that 100% of applicable properties have a current fire risk assessment in place and this continues to be achieved.

Table 12

Fire Risk Assessments	2024/25 YTD	2023/24
The percentage of relevant premises - HMOs that have a current fire risk assessment in place	100%	100%

Classified as public

Reducing Homelessness

4.60 We have provided 2,043 homes to homeless households to the end of quarter three. Our percentage of relevant lets made to homeless applicants is 59.17% YTD (relevant lets exclude mutual exchanges, transfers and LivingWell lets for which we are limited to let to homeless applicants).

4.61 The number of homeless lets made by each of our RSLs is provided below.

Table 13

Reducing Homelessness	2024/25 (ARC) - YTD	2023/24 (ARC) – full year
WHE	261	274
WHS	359	393
WHG	1,354	1,640
Loretto	69	99
Group	**2,043**	**2,406**

4.62 The Board agreed to increase the 5-year strategy measure of 10,000 lets to homeless households to 11,000. We have now let a cumulative total of 9,111 lets to homeless applicants from the commencement of our strategy to the end of quarter three.

Jobs and Opportunities

4.63 To the end of quarter three, we have supported 734 jobs, training and apprenticeship opportunities within our households and communities. Opportunities have included:

- IT and Cyber security training and Web design training delivered by Generation UK;
- Environmental Roots;
- Construction Placements with McTaggart's Construction; and
- A variety of opportunities in the hospitality and service sector.

4.64 In addition, 2,320 children within our households and communities have been supported through Foundation programmes. This has included supporting young people through the Better Christmas campaign to receive gifts and toys over the festive period.

4.65 Over 8,000 people from our homes and communities accessed support to alleviate the impacts of poverty to the end of quarter three. This includes:

- Support through Welfare Benefits Advice, Starter Packs and our My Great Start service, providing personalised tenancy sustainment support to new tenants; and

- Care services received vouchers to purchase food, household items and gifts for customers in need over Christmas.

Table 14

Indicator	Target (YTD)	Current Performance (YTD)		23/24
Group - Number of children and young people benefiting from targeted Foundation programmes in Wheatley Communities	900	2,320		2257
Group - Total number of jobs, training places or apprenticeships created for customers and communities	630	734		988
Group - Number of people accessing services which help alleviate poverty in Wheatley Communities	6550	8,151		11,555

Developing our Shared Capability

Sickness Absence

4.66 As agreed with the Board, we now report our strategic target to maintain absence below 3% based on Group sickness excluding Care, NETs and repairs staff which have targets that better reflect the nature of those workforces. To the end of quarter three, our Group sickness rate was 3.24%, a decrease from 3.27% at the end of last quarter and 3.46% in quarter one.

Table 15

Sickness Rate	Target	2024/25 YTD	
Group - % Sickness rate excluding Care, Repairs and NETs	3%	3.24%	

4.67 We are continuing to focus on reducing staff absence through a combination of ensuring people managers are appropriately skilled and supported, promoting our staff wellbeing support and where appropriate applying our policies and procedures robustly.

Enabling our Ambitions

Gross Rent Arrears (GRA)

4.68 Our GRA at the end of quarter three is 5.47%, below the 5.52% projection for this point in the year by 0.05%. The SHR Scottish average for 2023/24 was 6.7%, which we continue to outperform.

4.69 We remain focused on achieving the 5.20% target for 2024/25, requiring us to utilise strong conversations with customers, efficiently escalating cases and offering targeted support. This has driven improvement in recent periods and will support our push towards year-end.

Chart 3

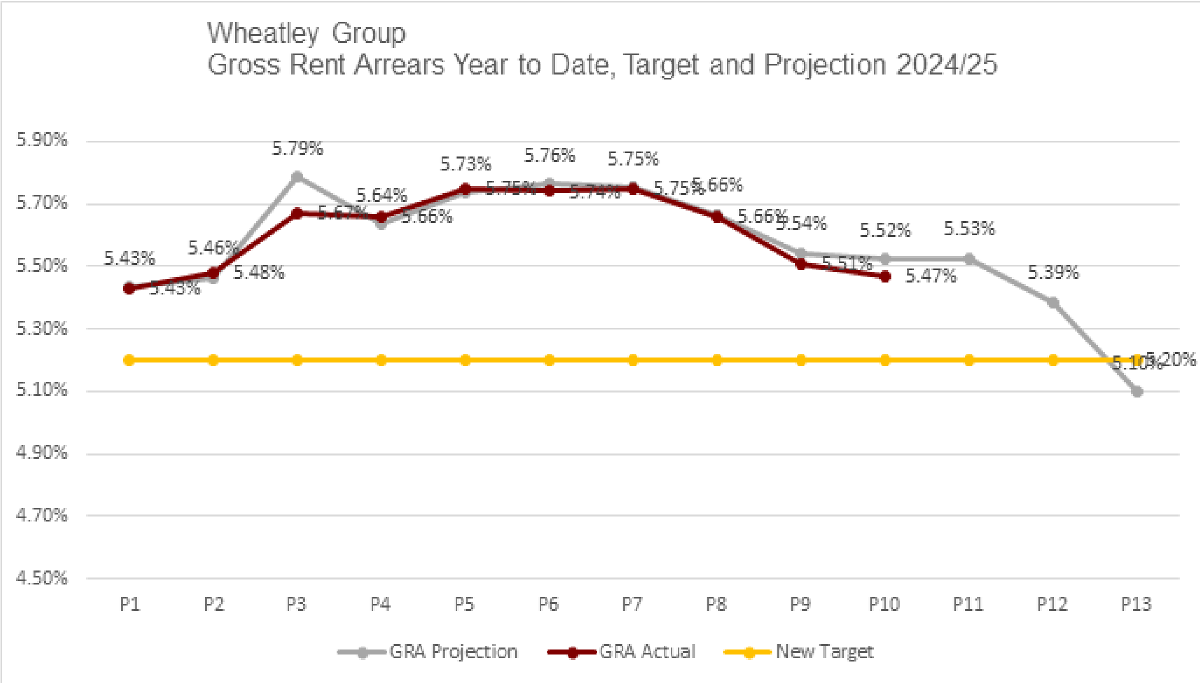


Table 16

Gross Rent Arrears	Dec/P10		2024/25 target	2023/24 Result
WHE	5.03%		4.52%	4.61%
WHS	4.37%		4.25%	4.33%
WHG	5.91%		5.50%	5.86%
Loretto	3.98%		3.60%	3.67%
Group RSLs	**5.47%**		**5.20%**	**5.37%**

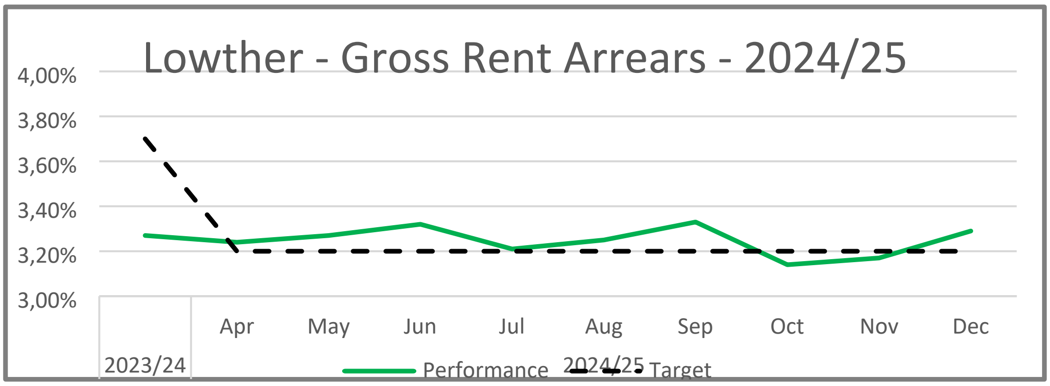
4.70 We have significantly expanded the data, reporting and support available to frontline staff to allow them to better and more quickly track rent arrears, and trigger case management and escalation options. We have held staff sessions and provided advice and guidance on progressing individual cases, especially those which have proven to be more complex. Our teams have fed back that these sessions were beneficial and should help improve results within patches and driving performance.

