WHEATLEY HOUSING GROUP LIMITED
BOARD MEETING

Wednesday 22 February 2023 at 10.30am
Wheatley House, 25 Cochrane Street, Glasgow

AGENDA

1. Apologies for absence

2 Declarations of interest

3. a) Minutes of meetings held on 14 December 2022 and matters arising
   b) Action list

4. Group CEO update

5. Chair updates (Audit, RAAG and WDS)

Main Business

6. 2023/24 rent and service charges – consultation outcome

7. Business Plan Financial Projections

8. [redacted]

9. [redacted]

10. Performance report

Other business

11. Finance Report

12. Risk Management Update

13. Treasury update

14. Governance update

15. Generation 3 Construction Framework

16. Contract award: Improving Distributed Heat Network Performance

17. Contract award - Utilities Managed Service

18. Contract award- Security services

19. AOCB

Wheatley Group

Report

To: **Wheatley Housing Group Board**

By: **Anthony Allison, Group Director of Governance and Business Solutions**

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

Subject: **2023/24 rent and service charges – consultation outcome**

Date of Meeting: **22 February 2023**

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1. Purpose

1.1 This report:

- Provides feedback from our consultation on the 2023/24 RSL rent, service and other charges increase; and
- Seeks Board approval for the 2023/24 rent, service and other charges increases.

2. Authorising and strategic context

2.1 Under the Group Standing Orders, the Group Board are responsible for agreeing the overarching parameters for rent setting. Thereafter each individual Board agrees their rent increase proposals within the agreed parameters. The Group Board agreed rent setting parameters at their meeting on 26 October 2022.

2.2 At its meeting on 14 December 2022, the Group Board considered the feedback from tenants during the pre-engagement. The Group Board approved the options for consultation subject to confirmation by the Scottish Government there would be no rent cap for social landlords and approval by each RSL Board.

3. Background

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

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

3.2 The Board considered the first three principles as part of agreeing the consultation levels during discussions at the November 2022 and January 2023 meetings.

3.3 Our consultation was informed by an extensive programme of advanced customer engagement. This involved more tenants than ever before in our rent setting advanced engagement which was undertaken by independent customer insight and research firm BMG.

3.4 BMG confirmed that the pre-engagement showed tenants across the Group were prepared to support a rent increase and that the majority of tenants who responded on the rent freeze option did not support it. Based on the tenant feedback and following the confirmation that the rent cap would not be extended each RSL Board met in January and agreed their consultation options in line with what was agreed by the Board in December as follows:

RSL	Proposed increase
Ex- Cube stock (WH-Glasgow and Loretto)	1% (ballot commitment), 1.5% or 2%
WH-East	2.5%,3% or 3.5%
WH-South	4.4%, 4.9% or 5.4%
WH-Glasgow	3.9%, 4.4% or 4.9%
LHA	3.9%, 4.4% or 4.9%

4. Discussion

4.1. Following our pre-consultation engagement, we formally consulted tenants on our rent setting proposals from 23 January 2023 until 6 February 2023. Our formal consultation was independently managed by Civica.

4.2. Given the consultation period was shorter than previous years, due to commencing later amidst the uncertainty over the potential rent cap, we extended the means to respond from mail to instantaneous digital methods or by phone via a dedicated code.

Consultation – quantitative feedback

4.3. The consultation saw the highest ever response rate on record from tenants, with **almost 9000** valid responses received as detailed below:

Table 1: WHG results

Rent options	Responses	Rent options	Responses	Total responses
3.9%	3500 (72%)	1%	247 (69%)	
4.4%	671 (14%)	1.5%	64 (18%)	
4.9%	697 (14%)	2%	45 (13%)	
Total	4868		356	5224

Table 2: LHA results

Rent options	Responses	Rent options	Responses	Total responses
3.9%	154 (69.1%)	1%	130 (70.7%)	
4.4%	31 (13.9%)	1.5%	32 (17.4%)	
4.9%	38 (17%)	2%	22 (11.9%)	
Total	223		184	407

Table 3: WH-South

Rent options	Total
4.4%	1185 (57.1%)
4.9%	403 (19.4%)
5.4%	487 (23.5%)
	2075

Table 4 WH- East

Rent options	Total
2.5%	788 (71%)
3%	200 (18%)
3.5%	128 (11%)
Total	1116

4.4. For all RSLs the lowest option received the strongest level of support from tenants, however the WH South tenant support for one of the higher options was again the strongest.

4.5. A key feature of the consultation responses was that over 50% across the Group were via online or sms text in the first year we have extended these as response methods.

Qualitative feedback

4.6. We invited respondents to provide feedback on why they elected to choose the option they did. We received feedback from almost 2000 customers regarding the proposals.

4.7. The most consistent theme of the feedback across all RSLs was the continued pressure from the rising cost of living, including inflationary pressures, fuel costs and below inflation wage rises. Fewer than 5% of customers who provided feedback suggested they would have preferred a rent freeze. This low proportion of tenants providing this feedback was consistent with the pre-consultation engagement.

Summary

4.9 The level of tenant engagement and feedback on our rent setting proposals has been extensive and seen a record number of tenants involved. The pre-engagement with tenants and rent consultation responses means we have had almost 11,500 pieces of feedback from tenants across the group on our proposals as part of the process.

4.10 Taking into account the feedback from the consultation the RSL Boards agreed to recommend the following:

RSL	Proposed increase
Ex- Cube stock (WH-Glasgow and Loretto)	1%
WH-East	2.5%
WH-South	4.4%
WH-Glasgow	3.9%
LHA	3.9%

4.11 All proposed increases are significantly below the current rate of inflation, at 10.5%, and well below the anticipated Scottish national average increase of 6.1% for Registered Social Landlords.

4.12 We also expect that our increases will be below most other landlords in all the main areas we operate based on (publicly confirmed) proposals that tenants of other RSLs we use in our rent setting comparability analysis were consulted on. A full list is set out at Appendix 1.

5. Customer Engagement

5.1 The pre consultation engagement saw the highest ever number of tenants involved in shaping our rent setting proposals. The engagement with tenants throughout the pre-engagement consultation was open and transparent about the challenges we face in maintaining investment and services and explored options and priorities with tenants. This process affirmed that the majority did not support a rent freeze.

5.2 Our formal consultation was equally open and transparent, clearly setting out the impact each option would have on investment and services to allow tenants to make an informed response to the three options we consulted on. The record level of responses affirmed that our consultation approach resonated with tenants.

6. Environmental and sustainability implications

6.1 The use of digital methods positively reduces the level of white mail and associated emissions associated with its handling.

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 wider range of digital means than ever before. Response to the consultation could be provided via post; online; text; or call. This is the widest range of methods to respond to a rent consultation we have ever had and may have been an impact on the high number of returns we have seen.

8. Financial and value for money implications

8.1 The level of rent increase proposed during the consultation included analysis of areas such as affordability and comparability. We know that overall rent levels are an element of how tenants perceive value for money. This is however set within the context during a period of pressure on household budgets, the preservation of appropriate levels of investment in our homes, services to tenants and the financial viability of the business.

8.2 To achieve this rent proposal additional cost efficiencies have been required and these have been incorporated into each RSL's business plan. Based on the proposed rent uplifts, we continue to have robust financial plans which will have the necessary 30 year provisions to continue to maintain 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.

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".* 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 ensure the Group remains financially strong, continuing to deliver services our customers tell us they want, and keeping rents affordable. Setting rents lower than the assumption in the business plan could – in the absence of mitigating cost savings – risk the financial viability of the Group. However, we are also required under statute to take into account the views of customers before making final decisions on rent levels.

11. Equalities implications

11.1 There are no equalities implications associated with this report.

12. Key issues and conclusions

12.1 Our rent setting engagement and consultation has been our most extensive ever with the highest response rate on record. Nearly 11,500 pieces of feedback/consultation responses from tenants over the pre-consultation engagement and formal consultation have shown that tenant support for a rent increase to maintain services and investment.

12.2 The high response rate by digital means provides us with assurance for future consultations that this is a method tenants are keen to use and one that will be used in future consultations.

13. Recommendations

13.1 The Board is asked to:

1) Consider the feedback received through the consultation process with tenants on our 2023/24 RSL rent, service and other charges increase;
2) Approve a 1% rent, service charges and other charges (including garages and lock ups) increase for former Cube homes that transferred to WH-Glasgow and LHA;
3) Approve a 3.9% rent, service charges and other charges (including garages and lock ups) for 2023/24 for all other WH-Glasgow and LHA tenants;
4) Agree that no rental uplift is applied to WH-Glasgow stock classified as for demolition;
5) Approve a 2.5% rent, service charges and other charges (including garages and lock ups) for 2023/24 for all WH-East tenants;
6) Approve a 4.4% rent, service charges and other charges (including garages and lock ups) for 2023/24 for all WH-South tenants
7) Agree that we formally write to tenants to confirm the increases

Appendix 1:

Glasgow

- Sanctuary (Scotland) – 5.9%
- Queens Cross HA – 7% or 9%
- Link Housing – 6%
- West of Scotland – 5.9%
- Thenue Housing – 5%
- NG Homes – 6%, 7% or 8%
- Maryhill HA - 7% or 9%
- Southside HA – 6%
- Glen Oaks HA – 6%, 7% or 9%
- Partick HA – 7%
- Elderpark HA – 6%
- Shetleston HA – 7%
- Govan HA – 6%
- Tollcross HA – 5%
- Parkhead HA 2.5%

Edinburgh

- Places for People 5.9%
- Prospect 4%
- Link 6%
- Blackwood 5%
- City of Edinburgh Council 2.5%.

Dumfries and Galloway

- Cunningham HA – 5%
- Loreburn HA – 6.5%, 7% or 9%
- Riverside (Scotland) (formerly Irvine HA)- 3%,5% or 7%

Lanarkshires and West Dunbartonshire

- Clyde Valley – 7%
- West Dunbartonshire Council 4% or 5%

Wheatley Group

Report

To:	**Wheatley Housing Group Board**
By:	**Pauline Turnock, Group Director of Finance**
Approved by:	**Steven Henderson, Group Chief Executive**
Subject:	**Business Plan Financial Projections**
Date of Meeting:	**22 February 2023**

1. Purpose

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

2. Authorising and strategic context

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

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

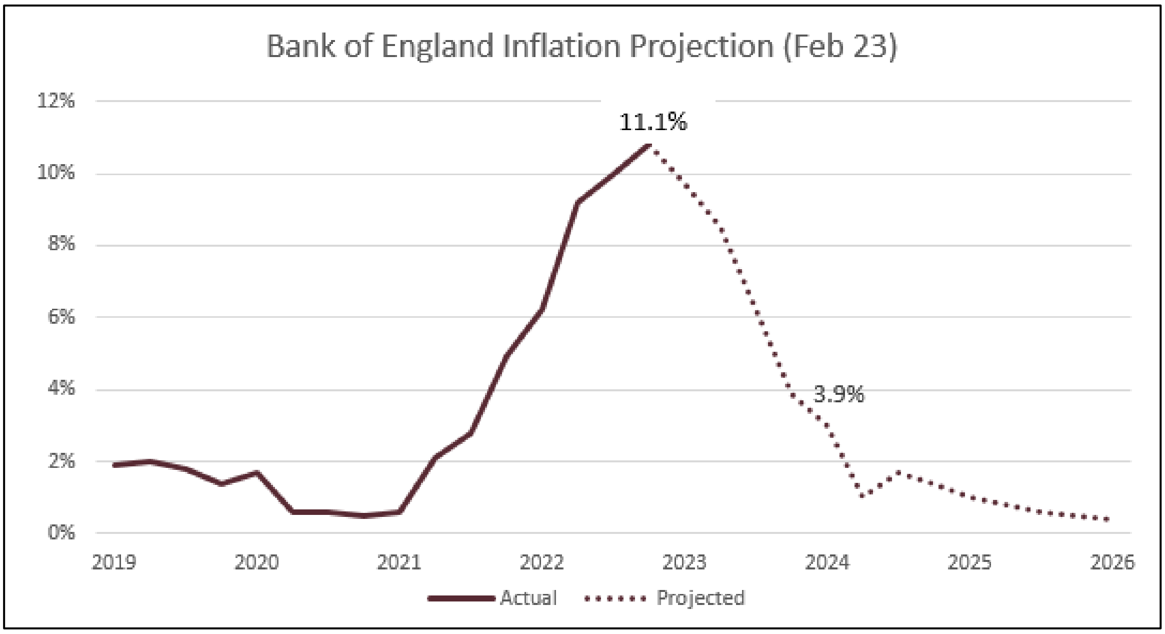
3. Background

3.1 2022/23 was the second year of our new strategy *Your Home, Your Community, Your Future* and the first full year following the implementation of our new hybrid operating model across the group. This was supported by our new Customer First Centre ("CFC") which provides outstanding customer services across the RSLs and Lowther Homes, resolving customer queries and requests at the first point of contact. The Customer First service model was further strengthened at the end of 2022/23 through the creation of a specialist "My Repairs" team. This specialist team within the CFC will drive improvements in the handling of more complex repairs including damp and mould. This new service delivery model has been designed in conjunction with our customers and reflects their service priorities. It allows housing officers to focus on the important face to face interactions with customers and is supported by investment in technology which will be further developed through 2023/24.

3.2 Following consent from all lenders including bondholders, WH South and Wheatley Developments Scotland Limited were admitted to the RSL Borrower Group arrangements on 1 April 2022. [redacted]. Following approval of our West Lothian Housing Partnership customers to form a single RSL in the East with Dunedin Canmore, and the approval from our RSL Borrower Group lenders, we formed Wheatley Homes East, a single entity for the Group in the east coast of Scotland.

3.3 Throughout 2022/23 the economic outlook in the UK has remained challenging with inflation, driven by fuel and energy costs initially and flowing through to higher food prices, increasing to a 40 year high of 11.1% in October 2022. To combat rising inflation the Bank of England have increased interest rates, most recently increasing the base rate from 3.5% to 4% in February 2023. Inflation has reduced slightly over recent months to 10.5% in December 2022 and the most recent Bank of England projections show inflation falling to c. 4% by the end of 2023 in response to monetary policy actions and prices stabilising in the key inflation drivers of fuel and utilities. Thereafter, as shown in Figure 1 below, inflation is expected to fall below the Bank of England policy target of 2% during 2024.

Figure 1: Inflation Forecast (Bank of England Monetary Policy Report – Feb 2023)



3.4 These inflationary pressures together with increases in interest rates are having a significant impact on the business and our customers. In recognition of the impact of the current high rates of inflation, we have increased the cost inflation assumptions within our financial projections in the coming year taking a granular view of the drivers of inflation that impact our finances the most. Over the longer term, we hold a prudent cost inflation assumption of 2.5% which is above the Bank of England target rate of 2%. Efficiencies that we have realised to date are valuable in managing through this period and a focus on value for money remains important, particularly in times of cost pressures.

3.5 We recognise these economic factors will also put pressure on our tenants, with rising inflation and an expected tightening of the job market impacting customers' ability to keep their rent accounts up to date. Keeping rents affordable is a key strategic aim and managing the impact of inflation on our cost base will therefore be an important priority over the coming year and further operating cost efficiencies linked to improved working practices, asset growth and collaboration with service providers will be necessary to deliver additional value for money savings. The financial projections have been aligned to focus our activities in areas that benefit our customers most in need with provision made to strengthen the support provided through initiatives such as the Here For You Fund which was launched in 2022/23. In recognition of the impact of the financial pressures on households we have also retained our prudent provisions for an increase in rent arrears balances.

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

(i) *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 turnover of over £335m comprising around 85% of Group income;

(ii) *[redacted]*

(iii) *Wheatley Care* – our Group care company; having officially changed its name in October 2021; with income of c£22m and no external debt; and

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

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

3.8 Our own "Financial Golden Rules" set out the parameters which we deem prudent in relation to minimum headroom over and above loan covenant levels. Several years ago, our lenders agreed a profile for the interest cover covenant that included a phased transition to underlying surplus which was achieved as planned in 2021/22. One of our Golden Rules is to maintain at least 25% (c£18m) of headroom over the interest cover covenant. Our approach will continue to balance affordable rent increases, a strong focus on ensuring cost efficiency, and resourcing our strategic ambitions and service model. Our assumed costs (other than the specific exceptions below for new build) reflect the provisions necessary to deliver this strategy.

3.9 We are working together with Scottish Government, Local Authority and RSL partners around the delivery of sustainability and net zero targets and the most appropriate funding model that would support this transition in existing homes. We have been successful in securing £22m of funding across 2022/23 and 2023/24 from the Scottish Government for net zero heating projects, in addition to £1.4m received previously for decarbonisation and renewable projects in WH South. Our financial projections include investment to improve the energy efficiency of our homes, however estimates of the cost of retrofitting our homes to net zero are in the region of an additional £450m over the period to 2045. New funding models and grant support will be key across the sector in meeting these targets and we will be taking forward discussions with our WFL1 lenders to look at the part any appropriate revision of our interest cover covenants could play to provide capacity for the delivery of our net zero ambitions.

4. Discussion

4.1 Our strategy for 2021-2026, *Your Home, Your, Community, Your Future*, forms the basis of these financial projections. The detailed 2023/24 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 seamless to customers. Our financial projections include funding to support:

- our new operating model which was launched in 2021/22 with the creation of our new 24/7 Customer First Centre. With an additional investment of £5m this increased our customer advisor resources and created new specialist teams within the CFC, allowing us to deliver services using a blended approach of face to face and virtual engagements with our customers. This model was further developed during 2022 through the creation of a new “My Repairs” team within the CFC. This skilled team will work collaboratively with City Building Glasgow to drive improvement in the handling of more complex repairs including those involving damp and mould;
- ongoing funding of £4.7m per annum for the Wheatley 360 wraparound services which we introduced in 2018/19. Wheatley 360 provides additional support and services to our tenants such as housing and money advice, homelessness and customer support; and
- continuing our commitment to the Community Improvement Partnership (“CIP”) with the police and fire services with a provision of £2.0m 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 The key role that technology has in supporting our staff in delivering services has been recognised within our financial projections and in total, across the Group, provision has been made for investment in technology of £40.5m over five years. This contribution towards our digital transformation strategy will deliver:

- ongoing service improvements and development of our online customer service portfolio including review and replacement of our current self service platforms, renewal of our CFC platforms and services, and development and implementation of customer engagement and feedback products;
- improved digital and online repairs services with automated communications and improved access to services, trades and real time feedback channels; and
- support for future housing operating models and delivery approaches through ongoing investment in staff mobile applications and services, housing platform upgrades and process improvements.