4.71 Our Housing Offices continue to support customers to move out of debt using a variety of approaches our own Welfare Benefit Advisors , Fuel Advisors and My Great Start. We are also supporting in areas such as Discretionary Housing Payments, Managed Payments to Landlord for UC customers and utilising A Local Information System for Scotland to find alternative sources of support and funding to meet challenges with paying rent and getting accounts in advance. We will also continue, where appropriate to use the Helping Hand Fund where it can support tenants in arrears sustaining their tenancy.

<u>Lowther</u>

4.72 Lowther Letting arrears are at 3.29%, slightly over the 3.2% target at the end of quarter three. Lowther agents are continuing to meet weekly to review those customers in arrears at their ‘initiating income’ meeting to ensure that, with the support of our Group Debt Recover Team, cases are peer reviewed and escalated quickly to support a reduction in arrears.

Chart 4



4.73 Letting performance continues to be strong with MMR average days to let at 6.58 days to the end of quarter three. Performance for Full Market Rent ("FMR") has increased from the 5.66 days at the end of quarter two to 7.81 days in quarter three however both MMR and FMR are still well within the 10-day target.

4.74 Of the 391 new tenancies to the end of quarter three, all deposits have been processed within the targeted timescales. No late deposits have been reported since the new procedures have been in place since 2022.

Average Days to Re-Let (Charter and revised)

4.75 Our average time to re-let at the end of quarter three is 15.98 days, an improvement from 16.59 days reported at the end of quarter two. The Scottish average increased to 56.7 days in 2023/24 from 55.6 days in 2022/23, indicating that the sector continues to face letting issues when compared to the 31.5-day average in 2019/20. Issues such as utility connections and capacity to undertake void work remain issues across the wider sector.

4.76 WHS, WHE and Loretto continue to be better than target with WHG improving in the third quarter. As previously indicated we are reviewing our voids resources to support quicker days to let within WHG. We have put in place enhanced monitoring of performance whilst a detailed action plan and structure review are developed over the next few weeks. We have in the short term bolstered resources through a combination of overtime and engagement of external contractors and this has led to us reducing the number of void jobs in recent weeks.

Table 17

Average days to re-let (Charter)	2024/25 YTD	2024/25 Target	2023/24 Result	Charter revised YTD (no meter amendments)
WHE	15.14	16	13.93	18.37
WHS	8.19	16	11.01	9.36
WHG	19.45	16	15.81	32.25
Loretto	10.72	16	10.87	10.72
Group RSLs	15.98	**16**	**14.51**	**25.41**

4.77 Our Charter performance in quarter three continues to take into account days lost to health and safety related meter issues where we consider the property unsafe/unfit to occupy. These amendments include, for example, where a tampered meter means there is no power to the property or where the supply has been cut off and we are awaiting reconnection (which energy companies do not prioritise as they are void), both of which mean we cannot undertake crucial safety checks prior to letting the property.

4.78 The table above now also includes re-letting times with no meter amendments, shown as Charter revised. Our revised result shows the impact that meter issues are having on letting times. We continue to surpass the benchmark including when we include days lost to meter issues.

4.79 The Scottish Housing Regulator has advised that the Scottish Government has asked us to collect on its behalf information from all Registered Social Landlords on empty homes/ voids. As part of this they SHR has recognised that RSLs face a number of challenges to relet empty homes / voids quickly, including difficulties in getting utility companies to act promptly on renewing / resetting meters, the availability of contractors, labour and materials, and the poor condition that some departing homes are left it. The SHR has asked tat RSLS give them feedback on such contextual factors which impact the management of empty homes/voids.

Care Services Breaking Even

4.80 There are currently seven services in deficit and Care is in an overall surplus of £156k at the end of December, better than the £104k target. Our strategic indicators report on all services in deficit and to the end of quarter three 96.30% of services are breaking even before management fees (26 of the 27 services), an improvement on the 92.59% last month yet below the 100% target. 74.07% are also currently breaking even after management fees the same as last month yet below the 92% target.

Summary of Strategic Project Delivery

4.81 A full update on progress with strategic projects is attached in Appendix 3. The following table summarises the current status of projects.

4.82 No projects were completed during quarter three. Some projects are currently showing some slippage, albeit with significant progress made. Specific detailed updates on each are included within Appendix 3, with a summary below:

- *Improving and evolving our multi-channel customer first centre* –Significant progress has been made in testing several new functionalities of the Storm platform within the CFC. There has been a slight delay in testing some specific functionality planned for by the end of December. This is as a result of the complexity of the build we asked of the vendor and the vendor releasing newer (and improved) versions of other functions. The project will come back on track in the next quarter.

- *Wyndford Regeneration* – Contractor procurement is ongoing and a preferred contractor is expected to be identified by end of Feb 2025. This does however have implications for the remaining milestones which, it is proposed, move into the 2025-26 Delivery Plan
- *Lochside* – the masterplan is being refined to increase the focus on retrofit and refine the new build projections to reflect the funding environment

- *Develop a data and technology-enabled approach to managing and monitoring building compliance/Automation and AI* – both are scheduled for discussion by the Executive Team on 25 February. Both projects will be up to date by the end of February and completed by year-end.

- *Pensions strategy* – this was delayed to allow a review by the Group RAAG Committee and is subject to an agenda item at this meeting which, if approved, will complete the project.

5. Customer engagement

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

6. Environmental and sustainability implications

6.1 Our Group sustainability framework includes a refined sustainability performance framework overseen by the Wheatley Solutions Board.

7. Digital transformation alignment

7.1 Our strategy is underpinned by digital transformation. The strategic projects for 2024/25 have been developed and prioritised with IT, digital and data interdependencies a key factor.

8. Financial and value for money implications

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

9. Legal, regulatory and charitable implications

9.1 The Scottish Housing Regulator requires an Annual Return on the Charter from each RSL. Key indicators within this return are also included in quarterly performance reporting. We are also required to involve tenants in the scrutiny of performance, which we do through the Group Scrutiny Panel, and to report to tenants on performance by the end of October each year, which we have.

10. Risk appetite and assessment

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

11. Equalities implications

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

12. Key issues and conclusions

12.1 We continue to show strong performance and positive trends across a range of customer satisfaction measures including within the CFC, repairs and allocations. Our core performance in areas which support alleviating the national housing emergency, such as tenancy sustainment and allocations to homeless households also continues to be strong.

12.2 Repairs performance in terms of average days for appointed repairs in Wheatley Homes Glasgow has now delivered sustained performance at or below the target. This was a key objective following having been at over nine days at the end of the first quarter.

12.3 A key focus for the remainder of 2024/25 will be maintaining the quicker turnaround of voids, which will enable an improvement in average days to let. Arrears, as well as signposting customers to access any support they would benefit from, will also remain an area of continued focus.

13. Recommendations

13.1 The Board is asked to:

1) Note the contents of this report; and
2) Approve two Wyndford strategic project milestones moving to 2025/26.

LIST OF APPENDICES:

Appendix 1: Strategic Results Dashboard
Appendix 2: Other Key Measures Dashboard
Appendix 3: Strategic Projects Dashboard
Appendix 4: ARC and SPSO Complaints

Appendix 1
Group Strategic Results Dashboard – Q3 2024/25

Delivering Exceptional Customer Experience

Measure	2023/24	YTD 2024/25		
	Value	Value	Target	Status
CFC CSAT (Group)	4.3	4.4	4.5	
WHG	4.3	4.5	4.5	
Loretto	4.3	4.6	4.5	
WHE	4.2	4.3	4.5	
WHS	4.5	4.5	4.5	
Lowther Letting	4.1	4.3	4.5	
Lowther Owner	3.8	4.0	4.5	
% of contacts to CFC resolved within CFC	New	89.61%	93%	
Call abandonment rate	5.45%	5.80%	5%	
Call abandonment rate - those waited over 30secs and abandoned	New	4.29%	4%	
Allocations CSAT (Group)	4.4	4.3	4.5	
WHG	4.2	4	4.5	
Loretto	4.7	4.7	4.5	
WHE	4.7	4.6	4.5	
WHS	4.5	4.6	4.5	
Lowther Letting	4.5	4.7	4.5	

Making the Most of Our Homes and Assets

Measure	2023/24	YTD 2024/25		
	Value	Value	Target	Status
New build completions (total for Group)	348	534	508	
WHG - Social Housing	0	60	32	
WHG - Social Housing (market acquisitions)	New	4	0	
WHG - Mid-market	71	69	91	
Loretto - Social Housing	24	15	0	
WHE - Social Housing	168	155	134	
WHE - Mid-market	29	126	122	
WHS - Social Housing	35	101	101	
Lowther - MMR	21	4	28	
Reduce the volume of emergency repairs by 10% by 2025/26 (Group average)	Apr to Dec 23/24 – 67,492	66,538	-1.41%	
WHG	Apr to Dec 23/24 – 48,560	48,159	-0.83%	
Loretto	Apr to Dec 23/24 – 2,926	3,128	6.90%	
WHE	Apr to Dec 23/24 – 6,454	6,698	3.78%	
WHS	Apr to Dec 23/24 – 9,552	8,553	-10.46%	

Changing Lives and Communities

Measure	2023/24	YTD 2024/25		
	Value	Value	Target	Status
Percentage of Care services graded very good (5) or better by the Care Inspectorate	73.68%	72.22%	80%	
Over 70% of customers live in neighbourhoods categorised as peaceful by 2025/26 (Group average)	76.16%	77.40%	75%	
Number of accidental dwelling fires recorded by Scottish Fire and Rescue (Group RSLs)	120	70	195 (Annual upper limit)	
WHG	98	39	Contextual	
Loretto	1	4	Contextual	
WHE	9	17	Contextual	
WHS	12	10	Contextual	
100% of relevant properties have a current fire risk assessment in place (HMOs) (Group)	100%	100%	100%	
Percentage of relevant lets to homeless applicants (Group)	58.64%	59.17%	Contextual	
WHG	62.00%	63.78%	Contextual	
Loretto	60.20%	53.93%	Contextual	
WHE	59.13%	62.90%	Contextual	
WHS	47.57%	45.85%	Contextual	
Percentage of lets to homeless applicants (Group RSL Charter)	56.84%	57.96%	Contextual	
WHG	60.58%	62.37%	Contextual	
Loretto	62.26%	55.20%	Contextual	
WHE	50.74%	58.52%	Contextual	
WHS	47.52%	45.85%	Contextual	

Measure	2023/24	YTD 2024/25		
	Value	Value	Target	Status
Number of lets to homeless applicants - 10,000 for Group by 2025/26 (Group RSL Charter)	2,406	2,043	1,000	✔
WHG	1,640	1,354	Contextual	
Loretto	99	69	Contextual	
WHE	274	261	Contextual	
WHS	393	359	Contextual	
% planned jobs, training places or apprenticeships created which are secured by our customers (Group)	72.57%	65.7%	60%	✔
Percentage of Community Benefit job and training opportunities arising through the spend associated with new home construction and our investment programme that have been secured by Wheatley customers (Group)	45.58%	66.25%	30%	✔
4,000 jobs, training places or apprenticeships created for customers and communities (Group)	988	734	630	✔
WHG	533	430	409	✔
Loretto	14	20	5	✔
WHS	117	35	87	⬣
Lowther	46	56	55	✔
WHE	220	178	69	✔
Care	20	15	5	✔
10,000 of children and young people benefiting from targeted Foundation programmes in Wheatley Communities (Group)	2,257	2,320	850	✔
20,000 Wheatley customers accessing services which help alleviate poverty (Group)	11,555	8,151	6,550	✔

Developing our Shared Capability

Measure	2023/24	YTD 2024/25		
	Value	Value	Target	Status
Group - % Sickness rate excluding Care, Repairs and NETs	NEW	3.23%	3%	
Group Care - % Sickness rate	6.41%	6.35%	5%	
Group Repairs Staff - % Sickness rate	NEW	4.16%	5%	
Group NETS - % Sickness rate	NEW	5.90%	5%	
Group CFC - % Sickness rate	4.02%	5.22%	5.5%	

Enabling our Ambitions

Measure	2023/24	YTD 2024/25		
	Value	Value	Target	Status
Reduce gross rent arrears down to 5% by 2026 (Group RSL Charter)	5.37%	5.47%	5.20%	
WHG A	5.86%	5.94%	Contextual	
WHG B	5.84%	5.25%	Contextual	
WHG Combined	5.86%	5.91%	5.50%	
Loretto A	4.07%	4.42%	Contextual	
Loretto B	3.12%	3.37%	Contextual	
Loretto Combined	3.67%	3.98%	3.60%	
WHE A	4.48%	4.90%	Contextual	
WHE B	5.58%	6.03%	Contextual	

Measure	2023/24	YTD 2024/25		
	Value	Value	Target	Status
WHE Combined	4.61%	5.03%	4.52%	
WHS	4.33%	4.37%	4.25%	
Lowther Letting	3.27%	3.29%	3.20%	
Average time to re-let properties (Group RSL)	14.51	15.98	16	
WHG	15.81	19.45	16	
Loretto	10.87	10.72	16	
WHE	13.93	15.14	16	
WHS	11.01	8.19	16	
Proportion of Care services breaking even (after management fee)	88.46%	74.07%	92%	
Over 50% of Lowther rental customers actively using their online account to make transactions with us	31.68%	30.78%	40% (annual target)	
Percentage of Lowther rental customers with an online account	61.82%	66.57%	70% (annual target)	
£15 million generated in Gift Aid to Wheatley Foundation and reinvested in communities	£2,676,000	£2,011,000	£2,011,000	

Appendix 2
Other Key Measures Dashboard Q3 (2024/25) (includes Compliance)