4.4 Subject to Board approval, an increase in social rents in April 2023 of 3.90% will be applied by our RSLs, with the exceptions of WH South tenants whose rents will increase by 4.4% and WH East and all former Cube tenants whose rents will increase by 2.5% and 1.0% respectively in line with tenant ballot agreements. This is in line with the consultations carried out with tenants, linked to partnership promises and as approved by all individual RSL Boards.

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 £9.7m (excluding inflation) have been assumed to be achieved in management costs over the next five years as we continue to utilise our investment in technology and our new ways of working to deliver improvements to our customer experience.

4.6 In 2023/24, we plan to spend around £154m in our existing properties between capital investment and repairs, equivalent to £2,386 per property, with this supported by over £15m of funding from the Scottish Government's Net Zero Heat Fund. The key focus of our investment programme for 2023/24 will be on delivering compliance and energy efficiency works. City Building (Glasgow) will continue to play a key part in improving the quality of our customers' homes through its role as our delivery arm for repairs and investment work in the west and will continue to have a key role in the delivery of WH South's investment programme going forward.

4.7 In total, we plan to invest approximately £379m in improvements to our customers' homes in the first five years of the plan, with a further £368m in repairs. Longer term investment provision includes funding work which will go towards meeting the revised Energy Efficiency Standard for Social Housing ("EESSH") mark 2 which is currently under review but previously targeted, where practically possible, all properties to be bought up to EPC band B by 2032 in line with guidance published last year by the Scottish Government and the Scottish Housing Regulator. We will look to maximise the use of Scottish Government funding such as the net zero heat fund to help support the delivery of our programme.

4.8 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, and our 2021-26 five year strategic target is to complete 4,000 new homes. We completed 438 new homes in 2021/22 and anticipate completing 653 units in 2022/23, and the projections currently show 3,808 homes added over the 2021-26 strategy period.

4.9 [redacted].

4.10 Our five year development plan is assumed to be supported by £467m of grant income. The annual review of grant levels has still to be undertaken, however grant awards agreed this year have been sufficient to support our programme and maintain the financial viability of our development projects. The commitment from Scottish Government towards the £3.5bn of funding for the Affordable Housing Investment Programme in the five year period from 2021/22 remains, however grant availability given the impact of inflationary increases on costs remains a risk.

Changing Lives and Communities

4.11 Wheatley Care provides the Group's care services, the majority of which support our own customers to live independently in their homes. The Health and Social Care sector has seen many recent changes which provide financial challenges to the business such as Social Care wage inflation, cost inflation and the way in which services are delivered post pandemic, with challenges recruiting staff into the Care sector. Where necessary services have been reconfigured and we are able to work flexibly within the business to ensure that it remains financially viable.

4.12 [redacted]

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

- Continuation of the Here For You Fund which was launched in 2022/23 in response to the cost of living crisis to provide essential support to tenants in paying their rent and delivering help with utility bills; and
- The continued delivery of wide ranging support by the Wheatley Foundation to customers across the Group including in the key areas of poverty and social inclusion, and employability. This will be primarily funded by donations from Lowther Homes and the RSLs with spend of c£5m per annum used to support core committed activities linked to the RSLs such as provision of welfare benefit advice and home comforts.

Developing our Shared Capability

4.14 We designed our new service delivery model in a way that best serves the priorities of our customers. Feedback since the launch of our Customer First Centre has been overwhelmingly positive and the recent addition of the new “My Repairs” team will further support our aim to meet customer needs at the first point of contact across all our service lines. Over the next five years, we will continue to invest in our staff to ensure they have the exceptional skills, attitude, engagement and influence to excel in this new hybrid working environment. Our financial plan helps fund a continued focus on staff development in a technology enabled workplace and in our leadership and graduate programmes.

4.15 Our financial projections include a provision of £40.5m for investment in IT to deliver our digital transformation programme over the period of the strategy. In addition to delivering improvements in services for customers this investment, combined with planned investment in premises and service facilities (such as repairs/environmental services depots, local staff/community hubs, concierge stations and touchdown points), will be key to our new operating model.

4.16 Delivery of our new office hubs as part of our new operating model is almost complete with these providing spaces where staff and colleagues can meet to work, share their learning and engage effectively together. Further investment of £6m over the next 5 years will allow for the delivery of new hubs at Pollokshaws and Stranraer plus improved NETS depots and concierge stations.

Enabling our Ambitions

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

4.18 These changes to our funding arrangements have created additional financial capacity for our RSLs. This allows us to increase and extend our assumed development programme and has provided scope to increase our demolition programme. The size and scale of new build and regeneration coupled with our scheduled capital repayments of £800m and the expiry date of some of the syndicate facilities towards the end of this decade will require us to undertake refinancing activity and raise new funding over the medium term. [redacted]

4.19 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.

4.20 Most recently, we revised the gearing Golden Rule in February 2022 for Gearing (as measured by debt per unit) to a maximum of £1,000 below the covenant level, replacing the previous £50m minimum headroom requirement in recognition of the increase of the debt per unit covenant. We do not propose any changes to our Golden rules this year with these remaining as follows:

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

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

Group Financial Projections

4.22 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

4.23 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.

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

4.25 Table 2 below presents the EBITDA-MRI profile for the RSL Borrowing Group mapped against our interest costs.

Table 2: [redacted]

4.26 We anticipate generating a surplus on underlying EBITDA MRI measured against interest costs in all years, with cover improving year on year as new build properties generate rental income to pay interest costs on borrowings.

4.27 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:

Figure 2: [redacted]

Figure 3: [redated]

4.28 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.

4.29 While not a loan covenant, the loan to value ratio (outstanding loans net of cash divide 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. Figure 4 shows asset cover over the first 10 years. [redacted]. This demonstrates that the RSL Borrower Group has sufficient asset cover to support loans.

Figure 4: [redacted]

Lowther

4.30 - 4.34 [redacted]

5. Customer engagement

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

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1 The top three priorities in our Group Value for Money Framework are repairs, home improvements and 24-hour customer service (in particular to vulnerable customers) and these have been reconfirmed through the recent face to face pulse surveys carried out in 2022/23. These services have been prioritised in our spending plans with investment in our new "Customer First Centre", our new flexible operating model and the creation of community-based centres of excellence.

8.2 Allocations for repairs and investment continue to be at the core of our financial projections and in recognition of higher demand for repairs we have increased our provision for reactive repairs by over £12m in 2023/24. Through our "in house" services in WH South and WH East and the close working relationship with our City Building joint venture we remain focussed on improvements to the customer journey, utilising technology to align our services and modernise the delivery of the repairs service across the Group. This will be aided by our new specialist My Repairs team who will work collaboratively to drive improvements in the handling of more complex repairs including damp and mould.

8.3 Our frontline housing model, neighbourhood environmental team 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 "Here For You Fund" launched during 2022/23 in response to the cost of living crisis will offer essential support to customers with this particularly focused on help with utility bills and 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 is addressed in appendix 1 to this report

11. Equalities implications

11.1 There are no equalities implications arising from this report.

12. Key Issues & Conclusions

12.1 The updated financial projections, once approved, will set the overall borrowing framework for 2023/24. 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 Lowther financial Golden Rules set out at paragraph 4.20 and paragraph 4.34 respectively;
3) approve the financial projections for each of the subsidiaries attached;
4) agree that the projected 2023/24 figures form the basis of next year's annual budgets for each subsidiary and the Group overall.

LIST OF APPENDICES

Appendix 1 – WHG 2023/24 Financial Projections
Appendix 2 – WH Glasgow 2023/24 Financial Projections
Appendix 3 – Loretto Housing 2023/24 Financial Projections
Appendix 4 – WH East 2023/24 Financial Projections
Appendix 5 – WH South 2023/24 Financial Projections
Appendix 6 – [redacted]
Appendix 7 – [redacted]
Appendix 8 – [redacted]
Appendix 9 – [redacted]
Appendix 10 – [redacted]

Wheatley Group

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Wheatley Group
Business Plan Financial Projections
2023/24

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1. Strategic context

External environment	Customer priorities
• ***UK economy*** – facing a challenging period of high inflation and high interest rates with CPI increasing to a 40 year high of 11.1% in October 2022 and Bank of England increasing interest rates. Inflation has begun to reduce and expected to fall further but continues to put pressure on costs and customer finances • ***SG rent cap*** – RSL rent cap expires in March 2023 however restrictions on rent increases on private tenancies (incl MMR) maintained limiting our ability to offset increasing costs and private tenancy rent controls are likely to be formalised in the new Housing Bill in 2023. • ***Government support for housing in Scotland*** continues despite pressure on resources. Commitment to £3.5bn of grant funding over current parliamentary term.	• ***Affordable rents*** – high inflation and an expected tightening of the job market will impact on household incomes and affordability of rents. • ***Safe and well maintained homes and neighbourhoods*** – increasing references to antisocial behaviour in customer feedback highlights need to maintain concierge presence and CIP funding. • ***Quality of services*** – customer feedback sights quality of service as key priority, particularly in relation to the 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 in help to achieve the planned level of interest cover headroom. • ***Debt servicing and compliance*** – group funding arrangements allow operational flexibility but set clear financial parameters which need to be met going forward (e.g. financial covenants).	• Mitigating the risk of increased rent arrears due to real reductions in household incomes together with **Universal Credit** and other welfare benefit changes • Keeping **rents affordable** during a period of financial pressure on the business and tenants' finances • Making resources available for ***additional capital investment, in particular to meet the new Energy Efficiency standards whilst keeping rents affordable*** • ***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 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	2023-24	2024-25	2025-26	2026-27	2027-28
Turnover	411,584	483,792	510,775	515,351	530,502
Operating Costs	(341,611)	(344,830)	(354,787)	(366,843)	(381,693)
Other Income & Gains	(6,991)	(44,910)	(34,151)	(13,455)	(24,462)
Operating Surplus/(Deficit)	**62,982**	**94,052**	**121,838**	**135,054**	**124,347**
Operating Margin	*15%*	*19%*	*24%*	*26%*	*23%*
Gain on Sale of Fixed Assets	8	0	0	0	0
Net Interest Payable	(70,944)	(76,461)	(82,184)	(90,415)	(93,863)
Surplus/Deficit before Tax	**(7,954)**	**17,591**	**39,653**	**44,639**	**30,484**
Tax	(207)	(395)	(466)	(554)	(649)
Surplus for the Year	**(8,161)**	**17,195**	**39,188**	**44,084**	**29,835**
Movement in Housing Valuations	33,273	3,317	(16,585)	(17,087)	(914)
Comprehensive Income	**25,113**	**20,513**	**22,603**	**26,997**	**28,921**

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 14% over the period from £382m to £435m primarily as a result of projected growth in stock numbers and rental increases.

Operating Expenditure

Operating costs are projected to reduce in real terms over the next two years as a result of efficiencies in employee and running costs generated from our investment in technology and new ways of working. Provisions for the impact of the current high rates of inflation on our cost base and an increase in repair costs, are also reflected in the 2023/24 operating costs. From 2024/25 operating costs remain relatively stable with some small fluctuation due to organisational restructure and demolition costs. The movement in operating costs (excluding depreciation) in real terms is demonstrated in the table below.

	2023-24	2024-25	2025-26	2026-27	2027-28
Operating Cost*	£229m	£219m	£220m	£218m	£218m

**Adjusted to exclude depreciation and inflation*

Other Income and Gains

This includes projected gains on revaluation of investment property. 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

Due to the inclusion of grant income and valuation adjustments on investment properties, the operating surplus is forecast to fluctuate over the five year period. Excluding the impact of the recognition of new build grant income and valuation movements, the operating surplus is projected to increase from £41.0m in 2023/24 to £52.9m in 2027/28. This is equivalent to an increase in operating margin from 10.7% to 12.2% and is driven by increasing rental income and a continued focus on delivering a cost efficient customer offering.

Funding Costs

While the current group funding arrangements and low variable interest rates have reduced the average cost of borrowing across the group, overall funding costs are assumed to increase over the period as a result of the additional borrowing required to fund the planned development programme together with expected increases in the variable rate. 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 deficit before housing valuation movements of £8.2m in 2023/24 due to the higher interest costs to fund the development programme. The surplus is projected to increase over the five year period to a surplus of £29.8m due to increases in turnover as a result of increasing property numbers, rent increases and efficiency savings achieved on operating expenditure.

Statement of Financial Position

	2023-24	2024-25	2025-26	2026-27	2027-28
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Housing & Investment Properties	3,155,201	3,269,850	3,370,618	3,500,660	3,656,303
Other Fixed Assets	77,582	80,483	84,308	84,897	84,814
Total Fixed Assets	**3,232,783**	**3,350,333**	**3,454,926**	**3,585,557**	**3,741,117**
Debtors Due < 1 year	54,736	54,491	53,730	53,560	53,380
Cash	19,002	17,674	16,576	32,659	16,131
Creditors Due < 1 year	(266,226)	(235,638)	(215,413)	(212,010)	(220,157)
Net current assets/(liabilities)	**(192,488)**	**(163,473)**	**(145,107)**	**(125,790)**	**(150,647)**
Loans – Bank & Bond	(1,642,154)	(1,766,021)	(1,864,097)	(1,984,669)	(2,083,970)
Loans - SG	(50,885)	(53,079)	(55,369)	(57,757)	(60,248)
Provisions for liabilities & charges	(10,917)	(10,907)	(10,898)	(10,889)	(10,879)
Pension Asset	57,778	57,778	57,778	57,778	57,778
Long Term Liabilities	**(1,646,178)**	**(1,772,230)**	**(1,872,586)**	**(1,995,537)**	**(2,097,319)**
Net Assets	**1,394,117**	**1,414,630**	**1,437,233**	**1,464,230**	**1,493,151**
Capital & Reserves	**1,394,117**	**1,414,630**	**1,437,233**	**1,464,230**	**1,493,151**

Fixed assets and investment properties

Over the five year period the value of housing and investment properties are forecast to increase by £711m (24%). This is due to the additional 5,038 new units forecast to be completed or acquired over the period in addition to the capital investment programme.

Net Current Assets / (Liabilities)

Debtors due within a year are assumed to rise in year 1 due primarily to assumed increases in rent debtors to provide for potential impact of increasing inflation on our tenants' incomes together with the impact of Universal Credit and other welfare reforms. In later years a small reduction in rent debtors has been projected as pressure on customers' income eases and they adapt to the new benefit system.

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 £553m over the period as a result of the additional borrowing required to fund the development programme. Loans from SG includes the repayable grant received from the Scottish Government. This is reported at fair value which increases year on year until repayment is due in 2040/41. Other long-term liabilities are assumed to remain relatively constant over the period.

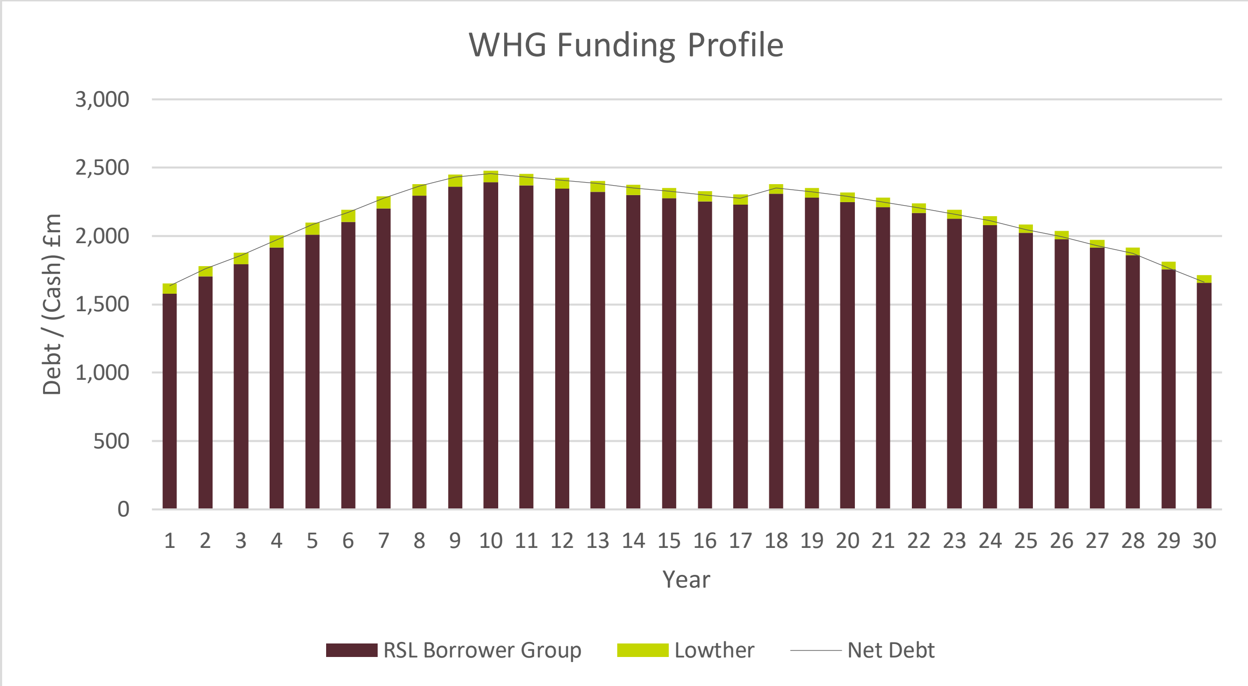
Net Assets

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

Funding and Key Financial Ratios

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

[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

Following the addition of WH South (formerly DGHP) to the RSL borrower group in April 2022, the RSL borrower group includes all RSLs within the Group with the exception of the parent company Wheatley Housing Group. In April 2022, following approval from our funders Wheatley Developments Scotland (formerly DGHP3) also became a member of the RSL borrower group. Wheatley Developments Scotland (WDS) is a wholly owned subsidiary of Wheatley Housing Group established to manage and deliver the new build programme on behalf of the Group's registered social landlords.