Measure	2023/24	YTD 2024/25		
	Value	Value	Target	Status
Percentage of new tenancies sustained for more than a year – all lets (Group RSL Charter)	91.16%	92.88%	90%	✓
WHG	92.00%	93.23%	90%	✓
Loretto	93.88%	94.92%	90%	✓
WHE	91.77%	94.06%	90%	✓
WHS	86.10%	90.23%	90%	✓
Percentage of new tenancies sustained for more than a year – statutory homeless lets (Group RSL Charter)	90.67%	96.86%	Contextual	
WHG	91.38%	93.88%	Contextual	
Loretto	94.55%	95.51%	Contextual	
WHE	93.89%	94.02%	Contextual	
WHS	84.35%	87.99%	Contextual	
Percentage of new tenancies sustained for more than a year – all lets revised (Group RSL non-Charter)	93.27%	94.69%	91%	✓
WHG	93.81%	95.06%	91%	✓
Loretto	94.52%	94.85%	91%	✓
WHE	94.52%	95.19%	91%	✓
WHS	89.45%	92.94%	91%	✓

Measure	2023/24	YTD 2024/25		
	Value	Value	Target	Status
Average time taken to complete emergency repairs (hours) – make safe (Group RSL Charter)	2.91	3.03	3	
WHG	2.88	2.99	3	
Loretto	3.07	3.29	3	
WHE	3.39	3.77	3	
WHS	2.91	2.59	3	
Average time taken to complete emergency repairs (hours) – make safe (Group including Lowther)	2.96	3.10	3	
Lowther Residential	3.83	3.91	3	
Lowther Factoring	3.27	4.04	3	
Average time taken to complete non-emergency repairs (working days) (Group RSL Charter)	8.09	8.02	7.5	
WHG	8.04	7.80	7.5	
Loretto	8.61	8.73	7.5	
WHE	7.73	10.00	7.5	
WHS	8.58	9.87	7.5	
Average time taken to complete non-emergency repairs (working days) (Group including Lowther)	8.13	8.81	Contextual	
Lowther Residential	9.36	9.65	7.5	
Lowther Factoring	15.53	19.65	Contextual	
Average time to complete approved applications for medical adaptations (calendar days) (Group RSL Charter)	18.99	20.52	25	

Measure	2023/24	YTD 2024/25		
	Value	Value	Target	Status
WHG	17.73	16.07	25	
Loretto	18.09	17.72	25	
WHE	13.66	17.57	25	
WHS	24.57	37.98	25	
Percentage of reactive repairs completed right first time (Group RSL Charter)	91.28%	90.13%	90%	
WHG	91.62%	91.02%	90%	
Loretto	89.92%	87.67%	93%	
WHE	92.87%	85.16%	90%	
WHS	87.71%	89.16%	90%	
Number of times in the reporting year the RSL did not meet the statutory obligation to complete a gas safety check within 12 months of a gas appliance being fitted or its last check (Group RSL Charter)	0	0	0	
WHG	0	0	0	
Loretto	0	0	0	
WHE	0	0	0	
WHS	0	0	0	
Percentage of ASB incidents resolved (Group RSL Charter)	100%	91.16%	100%	
WHG	100%	89.20%	100%	

Measure	2023/24	YTD 2024/25		
	Value	Value	Target	Status
Loretto	100%	97.92%	100%	
WHE	100%	91.60%	100%	
WHS	100%	96.75%	100%	
Repeat antisocial behaviour cases in period – number of repeat addresses (Group)	952	700	768	
Percentage of lettable homes that became vacant (Group RSL Charter)	6.95%	7.07%	8%	
WHG	6.91%	6.95%	8%	
Loretto	5.52%	5.52%	8%	
WHE	6.25%	6.39%	8%	
WHS	7.92%	8.39%	8%	
Number of accidental fires in workplace	1	0	0	
Number of RIDDOR incidents reported	18	9	Contextual	
Number of Health and Safety Executive or local authority environmental team interventions	0	0	0	
Number of new employee liability claims received	3	1	Contextual	
Number of open employee liability claims	13	9	Contextual	
Number of days lost due to work related accidents	649	325	Contextual	
Lowther - Number of new eligible tenancies in the previous month where deposit was collected	438	391	Contextual	

Measure	2023/24	YTD 2024/25		
	Value	Value	Target	Status
Lowther - % of new eligible tenancies in the previous month where the deposit was lodged within 30 working days of date of entry	100%	100%	100%	
Lowther - % of new tenancies in the previous month with Regulation 42 notice issued within 30 working days of date of entry	100%	100%	100%	

Compliance Programme Delivery

2024/25 Quarter 3	WHG	Status	Loretto	Status	WHE	Status	WHS	Status
Legionella - percentage of applicable properties with a valid risk assessment in place	100%		100%		100%		43.02%	
Percentage of domestic stair and through floor lifts with valid safety inspection	99.64%		100%		100%		100%	
Percentage of passenger lifts with a valid safety inspection	100%		100%		100%		100%	
Percentage of EICR certificates due to expire by end of financial year now renewed	81.53%		89.14%		79.62%		72.16%	
Percentage of properties with an EICR certificate up to 5 years old	99.9%		99.96%		99.45%		99.93%	

Appendix 3 - Wheatley Group Board - Delivery Plan 24/25 - Strategic Projects Dashboard

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
Defining and agreeing our approach to vulnerability and personalised services (b)	31-Mar-2025	▶	66%	01. Vulnerability strategy and plan developed	30-Jun-2024	Yes	The Board agreed revised milestones as follows at its November 2024 Board meeting: 1) Developing and delivering refreshed training on how staff (including City Building staff) recognise and respond to potential indicators of customer vulnerability (for example, hoarding or suicidal ideation) for relevant staff groups, by 31 March 2026. This will include how to refer to partner organisations such as local authority social work teams; and 2) developing an updated approach to Reasonable Adjustments for customers, by April 2025
				02. Customer engagement concluded	31-Aug-2024	Yes	
				03. Board approval of strategy and implementation plan	30-Sep-2024	N/A	
				04. Implementation plan commenced	31-Oct-2024	N/A	
				05. Update to Board on implementation	31-Mar-2025	N/A	
				06. Review and refine plan phase 2	31-Mar-2025	N/A	
Customer insight driven services (b)	30-Sep-2024	✔	100%	01. Agree the top 3 priority areas for customer journey mapping based on analysis of customer insight on key satisfaction drivers	31-May-2024	Yes	This project is complete as previously reported

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				02. Agree our pulse and thematic survey programme	31-May-2024	Yes	
				03. Undertake customer journey mapping, including through direct engagement with customers	31-Aug-2024	Yes	
				04. Group Executive team agree service, process and technology changes required to improve the customer journey and respond to the pulse survey findings	30-Sep-2024	Yes	
Lowther factoring model and service redesign (b)	31-Mar-2025		66%	01. ET approve principles of factoring model redesign	30-Apr-2024	Yes	The business case has now been approved. Work is ongoing to develop a project plan with input from the vendor.
				02. Technology platform options appraisal reviewed by ET	31-Aug-2024	Yes	
				03. Review Factoring operating model and recommendations to ET	31-Aug-2024	Yes	
				04. Operating model and technology platform business case presented to Board for approval	30-Nov-2024	Yes	
				05. Commence implementation of new operating model and associated processes	31-Mar-2025	No	
				06. Technology platform procured (if applicable)	31-Mar-2025	No	
Asset strategy (b)	28-Feb-2025		85%	01. Asset strategy featured as a key theme in Group partner Board strategy workshops	31-May-2024	Yes	All relevant subsidiary Boards have approved their 5-year investment