Stock numbers

Between them WH Glasgow (WHG), Loretto HA (LHA), WH East (WHE) and WH South (WHS) currently own or manage approximately 62,080 properties for social rent, 1,340 mid market rent houses, which are leased to Lowther Homes, and 360 shared ownership or shared equity properties. In early 2022, tenants of WLHP were consulted on a proposed transfer of their tenancies to WH East and, following a successful ballot, 850 properties transferred in September 2022.

Of the 62,080 social housing units there are 1,921 properties which are assumed for demolition, of which 1,529 are assumed to be demolished in the five year period to 2028. These include 600 units within four 26 storey blocks in the Wyndford estate, linked to the proposed wider regeneration of the area by WH Glasgow, 446 properties in Dumfries and Galloway including 269 in Lochside and a provision for future regeneration activities.

The projections do not assume any significant disposal of housing properties with the exception of a small number of supported accommodation properties previously owned by Barony. The projections assume that 15 properties which are now owned by WH East following the transfer from Barony will be sold during 2023/24. These properties do not allow for tenants residing in the accommodation to live independently and a disposal and re-provisioning strategy was approved previously by the Barony Board.

While properties will 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. Site closures and changes in working practices due to the the Covid-19 pandemic had resulted in a slowing down in our programme over the last two years however the programme is now progressing well and it is anticipated that 498 new homes for social rent will be delivered in the year to March 2023.

Over the first five years, an additional 3,451 new properties for social rent will be completed as part of this programme with a further 4,031 in the period to 2032/33. This will be funded from available cash, use of our committed RCFs, additional debt and will be supported by Scottish Government grant funding. Combined with individual acquisitions, the overall development programme is expected to deliver 3,553 additional social housing properties over the next five years (including 100 acquisitions and two additional units as the result of a refurbishment).

The 1,340 mid-market rent properties forecast to be owned by the RSLs in April 2023 reflect the completion of 155 new units during 2022/23. Over the next five years it is projected that a further 1,182 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 2027/28 it is forecast that 2,522 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 2023-24	Year 2 2024-25	Year 3 2025-26	Year 4 2026-27	Year 5 2027-28	Total Years 1-5	Years 6-10 2028-2033
Social Housing							
Opening Stock	**62,080**	**61,632**	**62,243**	**62,964**	**63,711**	**62,080**	**64,089**
New Build / Acquisition	244	609	838	948	812	**3,451**	**4,031**
Acquisitions / Other	100	2	0	0	0	**102**	**-**
Demolition / Disposal	(792)	0	(117)	(201)	(434)	**(1,544)**	**(392)**
Closing Social Housing Stock	**61,632**	**62,243**	**62,964**	**63,711**	**64,089**	**64,089**	**67,728**
Mid Market Rent							
Opening Stock	1340	1410	1759	2099	2255	**1,340**	**2,522**
New Build	70	349	340	156	267	**1,182**	**1,096**
Closing MMR Stock	**1,410**	**1,759**	**2,099**	**2,255**	**2,522**	**2,522**	**3,618**
Shared Ownership							
Closing SO/SE Stock	**360**	**360**	**360**	**360**	**360**	**360**	**360**

<u>Income</u>

Rental income represents on average 95% 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 agreed rent increases to be applied in April 2023. The April 2023 general increase approved by all subsidiary boards was 3.9% with the exception of WH South where an increase of 4.4% was approved. In line with ballot commitments to tenants, the rent increase for ex Cube tenants in April 23 will be 1.0%, and WH East tenants will be 2.5%. April 2023 marks the final year of our rent cap for ex Cube tenants, rent increases will remain capped at 2.5% for ex WLHP tenants until April 2025.

In April 2024, increases have been assumed at 3.7% with this reducing to 3.5% in April 2025 and 2.9% per annum thereafter. While increases in the first three years are higher than those set out in our 2021-2026 strategy they are significantly lower than the current rate of inflation. Future rent increases will be reviewed at the time and may be reduced, in particular in the event that inflation is lower or additional efficiency savings can be found. Rent increases will always be subject to consultation with tenants each year. The rent growth assumptions are shown in the table below:

Rent Increase	2023-24	2024-25	2025-26	2026-27	2027-28	2028 on
WHG/LHA	3.9%	3.7%	3.5%	2.9%	2.9%	2.9%
Ex Cube	1.0%	3.7%	3.5%	2.9%	2.9%	2.9%
WH East	2.5%	2.5%	3.5%	2.9%	2.9%	2.9%
WH South	4.4%	3.7%	3.5%	2.9%	2.9%	2.9%

Gross rental income will be reduced by voids, bad debts and arrears. Over the last two years, void rent loss has reduced from 1.4% in 2020/21 to 1.1% in 2021/22 with this improvement in performance primarily due to the clearing of backlog voids which had built up as a result of Covid restrictions. Performance has continued to improve and in the period to December 2022, void rent loss is 1.0%. While performance has improved and rent loss due to voids is expected to reduce further, 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 the period to December 2022 actual bad debt costs are averaging 1.31%. The table below shows the assumed average percentage of rent lost across the group's lettable stock.

Performance	2023-24	2024-25	2025-26	2026-27	2027-28
Voids	1.3%	1.3%	1.1%	1.1%	1.1%
Bad Debts	1.9%	1.9%	1.9%	1.9%	1.9%

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

A provision has also been made for an increase in arrears of £2.3m 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 universal credit. This is equivalent to an increase in arrears as a percentage of rental income assumed from 5.56% in 2022/23 to 6.65% in 2023/24 and reflects our experience of tenants who have already moved onto Universal Credit and expectations going forward.

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

Operating Expenditure

Management costs

2022/23 was the first full year following the implementation of our new operating model across the group. This new operating model delivers flexible, agile based working, using technology to enable staff to work from any location and respond to changing customer demands. Employee costs for 2023/24 reflect the current staffing structure including the Customer First Centre, NETS, Housing Officers, the new My Repairs specialist team and our Wheatley 360 model which co-ordinates a number of teams including our housing advice and furnished lets teams and community improvement partnership through a single Group wide structure.

Taking into consideration the current high inflation rates, pay increases of 7% have been assumed in 2023/24 with this reducing to 3% in 2024/25 and 2% each year thereafter.

Delivery of our new office hubs as part of the move to the new operating model is almost complete and substantial savings have already been generated over the last two years with further efficiency savings expected as changes to the staff operating model continue to take effect. These savings will go some way to offsetting the impact of the current high inflation on our cost base while allowing the Group to keep rents affordable for tenants.

As part of our new operating model we launched our new 24/7 “Customer First Centre” in 2021/22 within Wheatley Solutions. This increased our customer advisor resources creating new housing specialist teams with a total investment of £5m. Further development of this model took place during the 2022/23 through the creation of a specialist “My Repairs” team within the Customer First Centre. Through 2023/24 the My Repairs team will extend our collaborative working with City Building Glasgow by introducing a new and improved model which will drive improvements in the handling of more complex repairs including damp and mould. It was always intended that once these changes were implemented and working as planned a final reconfiguration phase would follow to reflect the rebalancing of the workload. As a result staff savings of £5m have been assumed from 2024/25 with a further £3.5 of staff efficiencies in later years across the RSLs and Wheatley Solutions giving total savings of £8.5m over the next five years.

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	2023-24	2024-25	2025-26	2026-27	2027-28
Employee Costs					
– Direct RSL	44,906	43,062	43,722	43,621	44,494
– Solutions Recharge	25,134	25,671	25,964	25,920	25,864
Total	**70,039**	**68,733**	**69,685**	**69,541**	**70,358**
Running Costs					
– Direct RSL	17,802	18,253	17,899	18,278	19,101
– Solutions Recharge	13,099	13,139	13,457	13,793	14,138
Total	**30,901**	**31,392**	**31,356**	**32,071**	**33,239**

In order to deliver the planned savings a provision of around £13.7m 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

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

During 2022/23, there has been a substantial increase in the cost of repairs, most notably in the cost of reactive repairs, with this driven by increased demand post covid and the impact of inflation. In recognition of this our financial projections reflect an additional provision of £12m based on actuals to date, projected costs to March 2023 and the expected uplift in rates.

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

Repair cost per unit	2023-24	2024-25	2025-26	2026-27	2027-28
Reactive	640	655	667	669	685
Cyclical	419	431	434	473	459

The average cost per unit for reactive repairs of £640 in 2023/24 reflects an increase of £166 per unit (c35%) compared with the provision in the 2022/23 Financial Projections for the same year. This is assumed to increase year on year as inflationary increases offset assumed efficiency savings from increased new build and demolition. To mitigate against the impact of the increase in reactive repairs we have rephased non-essential cyclical works where possible while efficiencies are sought through the increased use of technology and closer collaboration with our joint venture entity City Building (Glasgow).

Demolition Costs

The financial projections assume that 1,921 units will be demolished in the year period to 2029/30 with 1,529 of these within the five years. As shown in the table below a provision of £31.1m has been included for costs associated with this works, £25.3m 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. As these sites will be redeveloped we have assumed that £16.8m of the costs over the 5 year period can be capitalised as part of the site preparation costs for the planned new homes.

Demolitions	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Units *	477	300	117	201	434	314	78
Demolition Costs £000s	8,079	4,594	2,068	3,721	6,855	4,717	1,106

**The unit profile indicates the year in which the demolition will occur and not when the properties will be handed over to the contractor*

Other Provisions

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

- The interest due from Lowther to WH Glasgow on its £30m convertible loan will be paid directly to the Foundation as WH Glasgow's contribution towards its activities. Combined with direct donations to the Foundation of around £800k per annum, this will support projects and initiatives including tackling poverty, social inclusion, employability and education which will benefit tenants across the Group. During 2022/23, in response to the cost of living crisis we launched the Here For You Fund which provides essential to support to tenants with paying rent and utility bills and eating well. This support will continue into 2023/24. 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 and will replace direct donations by the RSLs.
- £2.0m each year to fund our community improvement partnership with the police and fire service as well as the wider cost of the service

Operating Cost per Unit

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

	2023-24	2024-25	2025-26	2026-27	2027-28
Operating Expenditure	**184,763**	**179,018**	**180,559**	**178,636**	**178,263**
Average Stock (Social)	61,856	61,938	62,604	63,338	63,900
Operating Cost per Unit	**2,987**	**2,890**	**2,884**	**2,820**	**2,790**

This shows that over the five year period operating cost per unit reduces by 6.6% in real terms. This is due to the significant efficiency savings assumed in management costs coupled with the growing stock base through our new build programme.

Investment & Growth

Capital investment programme

We have a robust and sector leading approach to the management of our assets. This includes a commitment to invest in our existing homes, to ensure the quality, safety and security, and environmental sustainability of our property portfolio.

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

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. Our ongoing customer engagement and locality planning activities tell us that customers want modern, energy efficient homes and safe neighbourhoods. The planned programme of investment within the projections has been informed by our detailed knowledge of the stock, investment priorities identified by our customers, and the latest stock condition surveys which will include an expanded number of in person inspections.

The revised programme includes a provision for work towards meeting the Scottish Government's ambitious energy efficiency and carbon reduction targets in addition to ensuring on going lifecycle component replacements and compliance works are carried out. Energy efficiency works include projects in 2023/24 where funding has been secured from Scottish Government to deliver net zero heat projects. We will seek to apply for future Scottish Government rounds of funding to support energy efficiency works in our homes. This will help increase the levels of investment in this category in future years. Funding has also been separately identified for the delivery of customer investment priorities.

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

Stock Improvement programme £000s	Year 1 2023-24	Year 2 2024-25	Year 3 2025-26	Year 4 2026-27	Year 5 2027-28	Total Years 1-5
Energy Efficiency (incl EESSH2)	25,912	3,700	6,298	11,288	9,629	**56,829**
Other Compliance & Safety	11,596	14,434	13,818	12,114	15,365	**67,327**
Strategic Projects	3,386	4,929	6,339	5,968	6,646	**27,267**
Component Replacements	3,093	7,383	5,006	4,017	6,462	**25,962**
Total Stock Improvement Programme	**43,987**	**30,446**	**31,461**	**33,387**	**38,103**	**177,385**
Capitalised Repairs	19,838	20,540	20,988	21,243	21,953	**104,563**
Medical Adaptations & Other Costs	12,379	12,540	12,779	12,983	13,248	**63,930**
Total Capital Investment	**76,204**	**63,526**	**65,229**	**67,612**	**73,305**	**345,878**

New Build

The accession of WH South to the RSL Borrower Group on 1 April 2022 and changes to our funding agreements increased WFL1's borrowing capacity, allowing us to implement a more ambitious regeneration and development plan. The additional borrowing capacity has enabled us to extend our development programme to 10 years and increase the number of units delivered. Over the 10 year period it is anticipated that over 10,000 new homes will be delivered by the RSLs through direct development, acquisition and the funding of Lowther's programme. This goes some way towards delivering on our long term strategic objective of 12,500 units.

The cost to deliver this ambitious programme has been estimated based on current tendered costs and grant levels. As shown in the table below, total costs of £1.7bn are projected over the 10 years with this supported by grant funding of £811m. In addition to the provision for construction of new homes, an allowance has been included for the acquisition of up to 100 individual properties. A development fund of £450k has also been provided for in 2023/24.

	2023-24	2024-25	2025-26	2026-27	2027-28	Total Years 1-5	Total Years 6-10	Total
Development Costs* £000s								
Development Costs	169,819	171,051	173,981	189,713	213,577	**918,141**	784,726	**1,702,867**
Grant Income	98,379	66,538	89,030	92,550	103,883	**450,380**	360,248	**810,628**
Net Development Costs	**71,440**	**104,513**	**84,950**	**97,163**	**109,695**	**467,761**	**424,478**	**892,239**
Acquisitions & Other	6,953	-	-	-	-	**6,953**	-	**6,953**
Total Spend	**78,393**	**104,513**	**84,950**	**97,163**	**109,695**	**474,714**	**424,478**	**899,192**
Units Completed								
- Social	244	609	838	948	812	**3451**	4,031	**7,482**
- MMR	70	349	340	156	267	**1182**	1,096	**2,278**
Total	**314**	**958**	**1178**	**1104**	**1079**	**4,633**	**5,127**	**9,760**

**excludes staffing and capitalised interest*

It is anticipated that Wheatley Development Scotland (WDS) will undertake all 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 2023/24 and 2027/28, we assume £450.4m of grant income to support our development programme. The Scottish Government has confirmed funding for the Affordable Housing Investment Programme of £3.5bn in the five year period from 2021/22. Benchmark grant levels in 2021/22 were uplifted and recent grant awards have been confirmed at a level that continues to support the programme and the inflationary impact on costs.

In addition to the 4,633 properties assumed to be directly delivered over the five year period, the financial projections reflect an increase in WH Glasgow's loan to Lowther Homes of £15m. This additional funding will enable Lowther to fund the development of 305 properties for mid market rent over the five year period. Of these, 156 units are assumed to be directly funded using the additional on lend with the remaining properties funded through additional private finance.

Cost inflation

Throughout 2022/23 the economic outlook in the UK has remained challenging with inflation, driven initially by fuel and energy costs with this flowing through to higher food prices, increasing to a 40 year high in October 2022. Inflation has fallen back slightly over recent months to 10.5% in December 2022 and in their most recent report the Bank of England projects inflation to fall to c. 4% by the end of 2023 in response to monetary policy actions and prices stabilising in the key drivers of fuel and utilities. Thereafter forecasts indicate that inflation will fall below the policy target of 2% with this anticipated by the end of 2024.

We have updated the cost assumptions to reflect the current high rate of inflation within our 2023/24 financial projections. We have taken a granular view of the impact of price increases across the categories that are relevant to our cost based which includes the impact of increasing energy and fuel prices and the expected uplift in rates by City Building Glasgow. In 2024/25 our forecasts reflect an assumed general cost inflation of 3.0%, with a long term outlook of 2.5% from 2025/26 onwards, retaining an element of prudence in our forecasts.

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

Inflation Assumptions	2023-24	2024-25	2025-26	2026-27	2027-28
Cost Inflation (Revenue)*	7.3%	3.0%	2.3%	2.2%	2.5%
Cost Inflation (Capital)	3.0%	3.0%	3.0%	2.5%	2.5%
Pay Inflation	7.0%	3.0%	2.0%	2.0%	2.0%
Market Forecast (CPI)					
Chatham Financial (Jan 23 Update)	*5.31%*	*3.50%*	*2.50%*	*2.00%*	*2.00%*
BOE (Feb 23 Monetary Policy Report)	*3.90%*	*1.40%*	*0.50%*	*2.00%*	*2.00%*

**Wheatley specific weighted average inflation rate in 2023/24 reflects lag in energy price increases and provision for uplift in CBG rates*

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

	2023-24	2024-25	2025-26	2026-27	2027-28
Turnover	**367,136**	**431,541**	**461,027**	**464,098**	**476,366**
Operating Expenditure	(297,165)	(303,992)	(313,166)	(324,260)	(337,985)
Other Income & Gains	(5,376)	(38,057)	(31,001)	(10,845)	(20,762)
Operating Surplus	**64,595**	**89,493**	**116,860**	**128,993**	**117,619**
Operating Margin	18%	21%	25%	28%	25%
Gain/Loss on disposal of fixed assets	8	-	-	-	-
Finance Charges	(68,041)	(73,102)	(78,701)	(86,207)	(89,352)
Movement in valuation of social housing properties	33,273	3,317	(16,585)	(17,087)	(914)
Total Comprehensive Income	**29,835**	**19,708**	**21,574**	**25,698**	**27,353**

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 and net zero heat fund grants, is forecast to increase by 18.5% over the period from £324m to £384m.

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 decrease **by 6.6%** over the five years.

Operating Surplus (Margin)
It is projected that the RSL Borrower Group will make an operating surplus in all years with this reducing in year 5 due to movements in new build grant recognised and assumed valuation adjustments in investment properties. These movements result in the margin fluctuating between 18% and 28% over the five year period. Excluding the impact of grant income and valuation adjustments, the underlying operating margin increases from 8% in 2023/24 to 12% by 2027/28. 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 £29.8m in 2023/24 with this reducing in the following three years before increasing to £27.4m in year 5. Fluctuations in this figure are due to grant recognised in turnover and assumed movements in the valuation of housing properties.

Statement of Financial Position

	2023-24	2024-25	2025-26	2026-27	2027-28
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Housing Properties	2,855,594	2,932,743	2,990,211	3,096,007	3,222,361
Investment Properties	132,151	165,181	198,680	214,914	242,306
Other Fixed Assets & Investments	113,500	121,195	129,050	129,653	129,654
Total Fixed Assets	**3,101,245**	**3,219,119**	**3,317,940**	**3,440,574**	**3,594,320**
Debtors Due < 1 year	51,244	51,068	50,375	50,272	50,158
Cash	10,000	10,000	10,000	26,442	10,000
Creditors Due < 1 year	(253,110)	(225,194)	(206,595)	(202,445)	(214,558)
Net current assets/(liabilities)	**(191,866)**	**(164,126)**	**(146,220)**	**(125,731)**	**(154,400)**
Loans	(1,617,200)	(1,743,115)	(1,838,278)	(1,955,712)	(2,053,444)
Pension Asset	57,783	57,783	57,783	57,783	57,783
Other Creditors & Provisions	(3,600)	(3,590)	(3,581)	(3,572)	(3,562)
Long Term Liabilities	**(1,563,017)**	**(1,688,923)**	**(1,784,076)**	**(1,901,500)**	**(1,999,223)**
Net Assets	**1,346,362**	**1,366,070**	**1,387,645**	**1,413,343**	**1,440,696**
Capital & Reserves	**1,346,362**	**1,366,070**	**1,387,645**	**1,413,343**	**1,440,696**

Housing and Investment Properties

Housing and investment properties are projected to increase in value by 24.2% to just under £3.5bn 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 £2.3m. 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. In later years a gradual reduction in arrears has been assumed resulting in a decrease in debtors.

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

Cash is assumed to be subject to a minimum balance of £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

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

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

[redacted]

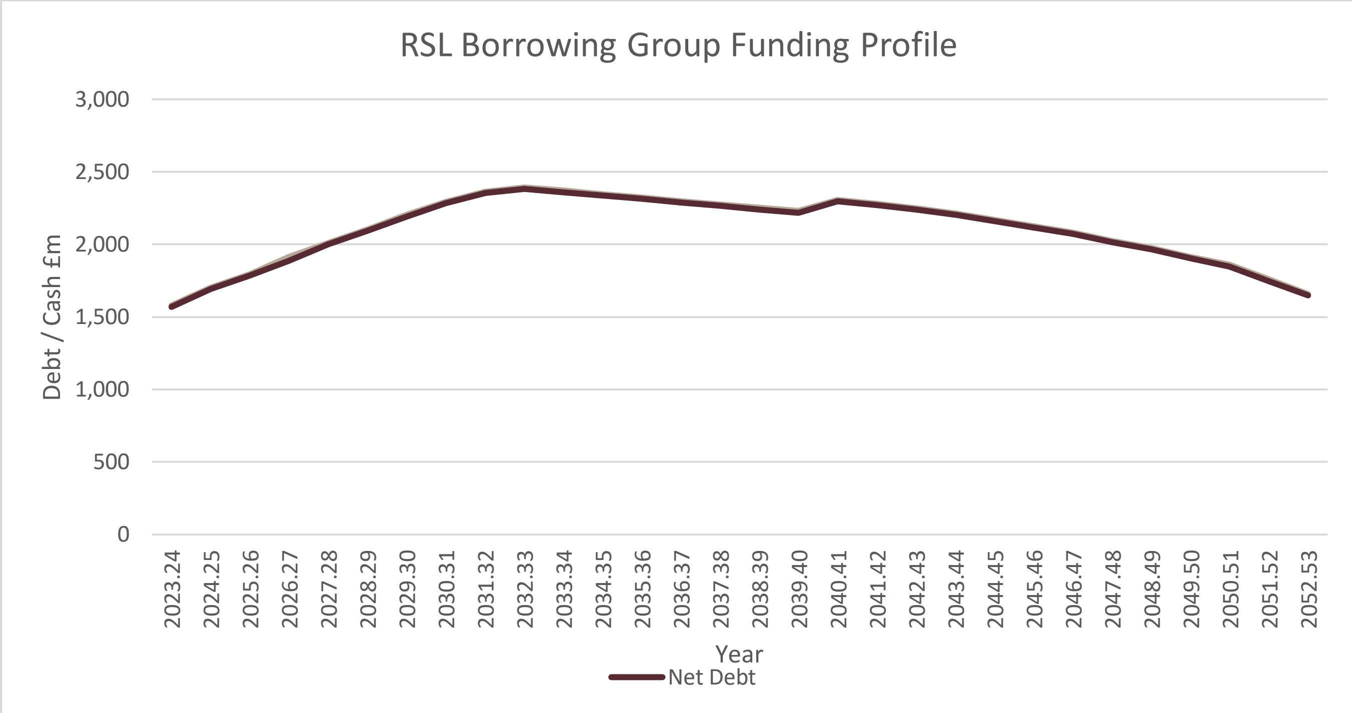
This demonstrates a steady improvement over the period as efficiency savings in operating costs are achieved and additional income is generated from new units and rent increases. Interest costs are forecast to increase over the period as borrowing increases however our projections show there will be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

Funding and debt profile

The financial projections for the RSL borrowing group reflect the 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)	£2,392.2m
Peak Debt (Net)	£2,382.2m
Peak Debt Year	Year 10


RSL Borrowing Group Funding Profile
3,000
2,500
2,000
1,500
1,000
500
0
Debt / Cash £m
2023.24
2024.25
2025.26
2026.27
2027.28
2028.29
2029.30
2030.31
2031.32
2032.33
2033.34
2034.35
2035.36
2036.37
2037.38
2038.39
2039.40
2040.41
2041.42
2042.43
2043.44
2044.45
2045.46
2046.47
2047.48
2048.49
2049.50
2050.51
2051.52
2052.53
Year
Net Debt

Key financial parameters / covenants

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

[redacted]

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

The RSL Borrower Group is funded on a ‘secured’ basis and as a result the housing assets of the RSL borrower group need to be of sufficient value to provide security cover for the borrowing within WFL1. The 2021/22 external valuations adjusted for new build properties delivered within the current financial year, project a surplus funding capacity of circa £334m at the start of 2023/24 to support additional debt. This capacity increases as the development programme progresses and there is sufficient value to cover all the new funding tranches modelled in the business plan.

4 Commercial Subsidiaries

4.1 [redacted]

4.2 [redacted]

5. Other Group Companies

5.1 [redacted]

5.2 [redacted]

5.3 [redacted]

6. Risk Analysis

The key challenges for WHG include:

- How we best mitigate the risk of the current economic climate, including the impact of the current high inflation, interest rate increases, welfare benefit changes and a tightening of the job market on both our cost base and rent affordability for our customers.
- 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
- 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.

RSL Borrowing Group

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

Mitigant	Rationale	Impact	Impact timing
Tier 1			
Reduce non-essential running costs	Spend on non-essential running costs such as consultancy and other discretionary spend could be reduced/stopped	£0.3m	Immediate, ongoing
Reduce Foundation funding	Option to reduce scale of Foundation activities resulting in a reduction in funding required from RSLs	£0.6m	Immediate subject to match funding commitments
Suspend cyclic maintenance	Non-essential cyclic maintenance could be suspended for up to two years.	£2.0-£3.5m pa	Immediate, short term impact only
Defer/delay investment programme	Short term saving could be realised by limiting investment on lifecycle replacements and non essential customer priorities.	£2.0m pa	Immediate, short term
Reduce ICT capital expenditure	Spend on maintenance of existing systems only with limited investment in new technology would reduce debt requirement.	£1.5m pa	Immediate
Development Fund	Acquisition of potential sites for development could be stopped and financial support for new schemes reduced.	£0.4m	Immediate, short term

Tier 2			
Welfare, Fuel and Money advice services reduced	Restructure and reduce Welfare, Fuel and Money advice services	£2.1m	Lead time to restructure services & negotiate redundancies. ER/VR impact
Reduce/restructure Community Improvement Partnership with Police/Fire	Reduction in CIP could be done with minimal ER/VR. Possible implications for tenant security.	£0.8m	Within 1 year
Reduce annual pay increases	Reducing staff pay increases by 0.5% for three years or applying a pay freeze would allow immediate cost savings without reducing posts or service.	£1.3m	Immediate, potentially ongoing
Staff cost reductions	Environmental service could be reduced in scope, patch sizes increased and some back office elements could be removed.	£2m	Lead time to restructure services & negotiate redundancies. ER/VR impact
Rent increase	Higher rent increase (+1%) could be applied for 1 year to offset increasing cost base.	£3.0m	Immediate, short term
Defer/delay investment programme	Further short term saving could be realised by limiting investment to compliance & essential works only for up to five years. Provision for compensation to City Building may be required.	£3.0m pa	Immediate, short term
Reduce/cease non social new build programme	Reduction or cessation of non committed/contracted mid market rent developments would reduce debt requirement.	Reduction in debt only	Non contracted developments only.

Tier 3			
Reduce void repair standard	Void standard could be reduced resulting in a saving in repairs and investment costs. May impact on asset values and tenant satisfaction.	£1.5m	Immediate
Reduce medical adaptations	Funding available for medical adaptations could be reduced from current £2.7m	£1.0m	Immediate
Further staff cost reductions	Patch sizes could be increased further, and delivery of other customer services such as environmental, CFC reduced in scope. Consideration may be required of compulsory redundancy.	£5m	Lead time to restructure services & negotiate redundancies. ER/VR impact
Rent increase	Higher rent increase could be applied to maintain differential to cost increases e.g. cost inflation +0.5%. Subject to tenant consultation and demonstration of value for money.	£1.2m	Tenant consultation required, ongoing cumulative benefit
Sale of Wheatley House	Sale of Wheatley House could generate a substantial cash inflow in the short term. Additional ongoing cost however of either leaseback or relocation of staff.	£10-14m	Time required to find buyer and relocate staff
Negotiate restructure of JV	Savings/additional efficiencies could be realised through restructure of the JV. This would be subject to negotiation with GCC and may require additional costs in the short term to realise any benefits.	TBD	Likely to require at least 1 year to negotiate with GCC & implement

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

Nr	Risk Description	Golden Rules Met Y/N	Covenants Met Y/N	Debt per Unit (Max)	Interest Cover Headroom (Min)	DSCR Headroom (Min)	Impact & Mitigations
Base Case		**Y**	**Y**	**£33,466 (2031/32)**	**£18.0m (2023/24)**	**£76.2m (2024/25)**	
Combined risks							
1	Inflation remains at 5% in year 2 and 3% in year 3 with no change to rent increases, interest rates increase to 5% from year 1 and reactive repairs are £2m higher in first two years	N	Y	£34,942 (2032/33)	£12.8m (2024/25)	£68.2m (2024/25)	The combination of higher cost inflation while limiting rent increases plus additional repairs and interest costs reduces surplus and increases debt. While interest cover, DSCR, debt service and debt per unit covenants can still be met headroom is substantially reduced and breach of golden rules will signal need to undertake mitigating actions.
2	Inflation remains at 5% in year 2 and 3% in year 3 with no change to rent increases, interest rates in line with Chatham forecasts in years 1-5 & bad debts 0.5% higher years 1 and 2	N	Y	£34,626 (2032/33)	£14.9m (2024/25)	£70.7m (2024/25)	While increased interest rates, inflation and bad debts in the first two years have an adverse impact this is offset by reduced interest rates in years 3 to 5. The reduction in headroom and breach of golden rules would signal need for mitigating actions to prevent breach of covenants.

Nr	Risk Description	Golden Rules Met Y/N	Covenants Met Y/N	Debt per Unit (Max)	Interest Cover Headroom (Min)	DSCR Headroom (Min)	Impact & Mitigations
3	Major contractor fails, development cost for schemes post 2024/25 increases by 10% with no increase in grant and programme reduced by 4500 units	N	Y	£31,029 (2029/30)	£18.1m (2023/24)	£51.7m (2027/28)	While the increased costs and delayed completion would increase debt this would be offset by a scaling back of the programme. Debt requirement and maximum debt per unit would reduce however over the longer term the reduction in units and rental income would reduce interest cover headroom. Covenants can be met however mitigating actions would be required to meet interest cover golden rule.
Economic risks							
4	Inflation increases to 5% in year 2 and 3% in year 3 with no change to assumed rent increase	N	Y	£34,767	£16.7m (2024/25)	£72.6m (2024/25)	As increase in costs exceeds increase in income operating surplus will be reduced. All covenants will continue to be met however headroom will be reduced signalling a need to consider mitigating actions.
5	Inflation increases to 3.5% from year 2 on, rent increase remains linked to inflation	Y	Y	£33,657	£18.0m (2023/24)	£76.7m (2024/25)	Income exceeds costs over the medium to long term therefore, providing rent increases of cost inflation + can be applied, all covenants and golden rules can be met with headroom maintained

Nr	Risk Description	Golden Rules Met Y/N	Covenants Met Y/N	Debt per Unit (Max)	Interest Cover Headroom (Min)	DSCR Headroom (Min)	Impact & Mitigations
6	Interest rates are 1% higher than assumed from year 1	N	Y	£33,899	£15.8m (2023/24)	£71.2m (2024/25)	Significant proportion of funding is fixed therefore limited impact on covenants. Additional fixed rate funding could be put in place should rates increase further.
7	Rent increases limited to 2.9% in all years	N	Y	£34,132	£18.0m (2023/24)	£72.7m (2024/25)	Reduction in income results in increased borrowing requirement and reduced operating surplus. Covenants can be met in all years however headroom reduced and breach of golden rules signals need for mitigating actions.
Operational risks							
8	Performance – bad debts increase by 1%	N	Y	£34,134	£14.8m (2023/24)	£41.8m (2027/28)	Reduction in net income received increases debt requirement and reduces headroom on covenants however covenants can still be met
9	Staffing savings achieved are 50% lower than target	N	Y	£34,072	£18.0m (2023/24)	£72.6m (2024/25)	Increased cost reduces operating surplus and increases funding. Covenant headroom is reduced but can still be met
10	Reactive repair costs are 10% higher from year 1 on	N	Y	£34,336	£13.5m (2023/24)	£69.9m (2024/25)	Significant increase in costs increases debt and reduces operating surplus. Covenants can be met but with lower headroom.
Growth							

Nr	Risk Description	Golden Rules Met Y/N	Covenants Met Y/N	Debt per Unit (Max)	Interest Cover Headroom (Min)	DSCR Headroom (Min)	Impact & Mitigations
11	New build programme ceases from 2023/24 due to insufficient grant to meet costs	Y	Y	£26,277	£18.0m (2023/24)	£7.2m (2026/27)	Cessation of programme from 2023/24 results in a reduction in debt requirement improving our debt per unit ratio. The loss of grant reduces headroom in DSCR
12	New build programme delayed (265 units by 6 months)	Y	Y	£33,474	£18.0m (2023/24)	£90.9m (2024/25)	Delay in development of 250 properties results in a reduction in debt requirement in the short term and increases headroom in interest cover. Over the longer term there is an adverse impact from the delay in receiving rents.
13	New build programme reduced (1,550 units removed)	Y	Y	£31,332	£18.0m (2023/24)	£73.9m (2025/26)	Reduction in programme of c. 300 units per annum years 3-6 results in a reduction in debt requirement and debt per unit. Interest cover improves in the short term but the loss of rents results in an adverse impact in the long term.
14	Major contractor (representing 25% of our programme) fails resulting in delay and additional costs	Y	Y	£33,669	£18.1m (2023/24)	£79.2m (2024/25)	Delay in delivery of the units combined with an assumed 20% increase in costs increases debt and funding costs and reduces surplus. While debt per unit increases close to golden rule, covenants could still be met.

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

Nr	Risk Description	Golden Rules Met Y/N	Covenants Met Y/N	Debt per Unit (Max)	Interest Cover Headroom (Min)	DSCR Headroom (Min)	Impact & Mitigations
Extreme downside scenario							
1	Inflation increases to 5% in year 2 & 3% in year 3, repair costs are 10% higher, bad debts 1% higher and interest rates increase to 5%. No change to rent increases assumed	N	N	£43,172 (2052/53)	-	£62.1m (2024/25)	The combination of higher cost inflation and reduced income plus additional interest costs reduces surplus and increases debt. Headroom reduced on interest cover and this is projected to breach by 2036/37. Maximum DPU is also in excess of covenant. Significant mitigating actions will be required.
2	With mitigations	N	Y	£30,744 (2029/30)	£9.2m (2023/24)	£58.4m (2024/25)	All tier 1 mitigations required in addition to reduction in pay uplifts of 0.5% for three years, £2m staff saving, reduction in CIP, reduction/reprofiling of investment programme, increase in rent inflation of 1% in 24/25 and 0.5% in 25/26 and reduction in development programme. Further substantial reprofiling in investment and development activities would be required to meet golden rules

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

The other potential impact is on our security value and asset cover as significant market downturns or changes in the valuation could negatively impact on our security position. The majority of our £2,330m of secured stock is valued on a EUV-SH basis (56% of value is on an EUV-SH basis), which is based on discounted cashflows and therefore not impacted by movements in general property values. This is not the case with assets valued on the MV-ST basis and these are more sensitive to general property market fluctuations. 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. This impacts our facilities with Barclays (£50m RCF), M&G (£114m Private Placement) and BlackRock 2018 (£50m Private Placement) where we have relatively lower levels of headroom. We are well-placed to mitigate such an outcome as we have c.£80m of unallocated assets already charged to the Security Trustee which would provide sufficient security to address any moderate fall in the value of funder security pools. As a second line of defence, the build to secure process would be accelerated and a charging exercise undertaken to complete relevant due diligence to charge unsecured assets (c. £300m) to the relevant funder(s).

[redacted]

[redacted]

Wheatley Group

Report

To:	**Wheatley Group Housing Board**
By:	**Anthony Allison, Group Director of Governance and Business Solutions**
Approved by:	**Steven Henderson, Group Chief Executive**
Subject:	**Performance report**
Date of Meeting:	**22 February 2023**

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1. Purpose

1.1 This report presents an update on performance delivering against targets and strategic projects for 2022/23 as of the end of quarter 3.

2. Authorising and strategic context

2.1 The Group Board approved the overarching structure for the implementation of our strategy via our Group Performance Management Framework ("PMF") at its meeting in June 2021. The Board agreed the programme of strategic projects and performance measures and targets for 2022/23 in April 2022.