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				02. Customer and staff engagement session	31-May-2024	Yes	plans. The Group 5 year investment plan is presented for approval at this meeting, which, if approved, will complete the project.
				03. Internal review and sign-off	31-May-2024	Yes	
				04. Group Board approval of Group Asset Management strategy	30-Jun-2024	Yes	
				05. Group partner asset management plans approved	30-Sep-2024	Yes	
				06. Staff launch of group asset management strategy and group partner asset management plans	31-Oct-2024	Yes	
				07. Agreed approach through strategy informs 2025 investment plans	28-Feb-2025	No	
Wyndford regeneration (b)	31-Mar-2025		0%	01. Contractor Procurement completion	30-Dec-2024	No	Contractor procurement is ongoing and a preferred contractor is expected to be identified by end of Feb 2025. Given contractor procurement delays, planning submission will fall into 2025/26 to allow sufficient time for review. We are engaged with GCC on the programme and governance process for the land transfer.
				02. Land Transfer completion	31-Mar-2025	No	
				03. Planning Application Submission	31-Mar-2025	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
Lochside regeneration (b)	31-Mar-2025		25%	01. Masterplan Phasing & Capacities Agreed	31-May-2024	Yes	Masterplan has been developed to RIBA stage 2. The application will be submitted following WHS Board update in February 2025.
				02. PPiP Submission	31-Aug-2024	No	
				03. Contractor Procurement Complete	31-Jan-2025	No	
				04. Land Transfer Max High completion	31-Mar-2025	No	Discussions are ongoing with Dumfries and Galloway Council in relation to the land transfer, however this will also be determined by grant availability. As grant is not available in 2024/25, acquisition will be delayed to at least 2025/26 (subject to grant). We will seek to progress infill sites, in WHS ownership in the interim.
Review of charging - district heating and heat with rent schemes (b)	30-Aug-2024		100%	01. Review of existing policy and approach	31-May-2024	Yes	This project is complete as previously reported
				02. Proposed update(s) to policy and approach agreed by the Executive Team	14-Jun-2024	Yes	
				03. Group Board consider and agree updated district heating charging arrangements	30-Jun-2024	Yes	
				04. Customer engagement and communication on updates to charging arrangements	30-Aug-2024	Yes	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
Automation & Artificial Intelligence - pilot to explore the potential for productivity gains and service enhancements through MS Co-Pilot and automation (b)	31-Mar-2025		50%	01. Three priority areas for automation/use of AI (MS Co-Pilot) agreed and associated measures of success identified	31-May-2024	Yes	A detailed task capture for the potential automation of Purchase-to-pay and Utilities processing of invoices and processing of payments has been captured. Enterprise RPA (an essential external delivery partner) are reviewing delivery approach. Microsoft Copilot project has completed initial rollout; a review of staff usage and benefits has now been completed. Executive Team update scheduled by the end of February to conclude milestone 3
				02. Deployment plan developed and commenced for each priority area	31-Jul-2024	Yes	
				03. Deployment plan progress update to the Group Executive Team	30-Dec-2024	No	
				04. Pilot evaluation and lessons learned review completed and recommendations, including a business case if appropriate, presented to the Executive Team	31-Mar-2025	No	
Develop a data and technology enabled approach to managing and monitoring building compliance (b)	31-Dec-2024		75%	01. Review our existing compliance cycles, data management, integration and management information arrangements	31-Jul-2024	Yes	The implementation proposal is scheduled for Executive Team review on 25 February.
				02. Build our future building compliance model including desired compliance cycles, key data, data flows, degree of integration, required management information and desired customer touchpoints and functionality	31-Oct-2024	Yes	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				03. Undertake a gap analysis and options appraisal including costs and benefits of the change between current arrangement and desired future model	30-Nov-2024	Yes	
				04. Develop detailed implementation proposal and plan and update Executive Team including on timescales and anticipated benefits	31-Dec-2024	No	
Improving and evolving our multi-channel customer first centre (b)	28-Feb-2025		40%	01. Customer Engagement on service improvement opportunities via Stronger Voices team	30-Jun-2024	Yes	Implementation of Storm phase 2 has continued throughout the year with good progress being made. A number of 'proof of concepts' are underway including call transcription and summarisation. Testing of 'Natural Language' will commence in Jan 2025. The vendor has developed a second version of their automated quality assurance function and as such the testing of this has been delayed to allow V2 to be utilised. Automatic IDV has been scoped and will be tested prior to introduction after the use of natural language within our IVR has been tested.
				02. Agree approach and workplan for geographical subsidiary service delivery	31-Jul-2024	Yes	
				03. Pilot customer call transcription and automated quality assurance	31-Dec-2024	No	
				04. Scope and develop an approach for automation of identification and verification (IDV)	31-Dec-2024	No	
				05. Year 1 update of the Executive Team including customer feedback and Year 2 enhancement plan	28-Feb-2025	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
							The next 12 month plan has been drafted for ET to approve in February 2025.
Review of Defined Contribution pension schemes (b)	31-Dec-2024		75%	01. Review and benchmarking of current schemes	31-Aug-2024	Yes	The strategy was approved by the RAAG Committee in December 2024 for recommendation to this Board and this is an item scheduled for this meeting.
				02. Develop proposals and proposed implementation approach	31-Oct-2024	Yes	
				03. Executive Team review, and agreement of, recommended approach	30-Nov-2024	Yes	
				04. Recommendations agreed by the Group Board as part of the approval of refreshed Group pensions strategy	31-Dec-2024	No	

Appendix 4 – Q3 2024/25 - ARC and SPSO measures

1.1 This appendix provides ARC and SPSO measures up to Q3 2024/25.

1.2 For Group RSLs, ARC measures include complaints received from all customers who receive a service provided by the Group RSL or on their behalf. This includes factoring services delivered by Lowther Homes on behalf of RSLs.

1.3 For Group RSLs, SPSO measures include all complaints relating to the RSL, irrespective of the source of the complaint.

Charter (ARC) Measures

1.4 ARC measures are reported to SHR for each Registered Social Landlord (RSLs) in the Group. Performance is for all RSL customers, including those factored owners who receive a service from Lowther Homes on behalf of RSLs.

1.5 Charter RSLs - number of complaints received:

Charter RSLs – complaints received * excluding complaints carried over						
	*2023/24			2024/25 YTD		
	Stage 1	Stage 2	All	Stage 1	Stage 2	All
WHS	486	77	563	345	56	401
WHE	571	72	643	671	106	777
WHG	5,264	602	5,866	3,617	484	4,101
Loretto	355	28	383	231	30	261
Group	6,676	779	7,455	4,864	676	5,540

1.6 The table below outlines the average time for a full response (working days) for Stage 1 and Stage 2 complaints. All targets are being met for this measure. Performance for all subsidiaries exceeds the 2023/24 SHR Scottish average of 5.1 days for S1 complaints and the Scottish average of 17.5 days for S2 complaints. Performance is for all RSLs, (including Lowther Factored homeowners) who receive a factoring service from Lowther on behalf of that RSL.

1.7 The Lowther measure shows the results for their tenants (who are not included above) and all factored owners whether or not that service is provided on behalf of RSLs.

Charter - average time for a full response to complaints (working days)				
Subsidiary	2023/24 Stage 1 - 5-day target, Stage 2 – 20-day target		2024/25 – YTD Stage 1 - 5-day target, Stage 2 – 20-day target	
	Stage 1	Stage 2	Stage 1	Stage 2
WHS	3.48	12.60	3.39	12.44
WHE	3.79	16.70	4.02	15.54
WHG	3.98	16.47	3.70	14.46
Loretto	3.48	15.17	3.65	15.65
Lowther (ARC equivalent measure)	3.73	16.37	4.05	13.95

1.8 The table below outlines the average time for a full response to complaints (working days) overall, for Stage 1 and Stage 2 combined.