2.2 Under the Group Standing Orders the Group Board has an ongoing role monitoring performance of subsidiaries across the Group against the agreed measures. Individual RSL Boards are responsible for approving their Annual Return on the Charter ("Charter") returns. They are also responsible for monitoring RSL performance against agreed targets.

3. Background

3.1 This report outlines our performance against targets and strategic projects for 2022/23 as of the end of quarter 3. This includes quarterly progress with those measures that will be reportable to the Scottish Housing Regulator as part of the Charter 2022/23. It also includes new measures for 2022/23 covering areas of performance related to the implementation of our engagement model, visibility of the Customer First Centre and monitoring of the strength of our Boards and administration. Unless stated, measures are reported year to date.

3.2 Since 1 April 2022 GHA has been known as Wheatley Homes Glasgow. Wheatley Homes Glasgow (and "WHG") is therefore now referred to in 2022/23 performance papers. Cube's properties migrated to WHG in April 2021 and to Loretto at the end of July 2021. To reflect the different rent billing cycles for Cube customers, for financial rent-based measures we report WHG A and WHG B. WHG B distinguishes those previous Cube customers whose rent is billed differently. The same approach is also used for Loretto.

3.3 Since 28 September 2022 DGHP has been known as Wheatley Homes South. Wheatley Homes South (and "WHS") is therefore now referred to in 2022/23 performance papers.

3.4 WLHP transferred to DC in September and subsequently created Wheatley Homes East. Wheatley Homes East (and "WHE") is therefore now referred to in 2022/23 performance papers and includes previous WLHP. To reflect the different rent billing cycles for ex-WLHP customers, for financial rent-based measures we report WHE A and WHE B. WHE B distinguishes those previous WLHP customers whose rent is billed differently.

4. Discussion

4.1 Progress for strategic and other measures against targets 2022/23 is set out below. This is followed by progress on strategic projects. Appendices 1-3 detail all Board measures and Appendix 4 the strategic projects.

Delivering Exceptional Customer Experience

Customer First Centre

4.2 To the end of November, four of the five core CFC performance measures were on target both in month and year to date with Grade of Service at 84.07% and the average wait time at 28.5 seconds. In addition, all core measures had improved from October.

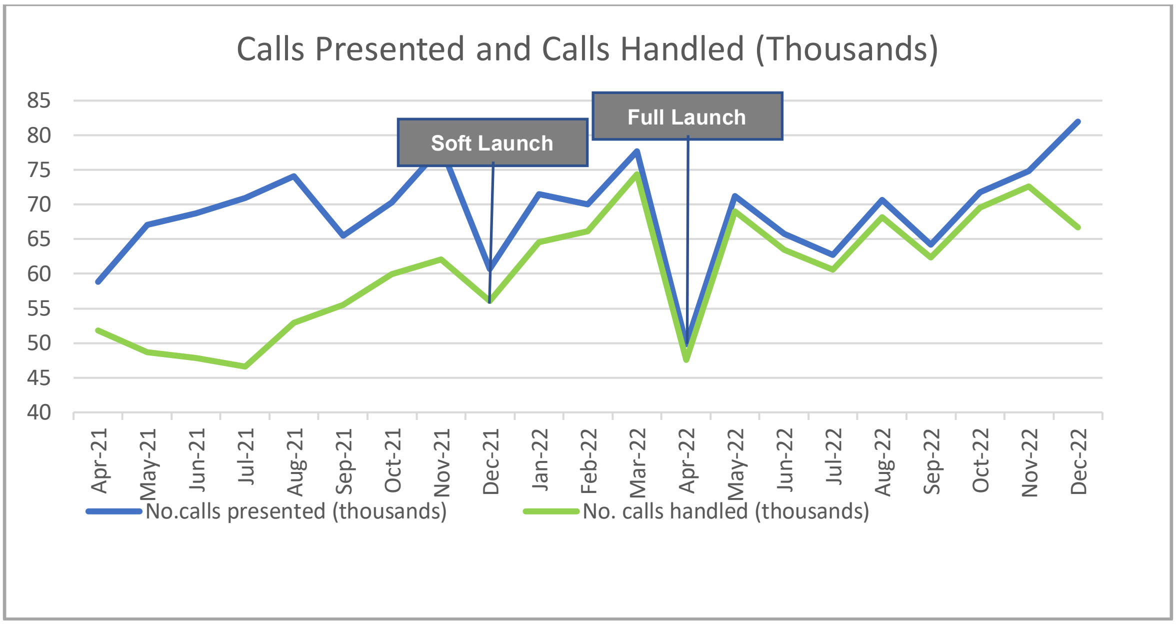
4.3 Unfortunately, the two weeks of extreme cold weather leading up to Christmas placed significant pressure on the CFC in a concentrated time period. Call volumes increased by a significant margin during these two weeks and the nature of the calls was more complex necessitating longer call handling times.

4.4 The Customer First Centre ("CFC") year to date results as at the end of Quarter 3, taking into account the significant impact of the December extreme weather, are set out below in Table 1. Excluding the calls during the period of extreme weather and associated call volume the year to date average waiting time for all other calls would be in line with our target of less than 30 seconds.

Table 1

Measure	2021/22	2022/23		
	Value (at March 22)	Value	Target	Status
Group - % calls answered <30 seconds (Grade of Service)	85.42%	80.57%	80%	✔
Group - Average waiting time (seconds)	30	54.8	30	●
Group - Call abandonment rate	3.81%	4.46%	7%	✔
Group - % first contact resolution at CFC (Customer Service Advisors)	92.33%	89.08%	90%	⚠
Group – % of CFC customer interactions that are passed to Housing and Lowther staff for resolution	N/A	6.78%	<10%	✔

Chart 1



4.5 As would be expected, repairs related issues made up a greater proportion of calls handled than in the previous month (approximately 56% up from 48% in November). This sharp increase of extreme weather related demand adversely impacted year to date performance.

4.6 The volume of calls also impacted the abandonment rate, which increased to 4.46% year to date from 3.23% reported to the end of Q2. The Q3 year to date figure is still significantly outperforming the target of 7%.

4.7 Call volumes are now returning to the expected levels there will be a continued impact on performance as we address the issues that arose during the extreme weather in particular repairs. Additional cold spells during quarter 4 could further impact the likelihood of achieving year end targets. The CFC inducted 20 new staff in January and February which will support service levels in the future.

4.8 The percentage of CFC customer interactions being passed to Housing and Lowther staff on the frontline is at 6.78%. While this has increased during 2022/23 it is still well within the <10% target and continues to be a key element of our new operating model, with the CFC capturing traffic and enabling frontline staff to spend more time in communities and supporting customers.

Complaints Handling

4.9 To the end of quarter 3, performance for the ARC measure – average time for a full response to complaints – is achieving target year to date. We continue to focus on further improving stage 1 performance against the Scottish Public Services Ombudsman (“SPSO”) measure % of complaints that were fully closed within the timescale of 5 days, with subsidiaries ranging from 90.5% to 99.2% year to date. Positively, 100% of complaints that went direct to stage 2 were fully closed within the 20-day timescale. This is only slightly lower for complaints escalated to stage 2, with subsidiaries ranging from 96% to 100%.

4.10 Repairs remain the highest volume of complaints overall and we have taken learning from these complaints, as well as those relating to estate services and anti-social behaviour to deliver improvements. Further details on changes to our approach, lessons learned and actions we have taken as a result of the learning are set out in more detail below.

4.11 In the last quarter, we have strengthened the complaints team and a complaints improvement plan has been implemented with a focus on:

- Increased awareness of the importance of complaints
- Improved analysis and learning.

4.12 Working with colleagues across Group, the complaints team will use a suite of performance measures to ensure we effectivity manage, monitor, understand and learn from complaints. These performance measures include those reported to the SHR and, in the future, to SPSO.

4.13 While ARC measures have been in place for some time, SPSO measures are new. As previously reported to Boards in Q1 and Q2, clarification has been sought on the new SPSO measures and development underway. We are now able to share these measures as at the end of Q3 in advance of the full year results, due May 2023.

4.14 The key year to date performance measures to the end of quarter 3 for ARC and SPSO measures are set out below, with further detail included in Appendix 3.

Charter - average time for a full response to complaints (working days)				
	2021/22		**2022/23 – YTD Stage 1 - 5-day target, Stage 2 – 20-day target**	
	Stage 1	**Stage 2**	**Stage 1**	**Stage 2**
WHS	4.74	21.95	3.75	18.42
WHE	3.92	18.92	3.71	18.14
WHG	3.98	20.78	3.97	18.40
Loretto	3.62	21.33	3.42	17.71
[redacted]				

SPSO Indicator 2 - number and % of complaints at each stage that were fully closed within timescales of 5 and 20 working days - YTD			
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**
WHS	93.06%	100.00%	100.00%
WHG	90.58%	100.00%	96.01%
Loretto	99.21%	N/A	100.00%
WHE	93.61%	100.00%	96.88%
[redacted]			

4.15 Both measures show strong performance in terms of our response times for complaints.

4.16 Current activities that will ensure a robust complaint monitoring system where we can learn from complaints and address the issues are as follows:

- Training additional staff in complaints handling and rolling out new training to existing staff
- Close working with the CFC to monitor commitments made and ensure that they are fulfilled
- A new suite of reports is being put in place to ensure teams across the business are well informed about complaints performance and key themes.

4.17 A key focus for actions at present is around our repairs service. We know that approximately 50% of all complaints relate to repairs. Repairs are a major part of the business and we would therefore expect a high volume in this area; nonetheless, we have identified areas for improvement around repeat repairs, failed commitments and escalated complaints. Our new approach to mould and dampness will also assist with this.

4.18 More detailed analysis and learning are also being progressed. Initial lessons learnt and actions taken include:

Repairs & Maintenance

- Feedback – Some customers have told us that we have not turned up to complete follow on repairs when we said we would and that it can take a number of visits to resolve complex issues.
- Changes – The CFC now review the commitments made to customers in their complaint response and ensure that these are completed. We have also introduced new ways of working around mould and dampness and for plumbing to limit the number of repeat visits. We are working to develop a new tracking system for repairs which will provide real time updates about appointments.

Estate Services – Stair Cleaning Services

- Feedback – Some customers told us that the regular cleaning of the common areas has been missed, not completed to an acceptable standard and sign off sheets within the close are missing or not completed.
- Changes – We have rolled out the use of a 'Mobile App' which will provide the opportunity for each cleaning squad to seek sign off from customers on completion of the cleaning service providing a 'Real Time' digital record logging customer satisfaction. In addition, staff will be able to send back pictures of the common areas. Each cleaning team will have access to the mobile app.

Anti-Social Behaviour

- Feedback – We received some complaints from customers that we were not dealing with noise issues as they would like. We also received this feedback from some customer engagement events.
- Changes – It was often difficult for us to take action in relation to noise because there was little hard evidence. We have now been able to introduce a "Noise app". This allows customers suffering repeated incidents of noise to record these. The recordings can help those creating the noise to understand the impact it has and this is often enough to change behaviour. The recordings can also be used as evidence for more formal actions.

Tenancy Sustainment

4.19 Group RSL tenancy sustainment for the Charter measure has fallen to 89.29% and is 34 sustained lets below the 90% target, with the revised measure (excluding deaths and transfers within Group) remaining better than the 91% target at 91.08%.

4.20 Although a reducing trend has been seen from the March 2022 result, Group ARC tenancy sustainment levels remain close to the 90% target and with the percentage of lets to homeless applicants in 2021/22 (ARC) at 54%, this continues to show successful sustainment. Nonetheless, more detailed analysis of tenancy sustainment by tenancy source is underway to better understand this measure through effective engagement and use of appropriate wraparound services.

Chart 2

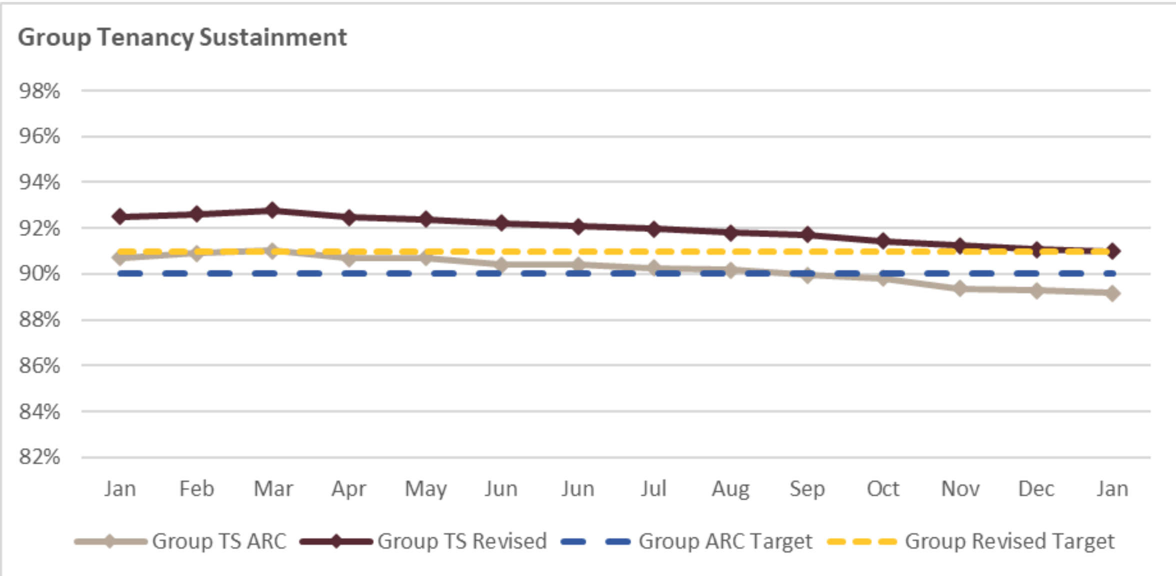


Table 2

Tenancy Sustainment	Charter	2022/23 Target	Revised	2022/23 Target
WHE	89.80%	90%	91.91%	91%
WHS	86.35%	88%	88.72%	89%
WHG	90.05%	90%	91.59%	91%
Loretto	89.24%	90%	92.11%	91%
Group	89.29%	90%	91.08%	91%

4.21 WHG is now the only RSL which remains above target for both indicators at 90.05% for Charter and 91.59% revised. WHE and Loretto remain above target for the revised measure but are now below target for the Charter measure. In WHE and Loretto, Housing Officers are carrying out annual visits to ensure customers have the required support and that this maximises sustainment.

4.22 WHS are below target for both, 15 sustained tenancies short of the ARC target of 88% and 2 below the revised target of 89%. Tenancy Sustainment decreased slightly in Q3 for WHS. WHS continue to utilise collaborative working with wrap around services including continuous communication with our flexible housing support service in relation to capacity for referrals. WHS expect improvement in Q4 due to the efforts of local staff, wrap around services and partner agencies in supporting our customers to maintain their tenancies.

Customer Voices

4.23 Our customer voice programme is exceeding all year-to-date targets with several already achieving the annual targets. Recruitment and development are ongoing to ensure we are well positioned to develop our involvement with those customers through new engagement plans for 2023/24. This includes a focus on diversifying our Customer Voices.

4.24 A Regional panel event took place this quarter which focussed on issues relating to investment and compliance and community safety. A scrutiny 'bootcamp' was also facilitated which engaged customers to explore what is meant by 'scrutiny' in a housing context.

4.25 During quarter four Customer Voices are being invited to take part in helping improve our repairs services. Specifically, we will engage around 70 customers from across Group in advising us on the SMS messaging aspect of the repairs service to improve communication over the coming year.

4.26 The W360 Community Improvement Partnership will also engage with customers in 2023/24 to deliver on the commitments contained in the new 'neighbourliness charter'. This will help shape how we will work with communities to create connected, thriving and peaceful communities.

Table 3

Indicator	Actual (YTD)	Target (YTD)	2022/23 Annual Target
Number of Customers involved in the Customer Voices programme			
Group	1,847	1,166	1550
WHG	860	751	1000
WHE	295	190	250
WHS	629	187	250
Loretto	63	38	50
Number of the Customer Voices activities carried out			
Group	993	470	622
WHG	652	326	434
WHE	137	51	64
WHS	167	73	98
Loretto	37	20	26
Number of Geographical/ Regional panels			
Group	33	12	18
East	4	2	3
WHG	11	6	9
Loretto	3	2	3
South	15	2	3
Number of customers involved in Geographical/ Regional panels			
Group	859	341	525
East	139	50	75
WHG	316	171	300
Loretto	37	20	30
South	367	100	150
Number of Scrutiny panels			
Group	17	12	17
WHG	12	8	12
WHE	2	1	2
WHS	2	2	2
Loretto	1	1	1

Making the Most of Our Homes and Assets

New Build Programme

4.27 Our revised aim is to deliver 4,000 new homes over the course of the five-year strategy. Our revised target in 2022/23 is to deliver a total of 670 new homes. Of these new homes, 497 are social rent and 173 MMR. To the end of December, 458 homes had been handed over against a YTD target of 601. The following table shows the variance overall, and by tenure and subsidiary.

Table 4

All New Builds		Social						MMR			
		All	WHG	LH	WHE	WHE (ex-WLHP)	WHS	All	WHG	DC	WHE (ex-WLHP)
Target	601	440	26	177	72	128	37	161	129	0	32
Actual	458	375	26	175	44	93	37	83	77	0	6
Variance	-143	-65	0	-2	-28	-35	0	-78	-52	0	-26

4.28 Handovers in quarter 3 comprised a mixture of social units for Loretto (57), WHE (26) and WLHP (22), and 4 MMR for WHG. It is important to note that during the first month of quarter four, a further 33 units have been handed over.

4.29 Sighthill MMR for WHG continues to experience delays and significant remedial works required which has resulted in 20 customers being decanted from their homes. Four homes were handed over in December and a further 32 apartments are now expected to the end of March. [redacted] The final 20 homes are now to be handed over in 2023/24. This is being closely monitored.

4.30 A further 14 social units completed Almondvale in December and a further 9 social units through January, with the remainder expected this financial year. This project has faced significant delays in relation to labour resource availability. All extensions of time have been granted and we are therefore progressing within the revised contract period for the final social units and 26 Mid-market units through to March.

4.31 We continue to monitor progress at the Wisp 3C, where confirmation of Scottish Power Energy Networks commissioning works programme is awaited. The timescales for handover are therefore outwith the control of WHE and the developer. As a result, 12 completions for 2022/23 are now to be handed over into 2023/34 [redacted].

<u>Planned to Reactive Spend</u>

4.32 Our Strategic Result is to achieve a ratio of planned to reactive spend on maintaining our properties of 60% to 40%. Spend figures are subject to investment programme profiling throughout the year. Planned Spend includes core capital programmes, cyclical maintenance and compliance.

4.33 As shown in the below table, our planned spend ratio has reduced compared to last year, with our Group and all RSLs below the 60% planned target. The increase in variance for planned spend compared to 2021/22 is the result of the decision taken at the start of the year to prioritise reactive repairs - to reduce the backlog from 2021/22 - and the ongoing high repairs demand since quarter two - heightened due to the cold weather in December - and means that we are unlikely to achieve 60% target by year end given.

Table 5

Percentage Spend 2022/23		Planned 2021/22	Planned 2022/23 (Dec 22)	Variance (21/22 to Dec 22)	Reactive 2022/23 (Dec 22)
West	WHG	65%	48.9%	-16.1	51.1%
	Loretto	68%	54.8%	-13.2	45.2%
East	WHE	58.6%	54.2%	-4.4	45.8%
	WLHP (to P6)	59.2%	42.8%	-16.4	57.2%
South	WHS	69.1%	47.7%	-21.4	52.3%
Group total		**65.9%**	**49.3%**	**-22.6**	**50.7%**
			£46,654,553		**£47,921,435**

Volume of Emergency Repairs

4.34 The table below shows our position against the Strategic Result to incrementally reduce the overall volume of emergency repairs by 10% by 2026 compared to the new baseline year of 2021/22. The Group variance between 2021/22 and 2022/23 is +3.03% at the end of December, below the target reduction of 2.5% for the year.

4.35 Emergency repair numbers had been tracking upwards during quarter 3 and peaked during the freezing temperatures and subsequent thaw in December. This is evident in the change in our variance, having increased from -1.31% reported to the end of quarter 2. It is anticipated that we may reduce the variance closer to target by year end, albeit with volumes similar to 2021/22.

4.36 With the exception of WHS, all RSLs have a greater variance compared to 2021/22. This increase in the number of emergency repairs completed is currently 2,149 more completed in 2022/23 compared to 2021/22.

Table 6

Area	Completed Emergency Repairs		
	YTD Dec 2021/22	YTD Dec 2022/23	Variance
WHG	49,662	52,246	+5.20%
Loretto	3,046	3,331	+9.36%
WHE	6,493	6,553	+0.92%
WHS	11,724	10,944	-6.65%
Total	**70,925**	**73,074**	**+3.03%**

Repairs Timescales and Right First Time

4.37 As reported elsewhere in this report, high and increasing demand for repairs has been experienced through quarter 3. The significant increase in emergency repairs in December, as a result of the freezing temperatures and subsequent thaw, put significant pressure on our services and in turn negatively affected year to date completion timescales.

Timescales

4.38 Group-wide performance year to date to the end December is 3.29 hours for emergency repairs compared to 2.72 hours last quarter. Group-wide performance and that of 3 of our 4 RSLs is over the 3-hour target. While we remain over the 5.5 days target for non-emergency repairs, our Group YTD has improved slightly to 8.14 days, from 8.51 days at end of last quarter. Nonetheless this remains an increase from 8.08 days at year end 2021/22. The position is being regularly monitored through quarter 4.

Table 7

Repair completion timescale (Charter)		Emergency (hours)		Non-emergency (days)	
		Target	Q3 YTD Value	Target	Q3 YTD Value
West	WHG	3.00	3.41	5.50	8.62
	Loretto	3.00	3.67	5.50	8.52
East	WHE	3.00	3.01	5.50	6.45
South	WHS	3.00	2.81	5.50	6.76
Group		3.00	3.29	5.50	8.14

Right first time

4.39 For the Group, right first time performance to end of December, at 92.50%, has improved since last quarter and is better than 2021/22. Given emergency demand in December, a higher number of non-emergency repairs were live at the end of quarter 3 creating challenges for further improvement on this measure to quarter 4/year-end.

Table 8

Percentage of repairs right first time (Charter)		2021/22	2022/23 Q3 YTD	Target	
West	WHG	91.03%	92.08%	92%	
	Loretto	94.86%	95.58%	97%	
East	WHE	94.14%	95.08%	95%	
South	WHS	83.10%	91.28%	88%	
Group		90.42%	92.50%		

Repairs Satisfaction

4.40 Targets for satisfaction with the repairs service have been set to incrementally increase annually to 95% by 2026. The target for 2022/23 has increased to 89% from 87% last year. To the end December, Group-wide performance is just above target at 89.11% and this is shown on the graph below.

4.41 This measure covers a rolling twelve-month period. As at the end of December we have received 5,337 completed surveys in the last 12 months. This is a significant increase compared to 1,323 at December 2021 and is progressing towards pre-Covid levels of just over 7,500 (Dec 2019).

Table 9

RSL		2022/23 Target	Current Value
West	WHG	89%	89.4%
	Loretto	89%	91.0%
East	WHE	89%	89.7%
South	WHS	89%	79.2%
Group		**89%**	**89.1 %**

4.42 WHS measure satisfaction based on customer responses to text messages sent following completion of a repair. The text messaging service was re-activated in September 2022 and the number of survey responses is increasing, with 235 at the end of quarter 3. While survey responses remain low each negative response has a greater bearing on results. Nonetheless, the responses are currently being reviewed to understand better the reasons for dissatisfaction and develop appropriate actions to address them.

4.43 As reported previously and updated in seperate papers, we are developing a wider range of mechanisms to understand customer satisfaction with the overall service. This includes the ability to provide feedback through Book It, Track It, Rate It, additional surveying via the Customer First Centre, and greater feedback and engagement on the service through our Customer Voices.

<u>Responsive repairs: Damp and mould</u>

4.44 Following the update to the Board at its last meeting on our approach to mould and damp, we are continuing to strengthen and improve our approach to Mould related requests from customers and in doing so have made the following improvements to our processes:

- visiting customers' homes within 48 hours of the mould being reported;
- increased the resources within our structure with additional specialist resources – Director with specific oversight of Damp/Mould/Rot, a qualified building surveyor and additional repairs, investment and compliance officer resource;
- individual properties being tracked daily on a case-by-case basis;
- every completed repair case receives a housing officer visit after around 1 week to provide assurance that the mould and damp is not recurring;
- an independent review of c10% of properties is underway across the Group, carried out by specialist property surveying firm JLL. The sample focuses on properties with greater potential risk or history of mould and damp;
- forward investment programme will also focus on structural fixes where required.

4.45 For every case of mould reported an inspector will categorise it as follows:

<u>Category 3</u> – Requires a fungicidal wash down and decoration (completed in one appointment)

<u>Category 2</u> – As with category 3 but covering a larger physical area which will require a longer appointment to complete (completed in one appointment)

<u>Category 1</u> – More extensive mould with an underlying issue which will require follow on repairs required after the initial treatment of the mould. This will require more than one appointment or a more structural fix following the treatment of the mould. Any cases that would meet the UK Government's "Housing Health and Safety Rating System (HHSRS)" definition of posing a serious and immediate threat to health were the tenant to remain in situ with untreated mould are also included under this category.

4.46 As at the 15th February 2023, across our Group RSLs and [redacted] we currently have 445 live cases for mould and 110 live damp and rot repairs. A breakdown of the current status of all mould cases is as follows:

Table 10

Subsidiary	Total Live cases	Cat 3	Cat 2	Cat 1
WHG	**308**	96	28	1
Loretto	**13**	13	0	0
WHE	**44**	28	15	1
WHS	**64**	40	24	0
[redacted]				
Group	**445**	194	84	1

Note categories only refer to those which have had an inspection and to where one is pending or there was no access on the inspector visit

4.47 Once works are completed, under any of the above categories, a housing officer follow up visit is arranged. This is around one week after the completion of works, to assess whether the customer is satisfied with the outcome and whether there has been any recurrence of the mould. In the latter case an urgent re-inspection is arranged.

4.48 Damp and mould cases cover approximately 0.7% of our RSL stock, and as the table above highlights, the majority of these are minor in nature. By way of context, a recent report in England by the Regulator of Social Housing highlighted that 1%-2% of social housing in England had “notable” mould and damp.

4.49 We recently engaged with Housemark to get an understanding of the wider approach across the sector. They confirmed that our 48 hour commitment for an inspection was sector-leading and that our reporting and monitoring, weekly to the Executive Team and daily case reviews at operational management level, is also the strongest of any landlord they have engaged with.

Medical Adaptations

4.50 Between October and December, we have completed 1,698 adaptations in total, an increase from 1,118 in the previous quarter. There are now 108 households waiting (down from 153 reported last quarter).

4.51 The average time to complete adaptations has further improved year to date for the Group to the end of quarter 3. From 42.6 days reported year end 2021/22 and 27.15 days last quarter, performance is now 25.71 days and is within target. The table below shows the number of households waiting, completions and the average time to complete adaptations by RSL. All RSLs are within target.

Table 11

Medical Adaptations	Households Waiting 2021/22	Current Households Waiting	Number Completed YTD	Average Days to Complete	Target
WHG	100	75	957	23.47	35
Loretto	4	3	69	19.34	35
WHE	9	6	174	14.56	35
WHS	51	24	498	34.79	35
Group	164	108	1,698	25.71	35

Gas Safety

4.52 We continue to be 100% compliant for gas safety.

Table 12

RSL	2021/22	YTD 2022/23
WHE	0	0
WHS	0	0
WHG	0	0
Loretto	0	0
Total	0	0

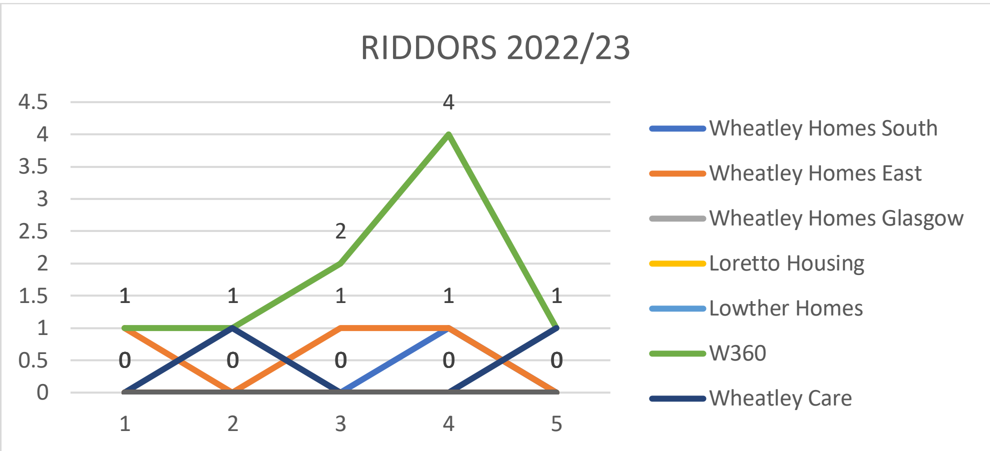
Health and Safety

4.53 There were no accidental workplace fires in quarter 3.

Table 13

Measure	2021/22	Q3 YTD 2022/23	Notes
Number of new employee liability claims received	3	3	No claims were received during Q3
Number of open employee liability claims	9	*8	*1 x previous claim that was abandoned has been re-submitted by claimant (ex-employee) following the appointment of a new Solicitor acting on their behalf
Number of days lost due to work-related accidents	258	309	During 2021/22 a number of our services were not operational due to covid restrictions. As such the comparison to the prior year is not like for like.
Number of RIDDOR incidents reported	11	11	1 RIDDOR Incident occurred in November – W360 – 1 lifting and handling injury resulting in over 7 days absence And 1 incident in December – Wheatley Care – Slip/Trip/Fall, resulting in a fracture to the arm.
Number of HSE or local authority environmental team interventions	0	2	October - HSE contacted WHG to report a RIDDOR submitted by SGN following a customer complaint.

Chart 3



Compliance Programme

4.54 Performance against our compliance programme delivery is shown in Appendix 2, with RSLs making good progress in the third quarter of the year. There has been improvement in the percentage of properties with EICRs less than 5 years old, with numbers of properties to be certified reducing to 724 at the end of quarter 3 (598 WHG, 25 Loretto, 8 WHS and 93 WHE) compared to 1,240 at the end of the last quarter. Further progress has already been made into quarter four, with for example WHG down from 598 to 518 (w/c 06/02/23).

4.55 We are doing everything practical through intensive management to obtain access to the outstanding properties and to complete any required works, including multiple visits, force access and court order. Even with forced access, EICR testing and inspection can still be unable to be carried out due to complex issues with some individual tenancies, such as no power, hoarding, dangerous dogs, cleanliness and tenant aggression.

4.56 WHE and WHS are 100% compliant for the 3 measures of Legionella inspections and domestic and passenger lifts. WHG and Loretto are 35 and 2 inspections below the 100% target respectively for Legionella, similar to the position at the end of quarter 2. The legionella risk assessments are expected to all be completed by the end of March 2023 as there is ongoing work in progress at present.

4.57 Having been 100% compliant at the end of quarter 2, WHG were 8 and 10 inspections below target for domestic and passenger lifts respectively at the end of quarter 3, and Loretto were 1 each below target for these measures. The delay to WHG lift inspections was due to capital lift refurbishments and the need to maintain one operational lift in the blocks. Refurbishment works and the required inspections have since been completed for the applicable lifts. The Loretto passenger lift inspection has also since been completed, and a no access at the domestic premises reattended. It is therefore expected that Loretto will also move to 100% compliant by the end of March 2023.

Changing Lives and Communities

Care Service Quality

4.58 [redacted].

4.59 [redacted]

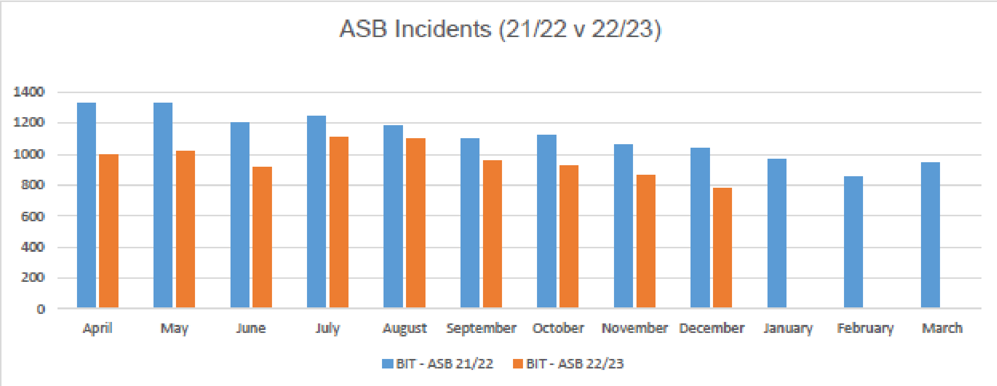
Peaceful Neighbourhoods

4.60 Our Group strategic measure is for over 70% of our customers to live in neighbourhoods categorised as peaceful. Peaceful communities are defined as communities where customer reported incidents of antisocial behaviour to Police Scotland are reducing and social deprivation indicators (SIMD) in the associated data zone are improving.

4.61 The proven most effective way to achieve this target is by reducing the incidence of customer reported antisocial behaviour to Police Scotland. In December, there were 782 antisocial crimes and incidents reported to Police Scotland at or within 25m of one of our properties. This figure is a decrease of 9.5% when compared to the previous month, when there were 864 cases reported in November 2022.

4.62 As at the end of December 2022, 72.2% of our communities are categorised as 'Peaceful' against a target of 68.5% for 2022/23. This is the highest recorded result we've had to date since setting this strategic KPI.

Chart 4



4.63 There are 14 live ASB Packages currently allocated to CIP Officers for action, down from 21 at end September 2022. Each package consists of all information/intelligence we have on a person who is a persistent perpetrator. Out of the 14 packages, four are currently being investigated and 10 are being monitored for any new incidents. The 14 packages comprise: WHG eight, WHE four, and WHS two.

<u>Accidental Dwelling Fires</u>

4.64 We have a Strategic Result to reduce RSL accidental dwelling fires by 10% over five years against the baseline of a total of 215 fires in 2020/21. Lowther and Wheatley Care are not included in the Strategic Result but will be referenced for information if any fires are recorded.

4.65 As shown in the below table, as of the end of December, 118 fires have been recorded year to date against the upper limit for 2022/23 of 205. This compares to 133 fires reported to the end of quarter 3 in December 2021, over an 11% reduction.

Table 14

Number of recorded accidental dwelling fires	2021/22	2022/23		
		Q1	Q2	Q3
WHE	8	1	1	6
WHG	121	18	38	38
Loretto	7	1	1	1
DGHP	12	4	5	4
Sub total		**24**	**45**	**49**
Total for Group	**148**	**118**		
Upper limit this year to achieve strategic result	**210**	**205**		

4.66 To support this reduction, there is an additional measure to ensure 100% of applicable properties have a current fire risk assessment in place. This continues to be achieved.

Table 15

Fire Risk Assessments	YTD	Target
The percentage of relevant premises - HMOs that have a current fire risk assessment in place	100%	100%

4.67 Our programme for non-relevant properties, LivingWell and high-rise domestic premises, completed in March 2022. This programme recommenced in July 2022 and three LivingWell and 15 high-rise domestic premises have had FRAs conducted during quarter 3.

Reducing Homelessness

4.68 The Group has made 1,793 lets to homeless applicants in the year to December/P10, exceeding the 1,500-target set to the end of December. For the targeted relevant lets measure, we have made 53.1% of lets to homeless applicants in the year-to-date against the target of 56%, an improvement from the 52.3% reported at the end of Q2. WHE and WHS remain better than target.

4.69 This result has been impacted by our tenants moving from the Wyndford 26 storeys. Nonetheless, WHG has improved slightly in the third quarter, with the percentage of relevant lets to homeless applicants increasing from 50.9% at the end of the last quarter to 51.2% to the end of quarter 3.