Charter - average time for a full response to complaints (working days)		
Subsidiary	2023/24Target – not targeted	YTD 2024/25 – not Targeted
WHS	4.75	4.66
WHE	5.29	5.66
WHG	5.28	5.04
Loretto	4.39	5.08
Lowther (ARC equivalent measure)	5.90	5.72

SPSO Measures

1.9 SPSO measures includes all customers who raise a complaint. We are required to record our performance against the SPSO indicators and report these to the board and senior managers. On request the SPSO can ask that we provide them with details of our complaint handling performance in line with their indicators.

1.10 Stages of complaints are defined as:

- *Stage 1 complaints* – are first time reports of dissatisfaction with services.
- *Stage 2 complaints* – directly received as Stage 2, i.e. not escalated from Stage 1. This can be cases which are considered a risk to reputation or requires investigation due to the number of issues raised that could not have been reasonably resolved at Stage 1 as part of a frontline resolution.
- *Escalated complaints* – complaints that were received into the organisation at Stage 1 and later escalated to Stage 2.

1.11 A summary of the year-to date figures for each of the indicators are included below.

Indicator 1 - total number of complaints received.

1.12 Stage 1 complaints numbers have increased and Stage 2 numbers have reduced compared to the same period in 2023/24. At the end of Q3 2023/24 the Group had received 5,196 Stage 1 and 57 Stage 2 complaints. In Q3 2024/25 group has received 5,299 Stage 1 (2.18% increase) and 46 Stage 2 (19.29% reduction) complaints. While the numbers of complaints have increased overall by 1.95% due to the small increase in Stage 1 complaints, Stage 2 complaints have reduced by 19.3%.

SPSO Indicator 1 - total number of complaints received - YTD		
Subsidiary	Stage 1 (this includes escalated complaints as they were first received at Stage 1)	Stage 2 (directly received as Stage 2, i.e. not escalated from Stage 1)
WHS	345	3
WHG	3,617	29
Loretto	231	1
WHE	671	8
Lowther	435	5
Group by Stage YTD	5,299	46
Group - All Complaints YTD	5,345	

Indicator 2 - number and % of complaints at each stage that were fully closed within timescales of 5 and 20 working days. Full response has been given to customer/resolution has been reached, including those with outstanding actions. Extensions of time to a complaint will be included in the total count and will be considered "late".

1.13 All subsidiaries are achieving target of 95% for stage 1 and 100% for stage 2 for quarter 2.

SPSO Indicator 2 - number and % of complaints at each stage that were fully closed within timescales of 5 and 20 working days						
Subsidiary	Stage 1 - responded to within 5 working days		Stage 2 - responded to within 20 working days		Escalated complaints - responded to within 20 working days	
	2023/24	YTD 2024/25	2023/24	YTD 2024/25	2023/24	YTD 2024/25
WHS	95.62%	95.83%	100.00%	100.00%	100.00%	100.00%
WHG	92.54%	96.64%	91.67%	100.00%	98.40%	100.00%
Loretto	96.82%	100.00%	100.00%	100.00%	96.15%	100.00%
WHE	95.70%	97.69%	80.00%	100.00%	100.00%	100.00%
Lowther	91.91%	96.45%	100.00%	100.00%	99.00%	100.00%

Indicator 3 - the average time in working days for a full response to the stage.

1.14 All subsidiaries are achieving target of 5 days for stage 1 and 20 days for stage 2 for quarter 2.

SPSO Indicator 3 - the average time in working days for a full response to the complaints at each stage – YTD 2024/25			
Subsidiary	Stage 1 - responded to within 5 working days	Stage 2 - average time in working days to respond to complaint	Escalated complaints - Average time to respond to complaints after escalation from Stage 1 to Stage 2
WHS	3.39	16.00	12.32
WHG	3.70	15.50	14.39
Loretto	3.65	14.00	15.76
WHE	4.04	13.67	15.65
Lowther	4.01	14.80	14.00

Indicator 4 - the outcome of complaints as a % of overall complaints.

SPSO Indicator 4 - the outcome of complaints as a % of overall complaints				
Subsidiary	Stage 1 - upheld	Stage 1 - partially upheld	Stage 1 - not upheld	Stage 1 - resolved
WHS	19.94%	10.71%	48.51%	20.83%
WHG	34.97%	13.02%	30.42%	21.58%
Loretto	35.96%	7.02%	20.18%	36.84%
WHE	46.60%	14.04%	24.54%	15.43%
Lowther	56.87%	10.19%	20.38%	12.56%
	Stage 2 - upheld	Stage 2 - partially upheld	Stage 2 - not upheld	Stage 2 - resolved
WHS	0.00%	66.67%	33.33%	0.00%
WHG	13.33%	53.33%	30.00%	3.33%
Loretto	0.00%	50.00%	50.00%	0.00%
WHE	16.67%	50.00%	33.33%	0.00%
Lowther	20.00%	40.00%	40.00%	0.00%
	Escalated complaints - upheld	Escalated complaints - partially upheld	Escalated complaints - not upheld	Escalated complaints - resolved
WHS	32.08%	22.64%	45.28%	0.00%
WHG	43.62%	23.62%	30.85%	1.91%
Loretto	48.28%	24.14%	27.59%	0.00%
WHE	57.84%	12.75%	28.43%	0.98%
Lowther	65.91%	18.18%	14.77%	1.14%

Report

To:	**Wheatley Housing Group Board**
By:	**Anthony Allison, Group Director of Governance and Business Solutions**
Approved by:	**Steven Henderson, Group Chief Executive**
Subject:	**Group Contract for Supply of Furniture and White Goods**
Date of Meeting:	**26 February 2025**

1. Purpose

1.1 The purpose of this report is to seek approval to award a group-wide contract to The Furnishing Service Ltd for the supply and delivery of furniture and white goods for a contracted period of four years.

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 The estimated contract value for our requirements over the four-year term was based on the previous year's spend is £2.5m (including VAT). This figure includes a small allowance within the contract value for spend that may be required on an ad-hoc basis for the wider Group. There is no guarantee of spending from this contract.

2.3 Providing domestic furniture and white goods to our customers supports the delivery of our Group's strategic commitment to "make the most of our homes and assets." The importance of good quality home contents supports our customers to sustain long-term tenancies.

3. Background

3.1 We provide our tenants with a wide range of support, including the provision of furniture through furnished lets, starter packs to promote tenancy sustainment and fire-retardant products for customers with additional needs.

3.2 White Goods are supplied to our mid-market rent customers as well as furnished lets. Flooring is also required for our mid-market rent properties but can be used across the organisation when required.

3.3 We seek to use a single supplier to supply these types of goods and, where appropriate, install them. We also need to provide a full life cycle service, including the repair and replacement of white goods and a recycling service where necessary.

3.4 Over the last two years, we have spent approximately £1.45m under the existing contract, with Lowther Homes and Wheatley Homes Glasgow having the highest level given the Mid-Market Rent portfolio and scale and furnished let offering respectively.

4. Discussion

4.1 Our preferred approach to tender for these types of supplies is to use a procurement framework. This allows us to benefit from the economies of scale and the robust terms and conditions suitable for the public sector.