4.70 Loretto, while continuing to be impacted by nomination agreements in place with Local authorities, has also recorded a slight improvement with the percentage of relevant lets to homeless applicants increasing to 48.2% in the third quarter from 46.3% reported last quarter.

Table 16

Percentage Lets to Homeless Applicants	Relevant lets					Charter Result	
	In-month December	YTD 2022/23		Target	2021/22 results	YTD 2022/23	2021/22 results
WHS	58.3%	58.6%		45%	52.1%	57.7%	51.0%
WHE	79.4%	58.7%		50%	66.6%	48.5%	56.0%
WHG	55.5%	51.2%		60%	58.3%	49.6%	55.7%
Loretto	40.0%	48.2%		50%	53.3%	47.4%	43.2%
Group	**56.2%**	**53.1%**		**56%**	**57.2%**	**50.6%**	**54.2%**

Jobs and Opportunities

4.71 Over 4,100 children have now been supported through Foundation programmes so far, this financial year. In December, the Foundation partnered with Curiosity Collective to deliver Wonderbox activity packs to over 2,400 children in Wheatley Group communities. Two further versions of the Wonderbox will be developed in quarter 4. We have also worked with FARE to deliver the StreetWyze project in schools in the East End of Glasgow. So far, 120 young people have taken part in sessions delivered by FARE to raise awareness of knife crime and gang culture.

4.72 The Foundation have also supported 706 jobs and training opportunities for our customers and people who live in our communities to the end of December. 75% of these opportunities went to Wheatley Group customers. The Wheatley Works team continue to work with housing colleagues to identify customers in need that require support. We hope our promotion of Wheatley Works as part of our Here for You campaign will raise awareness with customers directly needing support.

4.73 Our European Social Fund project Way Ahead continues to support customers with barriers to employment and we have recently been awarded a year extension by Glasgow City Council to continue to deliver this on their behalf.

Table 17

Indicator	Target (Annual)	Current Performance YTD	2021/22
Number of vulnerable children benefiting from targeted Foundation programmes (Group)	1,200	4,123	2,250
Total number of jobs, training places or apprenticeships created by Wheatley Group including Wheatley Pledge	750	706	825

Developing our Shared Capability

Sickness Absence

4.74 Year to date to the end of quarter 3, Group Sickness levels are 4.28% which is higher than last quarter (4.17%). This position is reflective of the virulent strain of cold/flu that affected the general population during December 2022 (Minor illness) and of the external pressures staff are experiencing (Non-work related stress and anxiety).

4.75 Staff are able to access the annual flu vaccine through a work based program or through a local clinic that they can claim back the expense. All our managers and staff have access to a wide range of support from our employee relations team as well as access to wellbeing and occupational health.

Board Governance and Administration

4.76 In quarter three there were two vacancies across our Group and Subsidiary Boards. An update on the work underway to fill vacancies was provided to relevant RSLs earlier in February and is being monitored by the Group RAAG Committee.

4.77 Average attendance levels across our Group and Subsidiary boards remains at 82%. There were also no instances where board reports were not issued 7 days in advance of our Group and Subsidiary Boards within Q3.

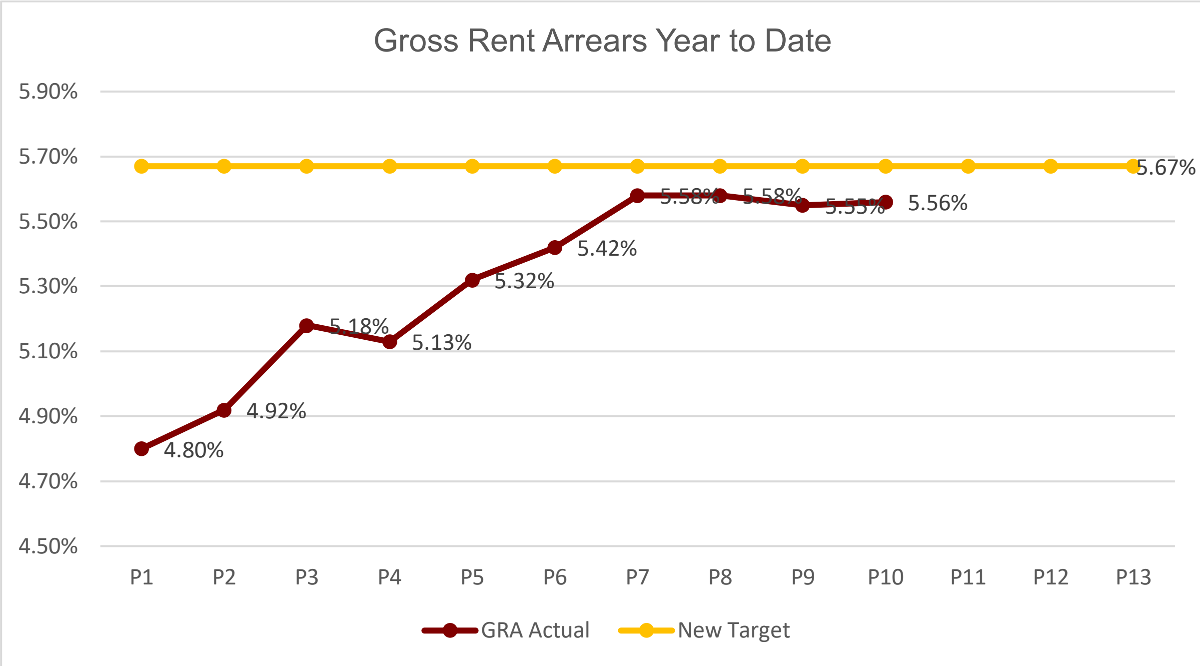
Table 18

Indicator	Target	2022/23 (YTD)
Instances where Board reports are not issued 7 days in advance of Group and Subsidiary Boards	5%	0%

Gross Rent Arrears

4.78 At the end of December/P10, Group RSL gross rent arrears increased by 0.01 (£41.2k) to 5.56%. This remains better than the 5.67% target.

Chart 5



4.79 The chart above shows our trajectory relative to our challenging operational target. Our business plan assumption is significantly more prudent than our operational target.

4.80 WHG and WHE remained static in December, experiencing small monetary increases that have not changed the GRA percentage. WHG and WHS are performing better than their target. WHE and Loretto are currently above target.

Table 19

Gross Rent Arrears	December		2022/23 target
WH East	4.68%		4.66%
WH South	4.68%		5.02%
WH Glasgow	5.98%		6.10%
Loretto Comb	4.48%		4.18%
Group RSLs	**5.56%**		**5.67%**
[redacted]			
[redacted]			

4.81 All RSLs continue with the arrears strategy to mitigate increasing arrears levels. The strategy includes quicker intervention and escalation, close working between the Group Debt Recovery Team and local staff, and clear messaging to customers on the need to pay but also the support we can offer, for example the Here for You Fund.

4.82 Each RSL are also carrying our local campaigns where arrears levels are higher, combining the Here for You Message with strong conversations on the need to pay rent. We are undertaking surgeries in local communities as part of increasing visibility and contact opportunities.

4.83 In addition, the Universal Credit Team have created an arrears analysis tool for Locality Directors and Head of Housing. 1-1 sessions are being arranged to demonstrate the tool and to provide insight into areas that could be focused on that will positively impact arrears by the year-end. This will support a last push to move towards the target by year-end.

Lowther

4.84 [redacted]

4.85 [redacted]

4.86 [redacted]

4.87 [redacted]

4.88 [redacted]

Average Days to Re-Let

4.89 The year-to-date Group average for days to re-let (ARC) has continued to improve and is now below 20 days at 19.23 days. As shown in the chart below, a positive trend in the Group timescales has been achieved this year, with the 16-day target being surpassed since August. In-month performance in December was 14.91 days.

Chart 8

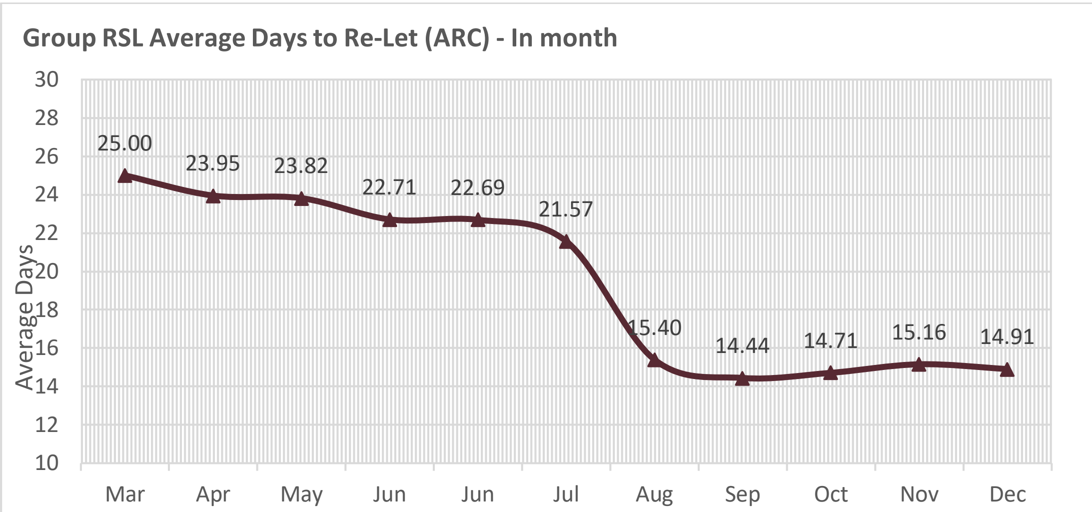
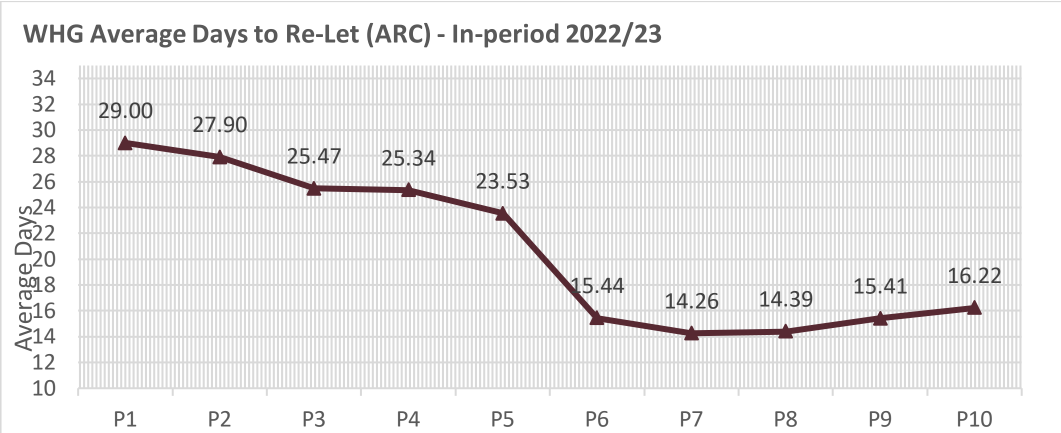


Table 20

Average days to re-let (Charter)	In-month December	YTD		2022/22 Target	2021/22 Results
WHE	15.47	18.38		16	18.79
WHS	10.02	12.79		16	17.73
WHG	16.22	21.31		16	23.48
Loretto	17.13	15.28		16	17.38
Group RSLs	**14.91**	**19.23**		**16**	**21.55**

4.90 WHS continues to be the best performing RSL in the Group for the year, followed by Loretto, WHE and WHG. As demonstrated in the below Chart, WHG letting times have been improving this year. While just over target in Period 10, the average during the third quarter was 15.4 days.

Chart 9



4.91 This improvement has been achieved through excellent collaboration between the various teams involved in void management – the Housing Officers, City Building, and the NETs team. Locality Housing Directors continue to identify barriers to void turnaround and work in partnership with wider teams to remove these. For example, we have been working closely with the Void 360 team to improve turnaround time on void clear outs.

4.92 One of the challenges currently impacting our void turnaround is the delays in resolving utility issues e.g. debts on meters or missing pre-payment keys where engagement from utility providers is an issue. This is a sector wide challenge we are now working with the SFHA to raise awareness of this issue with the Scottish Government.

4.93 Progress with our commitment to create 300 tenancies for Ukrainian refugees is tabled below:

Table 21

RSL	Offered (all properties LAs have been notified about and includes those where current tenant has not yet moved out or void works are ongoing)	Leased to the LA (property accepted by the LA and non-standard let created)	Ready for date of entry and non-standard let due to be created
WHE	7	7	0
WHS	13	2	11
WHG	176	128	5
Loretto	1	1	0
Total	**197**	**138**	**16**

4.94 We are currently in discussion with the Scottish Government and Local Authorities with regards our offer of 400 additional tenancies (100 Social rent and 300 Mid-Market rent).

Care Services Breaking Even

4.95 [redacted]

Online Transactions and Digital Shift

4.96 Our Strategic Result is that 50% of our customers actively use their online account to make transactions with us. The table below represents the percentage of customers who are currently registered for an online account alongside the active users as a percentage of the total customers registered:

Table 22

	Current Performance YTD	
	Online Accounts as a Percentage of Customer Accounts	Active Users as a percentage of the total customers registered
WHE	51.59%	39.00%
WHG	57.26%	35.44%
Loretto	58.23%	37.07%
[redacted]		
[redacted]		
Group	51.07%	35.59%

4.97 An active user is currently defined as any customer who has raised a repair, made a payment or requested a service online since the date of their registration. Our decision to re-introduce our repairs option on WSS this reporting year will encourage customers to utilise our WSS offering and ultimately impact upon our number of registrations and active use. It should be noted that WSS for repairs is now live but we are not actively promoting this to customers at this point. Despite the service not currently being promoted, there have been 1,511 repairs raised via WSS in Q3. This continues to suggest that customers are keen to raise repairs in this way.

Lowther Rental Customers' Online Accounts

4.98 [redacted]

Summary of Strategic Project Delivery

4.99 An update on progress with strategic projects is attached at Appendix 4. Ten projects have completed, 9 are on track and 4 are slipping. Of the 4 to relate to the strategic agreements which remain on track for completion by the end of the year, one is still expected to completed by the final milestone deadline and the other has a specific update set out later in the report.

4.100 Seven projects completed this quarter:

- *Customer data collection exercise*
- *Develop IT & Systems*
- *Improve Customer Contact & Communications*
- *WHS TRA - Initial Stages*
- *Equality, Diversity & Inclusion*
- *Strategic Governance Review*
- *Nets digital service.*

4.101 The following two projects have proposed milestone updates:

- A milestone change for the project *Corporate Estate* is proposed following ET agreement on the approach for Lipton House to ensure we achieve better value for money and reflect business need. Given the timescale for this work will now go beyond March 2023 and be implemented in two stages, it is proposed that the wording of milestone 4 is changed from 'CFC Lipton House complete' to 'CFC Lipton House approach agreed'. If approved this would allow the project to complete this year.
- A milestone change for the *Asset Strategy for Glasgow* project, part of the Assets & Sustainability Programme Stream, is proposed to reflect the next steps detailed in the appraisal now undertaken. The proposed milestone changes do not change the completion year and are as follows:

Original milestones	Proposed new milestones
2. Asset strategy approved by ET	2. Engage frontline
3. Asset strategy and approach to customer engagement during implementation approved by Wheatley Homes Glasgow Board	3. Refine assessment
	4. Set out approach to March WH Glasgow board

4.102 The changes for the asset strategy are focussed on maximising engagement with frontline staff to both raise awareness of the work undertaken and will ensure the strategy fully reflect local issues and priorities. The strategy will still be discussed at the Wheatley Homes Glasgow March strategy workshop and has been agreed by the Wheatley Homes Glasgow Board.

4.103 In addition, it has been confirmed that the *Wyndford Regeneration* project for 2022/23 will not conclude by year end, continuing as part of the multi-year project into 2023/24. Milestone 5, Masterplan agreed with GCC, will move into next years' project. The Board will continue to be updated on progress with the Wyndford regeneration on a regular basis and it is subject to a separate item on the agenda.

5. Customer Engagement

5.1 We presented an overview of the 2021/22 Charter results to the Group Tenant Scrutiny Panel in May 2022 and a comparison with the national average and update on performance in the first part of 2022/23 at the panel's December meeting.

Our new engagement model continues to embed, with several year-end targets having been achieved in quarter 3. Several strategic projects facilitate opportunity for customer engagement, as reflected in the progress notes in Appendix 4. This will directly impact the way we deliver services or the way they can be drawn down by customers.

6. Environmental and sustainability implications

6.1 We have added two new sustainability measures to support our ambitions in this area; the first to monitor the average new build CO_2 output and the second to increase the percentage of stock at EPC 'B' rating. These will be reportable annually and are therefore not included in quarterly updates.

6.2 A key project for 2022/23 was the development of a strategic sustainability framework. The framework has now been approved and work is underway to launch the framework with staff, reflect the framework in our strategy refresh and develop appropriate measures and targets as part of the review of these for 2023/24.

7. Digital transformation alignment

7.1 Our strategy is underpinned by digital transformation. The strategic projects for 2022/23 have been fully reviewed to ensure we have the appropriate technical and resource capacity alongside our Digital Programme. Strategic projects for 2023/24 are currently being explored, with I.T., digital and data interdependencies a key factor.

8. Financial and value for money implications

8.1 The measures, targets and projects included in this report were agreed as part of the PMF and Delivery Plan for 2022/23. This approach focuses on service delivery and improvement of the key priorities within the Group Strategy to make sure that financial and other resources are aligned with these priorities.

8.2 There are no direct financial implications arising from this report. Any financial requirements related to actions and projects within the report are subject to separate reporting and agreement.

9. Legal, regulatory and charitable implications

9.1 The Scottish Housing Regulator requires an Annual Return on the Charter from each RSL. Key indicators within this return are also included in quarterly performance reporting. RSL Subsidiary Boards approve the returns, and the figures are included in the year-end performance report to the Board.

9.2 RSLs are also required to involve tenants in the scrutiny of performance, which the Group does through its Tenant Scrutiny Panel, and to report to tenants on performance by October each year.