4.2 After assessing the available procurement routes, the Scotland Excel ("**SXL**") Framework was the only route that provided a One-Stop-Shop solution for Furniture, White Goods, and general Household Items. Using individual Frameworks and/or Framework Lots for our wide range of requirements has the potential to reduce the value for money delivered. Four suppliers in total are appointed to this Framework.

4.3 A mini-competition process took place based on a 70/30 Price/Quality. The bidders were asked to provide competitive pricing for three individual schedules of rates reflecting Lowther, Wheatley Homes Glasgow and Furnished Lets' most used items, based on an annual estimation of requirements.

4.4 The schedule of rates is not an exhaustive list but is used to provide the bidders with an indication of materials required and the frequency that they may be needed. The rates submitted are used to evaluate the bidder's value for money.

4.5 The results of the Quality and Price evaluation are as follows:

Supplier	Quality Score (out of 30%)	Price Score (out of 70%)	Rank (100%)
The Furnishing Service Ltd	26	67.41	1st place – 93.41
New Two	21	63.86	2nd place – 84.86
CF Services	22	59.65	3rd place – 81.86

4.6 Within the tender we outlined that a Post Tender Negotiation ("**PTN**") may take place depending on the outcome. The PTN allows us to ensure the supplier's suitability. As we have not worked with the successful bidder, The Furnishing Service, we visited their offices to assess the quality of their product range and assured ourselves they were of a suitable quality.

4.7 Our tender included a bespoke set of Service Level Agreements ("**SLAs**") which all bidders agreed to adhere to when submitting their bid. The SLAs were developed based on engagement with operational teams with a strong focus on strong customer service and delivering value for money.

4.8 By complying with the SLAs, The Furnishing Service will provide us with detailed MI reports, a dedicated mailbox, emergency requirements will be fulfilled the same day and a 24-hour temporary replacement will be provided if an immediate repair is not possible.

4.9 The spend for this contract falls under Band 2 (£1m – £2m) of our Services Community Benefit schedule therefore the new supplier will provide the following over the contract period:

- 2 training places for Priority Groups (New Entrants);
- 3 community activities (from our schedule);
- 2 mentoring, school and educational support activities; and
- 2 supply chain development activities and SME, 3rd sector, supported businesses and social enterprises support.

5. Customer Engagement

5.1 Lowther, Wheatley Homes Glasgow and Furnished Lets were identified as having amongst the highest spend for this contract and provided feedback based on their ongoing customer engagement.

6. Environmental and sustainability implications

6.1 The Furnishing Services Ltd fully aligns with our objectives and approaches in relation to environmental and sustainability issues. The Furnishing Service provides a disposal service; the process includes all uplifted goods being stored for recycling charities. The uplifted goods are cleaned and repaired, and products not in suitable condition for resale are broken down for spare parts or recycled. We will be seeking to include Home Comforts in this initiative.

6.2 The Furnishing Service have a policy to use the minimum amount of product packaging required. All packaging is removed on-site and placed in a compactor for recycling. All packaging and product containers are then recycled; no waste products go to landfill. As a great example, all the carpets and underlay taken from the site are recycled to create a fuel source.

6.3 For replacement goods and items, The Furnishing Service provides an uplift and recycle service which has diverted more than 1,800 tons of product from landfill since 2013. The Furnishing Service recycle 100% of their waste.

6.4 The Furnishing Service insist that their chain of custody conforms to their sustainability standards and meets the highest environmentally friendly practices. The supplier audits their supply chain's environmental practices annually to ensure compliance. Additionally, we have the right to audit the chain of custody. Close working relationships with their supply chain are used to ensure that their suppliers operate ethically and responsibly.

6.5 The Furnishing Service sets standards to ensure that its' supply chain reduces and minimises its carbon footprint in relation to manufacturing processes, packaging, transport and delivery processes. The Furnishing Service actively work to reduce its supply chain's carbon footprint, for example, by purchasing in container loads and using local suppliers where possible.

6.6 The Furnishing Service uses a fleet management system which organises their routes in an environmentally friendly nature to minimise CO2 output. The supplier currently operates a small fleet of electric vehicles and plans to increase this number from 5 to 10 over the course of 2025.

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1 Conducting a mini-competition process has allowed us to evaluate the market to ensure the best value is delivered for our customers. The Furnishing Service Ltd submitted the lowest priced bid and combined with the highest quality score, were ranked 1st place.

8.2 A comparison of new provider The Furnishing Service and our incumbent provider shows price reductions of 5.5%, 13.9% and 29% for Lowther Homes, Furnished Lets and Wheatley Homes Glasgow respectively. This equates to a 14% reduction overall across these areas combined.

8.3 Notional occurrences used within the pricing schedule were estimates based on previous 12-month usage. The total contract value will fluctuate depending on requirements. The pricing schedule outlined that it was not a guarantee or a contractual obligation of work or spending, it acts as a schedule of rates, available for staff to draw upon as required.

9. Legal, regulatory and charitable implications

9.1 Procuring by way of a mini-competition tender procedure via SXL's Domestic Furniture and Furnishing Framework, this procurement has been subject to a fully compliant process. The risk of a procurement challenge is considered low, and contract award will commence pending approval to enter this contract.

9.2 There will be a requirement to facilitate a Transfer of Undertakings (Protection of Employment) ("**TUPE**") of staff between the incumbent provider and the successful bidder. This is common practice within the industry and both suppliers are based in the same business park in Glasgow. We will work with both parties to ensure the TUPE process follows regulations. Once we have awarded the contract, we will enter an agreed period of managed transition, working with both the incumbent and successful bidder in a phased off-boarding and on-boarding approach over six months to ensure a smooth transition for all parties.

9.3 The Furnishing Services is a Living Wage accredited employer and is in line with our Living Wage accreditation.

10. Risk Appetite and assessment

10.1 Our risk appetite with respect to Laws and Regulations is averse, i.e. avoidance of risk and uncertainty is a key organisational objective. The award of this contract is fully compliant with all relevant procurement legislation and presents no increased risk to the Group.

11. Equalities implications

11.1 Our procurement approach for our contracts reinforces our commitment to EDI and fair work practices, our suppliers are encouraged to uphold these commitments.

11.2 This contract supports all our customers, including those who may have additional needs. For example, the availability of starter packs and fire-retardant products, for example, ensures we are providing customers with a personalised service.

12. Key issues and conclusions

12.1 We leveraged the benefits of scale of the Scottish public sector by using the SXL Framework, which provided a compliant route to market with robust terms and conditions. Contract management will be a priority in this new contract, with bespoke Service Level Agreements being closely monitored to ensure that service levels are met.

12.2 We will work with the incumbent supplier and the new supplier to facilitate a managed transition period, including supporting TUPE requirements, ensuring that our customers' needs are fulfilled at all times

13. Recommendations

13.1 The Board is requested to approve the award of the contract group-wide contract worth £2.5m to The Furnishing Service Ltd for the supply and delivery of Furniture and White Goods for a contracted period of four years.

LIST OF APPENDICES:

None

Report

To:	**Wheatley Housing Group Board**
By:	**Anthony Allison, Group Director of Governance and Business Solutions**
Approved by:	**Steven Henderson, Group Chief Executive**
Subject:	**Kitchen and bathroom investment work – WH-South**
Date of Meeting:	**26 February 2025**

1. Purpose

1.1 The purpose of this report is to seek approval to award a contract for the provision of kitchens and bathrooms investment works on behalf of Wheatley Homes South ("**WHS**") to CCG (Scotland) Limited ("**CCG**") for a contracted period of three years.

2. Authorising and strategic context

2.1 Under the Scheme of Financial Delegation, the award of contracts is based on the financial value of the contract. For Wheatley Homes South, Group Board approval is required for capital expenditure contracts of more than £3.5m.

2.2 The estimated maximum value of this contract over the three years is £6m, including VAT, of capital expenditure. This contract is to meet the needs of the planned capital investment of WHS. It also makes provision for an anticipated 2% annual inflationary increase and a small allowance included within the contract value for services that may be required on an ad-hoc basis for the wider Group.

2.3 This contract enables the delivery of our strategic commitment to "make the most of our homes and assets" by delivering our planned investment programme.

3. Background

3.1 We were seeking an experienced contractor to deliver kitchens and bathrooms as part of the delivery of our investment program where neither we nor City Building (Glasgow) currently have the capacity to deliver it in-house. This includes installing full bathroom suites, wet floor showers, and new kitchens in homes. The planned number of installations during the contract period is based on the WHS Asset Management and Investment Plan and the recently approved five-year capital investment programme. This includes over 1,100 kitchens, 15 complete bathroom suites and three wet-floor shower rooms.

3.2 Our approach also considered the potential to use the high-quality products available for Royal Strathclyde Blindcraft Industries ("**RSBi**") and, in doing so, provide RSBi with certainty a pipeline of work that supports its wider aim of maintaining high-quality, skilled jobs for people with disabilities.

4. Discussion

4.1 After assessing the available procurement routes for kitchen and bathroom installation works, it was determined that the Scottish Procurement Alliance ("**SPA"**) Whole House Refurbishment Dynamic Purchasing System ("**DPS**") was the most suitable option, as all contractors awarded under this framework can service the Dumfries and Galloway region.

4.2 SPA invited contractors on their DPS to express interest in this tender. Nine contractors responded and were invited to tender. The DPS mandates a mini-competition tender process with no direct award option.

4.3 This tender was based on a 60% Quality and 40% Price weighting to emphasise the technical and customer service aspects. The quality element of the tender for evaluation was focused on the following criteria:

- **Previous experience of delivering kitchens and bathrooms investment programmes** – two examples of past projects were requested to assess capability and suitability to work in customers' homes;
- **Method Statements & Risk Assessments** – examples of these were requested to further assess the capability and consideration placed on methodology and all health & safety requirements whilst carrying out works;
- **Project Team** – details of the project team and their capability for the management and delivery of these essential works;
- **Communication** – a description of how managerial staff will communicate with staff operatives and our customers during the contract;
- **Environmental Management Procedures** – how they would recycle, reduce waste to landfill, dispose of waste materials, minimise noise and plant and machinery usage; and
- **Community Benefits** – the range of community benefits they can offer during this contract.

4.4 We received five compliant bids. After a formal evaluation, CCG (Scotland) Limited achieved the best overall score, ranking second in Price and first in Quality.

4.5 The results of the Quality and Price evaluation are as follows:

Bidder	Quality Score (60%)	Price Score (40%)	Overall Score (100%)
CCG (Scotland) Limited	51.75	32.57	**84.32**
Bell Group Limited	50.25	31.73	**81.98**
McGregor Projects Limited	42.75	38.34	**81.09**
MP Group Limited	51.75	27.23	**78.98**
James Frew Limited	38.25	27.44	**65.69**

4.6 From the tender, the key quality features identified were:

- Experience in carrying out the type of kitchen and bathroom investment work programmes that we require;
- All works will have bespoke risk assessments carried out, a Construction Phase Health and Safety Plan, and unplanned/planned health and safety audits will be carried out;
- Customers will be consulted on any works being carried out on their home, and CCG will ensure tenants are fully aware of all health and safety considerations and safeguarding mechanisms in place regarding the Protection of Vulnerable Groups legislation whilst working in their homes;
- CCG can rely upon an extensive local supply chain of subcontractors when needed; and
- CCG are committed to supporting the local community through community benefit programmes such as apprenticeships, education and training programmes and donating to community groups and charities.

4.7 The tender also demonstrated additional added value, including:

- A commitment to use RSBi kitchens;
- A strong focus on reusing any waste materials where feasible;
- The development of the current workforce, including assigning existing apprentices to new positions; and
- A Customer Liaison Officer to directly communicate with our customers, providing a point of contact, updates and monitoring customer satisfaction.

4.8 To support the long-term maintenance of these newly installed kitchens, our materials partner, Stark Group, will now stock a range of RSBi replacement parts. This ensures that future maintenance can be carried out without delays in obtaining replacement parts or the risk of parts becoming obsolete.

5. Customer Engagement

5.1 We will engage with customers before installing new kitchens to help them choose from the RSBi sample range of door colours/styles and worktops. CCG's tender response detailed how they shall communicate with our customers prior to any works taking place. We will provide information to CCG in advance of works commencing to ensure that work is carefully planned around the needs of customers and flag any need for two-person visits.

6. Environmental and sustainability implications

6.1 CCG will adopt its own Site Waste Management Plan. CCG is committed to:

- Firstly, use its reduction and reuse techniques to minimise and repurpose products where possible;
- Segregate residual waste into what can be recycled or reintroduced into another manufacturing chain;
- For any waste that cannot be recycled directly this is transferred to a local waste recovery plant for used for processing into heat energy or to create refuse-derived fuel; and
- Noise pollution is minimised, such as using physical barriers to absorb noise and time restrictions imposed on noisy activities.

7. Digital transformation alignment

7.1 This contract has no direct impact on our digital transformation.

8. Financial and value for money implications

8.1 Conducting a mini-competition tender process has ensured we have driven the tender price balanced with customer-focused quality.

8.2 The tendered costs, leveraging the higher volume now projected on the WHS investment plan, are lower than the outturn costs of similar work in recent years.

8.3 CPI is forecasted to remain between 2% and 3% in 2025. Using this forecast, we have made an allowance within the contract award for this level of price increase.

9. Legal, regulatory and charitable implications

9.1 Procuring by way of a mini-competition tender procedure via SPA's Dynamic Purchasing System, this procurement has been subject to a fully compliant process. The risk of a procurement challenge is considered low and the contract award will commence pending approval to enter this contract.

10. Risk Appetite and assessment

10.1 Our risk appetite with respect to Laws and Regulations is averse, i.e. avoidance of risk and uncertainty is a key organisational objective. The award of this contract is fully compliant with all relevant procurement legislation and presents no increased risk to the Group.

10.2 An Equifax finance report has been conducted for the supplier and its financial stability is rated A. The report notes that the contractor can be considered for contracts up to a value of £8m.

11. Equalities implications

11.1 There are no equalities implications for this report.

12. Key issues and conclusions

12.1 We require an experienced, reliable, and responsive contractor to deliver high-quality kitchen and bathroom investment works. We have undertaken a competitive tender process and identified a contractor who can meet WHS's needs.

12.2 We have also used the contract to generate additional work for RSBi, which supports its longer-term plan and high-quality jobs for people with disabilities. It also allows our repair teams to source replacement RSBi parts from the materials hubs for long-term kitchen maintenance.

13. Recommendations

13.1 The Board is requested to approve the award of the contract for the provision of kitchen and bathroom investment works to CCG (Scotland) Ltd for three years starting April 2025 to a maximum contract value, including VAT, of £6m.

LIST OF APPENDICES:

None