10. Risk Appetite and assessment

10.1 Our risk appetite in relation to governance is “cautious”. This level of risk tolerance is defined as “preference for safe delivery options that have a low degree of inherent risk”.

10.2 We mitigate this risk by reserving the agreement of individual performance targets and strategic projects to Boards and providing the Board with regular updates in relation to progress against these targets and projects.

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.

11.2 Our equality, diversity and inclusion project, under the governance programme stream, is complete. Our newly revised equality, diversity and inclusion policy will provide a stronger basis on which we can advance our ambitions.

11.3 The expansion of our Customer Voices and collation of monitoring information will support co-creation and influence which is based on a more diverse range of perspectives.

12. Key issues and conclusions

12.1 We continue to have strong performance in several key areas including days to let further improving to 19.23 days, 1,793 lets to homeless applicants (surpassing the 1,500-target set for the first half of the year), gross rent arrears remaining better than the 5.67% target and an average time to complete medical adaptations of now only 25.71 days. Damp and mould performance remains a key focus, with daily case management and detailed reporting and monitoring in place.

12.2 While increasing demand, heightened by cold weather in December, negatively impacted both the CFC and repairs performance year to date to the end of quarter 3, this related primarily to an extreme weather event. Monitoring of progress with new build handovers is a focus through quarter 4, with two sites at risk of not completing in full this financial year.

12.3 The challenges of the cost-of-living crisis remain for many of our tenants and we continue to work with internal teams and external organisations to provide practical help where possible. [redacted].

12.4 Good progress has been made with several strategic projects during quarter 3, including six project completions.

13. Recommendations

13.1 The Board is asked to note the contents of this report and to approve the proposed milestone project changes.

List of Appendices

Appendix 1 – Board Strategic Measures Dashboard 2022/23
Appendix 2 – Board Other KPIs Dashboard 2022/23
Appendix 3 – Complaints Dashboard (YTD Q3 ARC and SPSO measures)
Appendix 4 – Board Strategic Projects Dashboard 2022/23

Appendix 1
Group Board Strategic Results – Q3 2022/23

Wheatley Group

Delivering Exceptional Customer Experience

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Measure	2021/22	YTD 2022/23		
	Value	Value	Target	Status
Customer first centre grade of service - 80% of calls within 30 seconds	85.42% (March 2022)	80.57%		
Percentage of calls to the CFC resolved at first contact	92.33% (March 2022)	89.08%		
Call abandonment rate	3.81% (March 2022)	4.46%		
Average waiting time (seconds)	30s (March 2022)	54.76		
Percentage of CFC customer interactions that are passed to Housing and Lowther staff for resolution	NEW	6.08%		
Total number of customers involved in Customer Voices Programme	NEW	**1,847**		
WHG	NEW	860		
WHE	NEW	295		
WHS	NEW	629		
LH	NEW	63		
WLHP (end of P5)	NEW	64		
Number of customer voices activities carried out	NEW	**993**		
WHG	NEW	652		
WHE	NEW	137		

Measure	2021/22	YTD 2022/23		
		Value	Target	Status
WHS		167	73	
LH		37	20	
WLHP (end of P5)		45	5	
Number of East Regionwide panel sessions (WHE only)		2	1	
Number of Geographical panel sessions (WHG only)		12	8	
Number of Regionwide panel sessions (WHS only)		2	2	
Number of Regionwide panel sessions (Loretto only)		1	1	
Number of customers involved in East (WHE only) Region panel		139	50	
Number of customers involved in Wheatley Homes Glasgow Geographical panels		316	171	
Number of customers involved in WHS Region panel		367	100	
Number of customers involved in Loretto Regional panel		37	20	
Number of Scrutiny focus groups		17	12	
WHG		12	8	
WHE		2	1	
WHS		2	2	
Loretto		1	1	
WLHP (end of P5)	NEW	0	0	

The following Strategic Results under this strategic theme are reportable annually (subject to a baseline being in place):

- Overall customer satisfaction is above 90%
- Over 90% of Care customers are satisfied with the overall service
- RSL tenant satisfaction with value for money increased to 85%
- Satisfaction with complaint handling increased by 10%

- Overall satisfaction among households with children improved to 90%
- Satisfaction with the process of getting a new home is improved by 10%
- 90% of customers feel they can participate in the landlord’s decision making
- 95% of customers actively engaged in shaping services feel they participate in decision making.

Making the Most of Our Homes and Assets

Measure	2021/22	YTD 2022/23		
	Value	Value	Target	Status
New build completions (total for Group)	438	458		🛑
WHG - Social Housing	106	26		✅
WHG - Mid-market	142	77		🛑
Loretto - Social Housing	30	175		✅
WHE - Social Housing	36	44		🛑
WHE - Mid-market	25	0		✅
WHE (Ex-WLHP) - Social Housing	62	93		🛑
WHE (Ex-WLHP) – Mid-market	0	6		🛑
WHS - Social Housing	37	37		✅
Achieve 60:40 ratio of planned to reactive repairs spending	2021/22 65.9% : 34.1%	49.3%: 50.7% (£46.7m : £47.9m)	60% : 40%	🛑
Reduce the volume of emergency repairs by 10% by 2025/26 (Group average)	Apr to Dec 21/22 – 70,925	73,074		🛑
WHG	Apr to Dec 21/22 – 49,662	52,246		🛑
Loretto	Apr to Dec 21/22 – 3,046	3,331		🛑
WHE	Apr to Dec 21/22 – 6,493	6,553		🛑
WHS	Apr to Dec 21/22 – 11,724	10,944		✅

Measure	2021/22	YTD 2022/23		
		Value	Target	Status
Percentage of customers who have had repairs or maintenance carried out in last 12 months satisfied with the repairs and maintenance service (ARC)	88.51%	89.11%	89%	

The following additional Strategic Results under this strategic theme will be reported annually (subject to a baseline being in place):

- Invest £500m of new public and private finance in new build housing (annual, with related updates provided as part of quarterly finance papers)
- Invest £360 million in improving, modernising and maintaining homes by 2025/26 (annual, with related updates provided as part of quarterly finance papers)
- Achieve 95% customer satisfaction with their new build home (being developed as part of new survey approach/platform for customer value measures)
- Reduce the output of CO_2 emission from our homes by at least 4,000 tonnes per year (annual)
- Reduce our corporate carbon footprint to carbon neutral by 2026 (annual)
- Maintain existing tenant satisfaction with the quality of their home at over 90% (ARC) (annual)
- Average new build CO_2 output no greater than 1.8t (annual)
- Increase the % of stock at EPC ‘B’ to 30% (annual).

Changing Lives and Communities

Measure	2021/22	YTD 2022/23		
	Value	Value	Target	Status
Percentage of Care services graded very good (5) or better by the Care Inspectorate	68.18%	70%		
Over 70% of customers live in neighbourhoods categorised as peaceful by 2025/26 (Group average)	70.10%	72.8%		
Number of accidental dwelling fires recorded by Scottish Fire and Rescue (Group RSLs)	148	118	(Annual upper limit)	
WHG	121	94	N/A	N/A
Loretto	7	3	N/A	N/A
WHE (including WLHP)	8	8	N/A	N/A
WHS	12	13	N/A	N/A
100% of relevant properties have a current fire risk assessment in place (Group)	100%	100%		
The percentage of non-relevant properties with current fire risk assessment in place (Group) (Target revised in-year to reflect aim of having all FRAs completed by end of March 2022 rather than March 2023 as originally planned)	100%	100%		
Percentage of relevant lets to homeless applicants	57.2%	53.1%		
WHG	58.3%	51.2%		
Loretto	53.3%	48.2%		
WHE	66.6%	58.7%		
WHS	52.1%	58.6%		
Percentage of lets to homeless applicants (Charter)	54.2%	50.6%	N/A	N/A
WHG	55.7%	49.6%	N/A	N/A
Loretto	48.4%	47.4%	N/A	N/A

Measure	2021/22	YTD 2022/23		
	Value	Value	Target	Status
WHE	56.0%	48.5%	N/A	N/A
WHS		57.7%	N/A	N/A
Number of lets to homeless applicants (10,000 for Group by 2025/26)	2,475	1,793	1,500	✅
WHG	1,683	1,072	N/A	N/A
Loretto	88	144	N/A	N/A
WHE	206	226	N/A	N/A
WHS		351	N/A	N/A
4,000 jobs, training places or apprenticeships opportunities delivered		706	631	✅
WHG		229	309	🛑
Loretto		1	6	🛑
WHE		124	25	✅
WHS		120	95	✅
Care		0	0	✅
Lowther		54	32	✅
Other		179	158	✅
10,000 vulnerable children benefit from targeted Foundation programmes (Group total)		4,131	1,087	✅
60% of tenants with online accounts are using the My Savings rewards gateway	11.95%	12.79%	12%	✅

The following Strategic Results under this strategic theme will be reported annually (subject to a baseline being in place):

- Achieve 85% satisfaction with Wheatley Environmental Services (being developed as part of new survey approach/platform for customer value measures)
- 250 customers have been supported to attend higher education and university through Wheatley bursaries (annual)
- 10% reduction in the cost of running a home by 2026 (being developed with Fraser of Allander) (annual).

Developing our Shared Capability

Measure	2021/22	YTD 2021/22		
	Value	Value	Target	Status
Staff absence is maintained at 5% for Care services and 3% for all other parts of the business	4.07%	4.28%	3%	
WHG	2.29%	2.77%	3%	
Loretto	3.50%	6.87%	3%	
Wheatley Homes East	3.10%	3.41%	3%	
WHS	1.94%	2.07%	3%	
[redacted]				
Care	6.67%	5.81%	5%	
Solutions	2.22%	2.69%	3%	
Wheatley 360	5.73%	5.62%	3%	
Instances where Board reports are not issued 7 days in advance of Group and Subsidiary Boards	NEW	0%	5%	
Number of vacancies across Group and Subsidiary Boards	NEW	2	N/A	N/A
Attendance levels across Group and Subsidiary Boards	NEW	82%	N/A	N/A

The following Strategic Results under this strategic theme will be reported annually (subject to a baseline being in place):

- Over 90% of staff say they feel appreciated for the work they do (annual)
- Over 80% of RSL customers self-report positive distance travelled towards “self-reliance” (approach to be implemented and measure to be developed)
- 250 young people provided with structured opportunities to build their skills within the business (annual)
- 50 graduates provided with opportunities to work and gain experience in our sectors (annual)
- Our workforce’s demographic more closely resembles that of the communities in which we operate (measure to be developed by year 3)

- 40% of promoted posts are filled with internal candidates (annual)
- Staff voluntary turnover (i.e. resignations) remains at less than 7% (annual).

Enabling our Ambitions

Measure	2021/22	YTD 2022/23		
	Value	Value	Target	Status
Reduce gross rent arrears down to 4% by 2026 (Group RSL average)	4.80%	5.56%	5.67%	
WHG A	5.15%	6.03%	N/A	N/A
WHG B	5.19%	5.11%	N/A	N/A
WHG Combined	5.16	5.98%	6.10%	
Loretto A	3.40%	4.90%	N/A	N/A
Loretto B	3.97%	3.98%	N/A	N/A
Loretto Combined	3.67%	4.48%	4.18%	
WHE A	4.16%	4.68%	4.66%	
WHE B	2.94%	4.68%	3.52%	
WHE Combined	4.02%	4.68%	N/A	N/A
WHS	4.10%	4.68%	5.02%	
[redacted]				
Average time to re-let properties (Group RSL average)	21.55	19,23	16	
WHG	23.48	21.31	16	
Loretto	17.38	15.28	16	
WHE	18.79	18.38	16	
WHS	17.73	12.79	16	
Proportion of Care services breaking even (after management fee)	94%	77.8%	90%	
Proportion of Care services breaking even (before management fee)	100%	100%	98%	
Number of Care Services in deficit for more than two years	0	0	0	

Measure	2021/22	YTD 2022/23		
	Value	Value	Target	Status
Percentage of Lowther rental customers with an online account	48.4%	50.73%	65%	
Web Self Service - Percentage of active users	New	35.59%	Baseline Year	
WHG	New	35.44%	Baseline Year	
Loretto	New	37.07%	Baseline Year	
Wheatley Homes East (including WLHP)	New	39.00%	Baseline Year	
[redacted]				
[redacted]				
[redacted]				
[redacted]				
[redacted][				

The following Strategic Results will be reported annually (subject to a baseline being in place):

- Maintain a strong investment credit rating of A+ stable (annual)
- £15m generated in Gift Aid to Wheatley Foundation and reinvested in communities (annual)
- 100% of Lowther rental customers have an online account (annual)
- Achieve management costs per unit that remain in the lower quartile among an independently selected UK and international benchmarking group (being developed with Housemark)
- Achieve a £10m real terms reduction in management costs (annual)
- Achieve our targets across the 7 domains of our digital maturity assessment (annual).

Appendix 2
Group Board Other KPIs Q3 (2022/23) (includes Compliance)

Measure	2021/22	2022/23		
	Value	Value	Target	Status
Average number of working days to respond to stage 1 complaints (ARC)				
WHG	3.98	3.97		
Loretto	3.62	3.42		
WHE (including WLHP)	3.92	3.71		
WHS	4.74	3.75		
Average number of working days to respond to stage 2 complaints (ARC)				
WHG	20.78	18.40		
Loretto	21.33	17.71		
WHE (including WLHP)	18.92	18.14		
WHS	21.95	18.42		
Average number of working days to respond to all complaints – Stage 1 and 2 (ARC)				
WHG	6.05	5.62		
Loretto	5.04	5.12		
WHE (including WLHP)	5.83	5.16		
WHS	5.94	5.43		

Measure	2021/22	2022/23		
		Value	Target	Status
Percentage of new tenancies sustained for more than a year – overall (Group RSL average)		89.29%	90%	
WHG		90.05%	90%	
Loretto		89.24%	90%	
WHE		89.80%	90%	
WHS		86.35%	88%	
Average time taken to complete emergency repairs (hours) – make safe (Group RSL average)		3.29	3	
WHG		3.41	3	
Loretto		3.67	3	
WHE		3.01	3	
WHS		2.81	3	
Average time taken to complete non-emergency repairs (working days) (Group RSL average)		8.14	5.5	
WHG		8.62	5.5	
Loretto		8.52	5.5	
WHE		6.45	5.5	
WHS		6.76	5.5	
Average time to complete approved applications for medical adaptations (calendar days) (Group RSL average)		25.71	35	
WHG	38.19	23.47	35	

Measure			2022/23	
	Value	Value	Target	
Loretto	61.36	19.32	35	
WHE	10.85	14.56	35	
WHS	55.35	34.79	35	
Percentage of reactive repairs completed right first time	90.42%	92.50%	N/A	
WHG	91.03%	92.08%	92%	
Loretto	94.86%	95.58%	97%	
WHE	94.14%	95.08%	95%	
WHS	83.10%	91.28%	88%	
Number of times in the reporting year the RSL did not meet the statutory obligation to complete a gas safety check within 12 months of a gas appliance being fitted or its last check (Group RSL total)	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 average)	99.91%	91.77%	98%	
WHG	100%	89.09%	98%	
Loretto	100%	98.37%	98%	
WHE	100%	90.66%	98%	

Measure	2021/22	2022/23		
	Value		Target	Status
WHS	99.17%		98%	
Percentage of court actions initiated which resulted in eviction	48.95%		25%	
WHG	69.57%		25%	
Loretto	100%		25%	
WHE	11.1%		33%	
WHS	20%		25%	
Percentage of lettable homes that became vacant (Group RSL average)	7.85%		8%	
WHG	7.83%		8%	
Loretto	7.48%		8%	
WHE	7.37%		7.3%	
WHS	8.39%		8%	
Number of accidental fires in workplace	1	2	0	
Number of RIDDOR incidents reported	11	11	20	
Number of Health and Safety Executive or local authority environmental team interventions	0	2	0	
Number of new employee liability claims received	2	3	0	
Number of open employee liability claims	8	8	N/A	N/A
Number of days lost due to work related accidents	258	309	N/A	N/A

Compliance Programme Delivery

2022/23 Quarter 3	WHG	Loretto	WHE	WHS
Legionella - percentage of applicable properties with a valid risk assessment in place	83.49%	92%	100%	100%
Number of domestic stair and through floor lifts with a completed annual inspection and test against the number due to be completed	97.19%	93.33%	100%	100%
Number of passenger lifts with a completed six-month inspection and test against the number due to be completed	96.49%	93.33%	100%	100%
Percentage of electrical installation inspections completed toward annual programme	100%	86.85%	83.29%	99.92%
Percentage of properties with an EICR certificate up to 5 years old	98.59%	99.02%	98.54%	99.92%

Appendix 3 - Wheatley Group Board - Delivery Plan 22/23 - Strategic Projects

A. Repairs Programme Stream

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
Improve Customer Contact & Communications (b)	31-Dec-2022	✔	100%	01. Taking into account customer feedback, implement revised customer comms for all repair types (including owner repairs)	30-Jun-2022	Yes	Complete as previously reported
				02. Proposals for customer feedback to Boards developed and agreed	30-Jun-2022	Yes	
				03. Approach to real time repairs feedback on repairs agreed	31-Dec-2022	Yes	
Develop IT & Systems (b)	31-Dec-2022	✔	100%	01. CBG Servitor upgrade implemented	31-May-2022	Yes	Complete as previously reported
				02. Localz phase 1 installation (pilot with CBG)	31-Oct-2022	No	
				03. Localz phase 1 full roll out programme agreed	31-Dec-2022	No	
Service & process redesign (b)	30-Jun-2022	✔	100%	01. DGHP improvement plan defined and agreed	31-May-2022	Yes	Complete as previously reported
				02. Quick wins for the repairs service in the West implemented (opening up appts, better communication between CBG and CFC, approach to customer comms)	30-Jun-2022	Yes	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				03. Planning complete for implementing redesigned repairs delivery model	30-Jun-2022	Yes	
				04. DC approach to migrate to Group Servitor agreed	30-Jun-2022	Yes	
[redacted]							

B. CFC Programme Stream

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
CFC interim review (b)	31-May-2022		100%	01. External interim review concluded	30-Apr-2022	Yes	Complete as previously reported
				02. Present findings of interim review to Group Board	30-Apr-2022	Yes	
				03. Present findings of interim review to RSL Boards	31-May-2022	Yes	
CFC second interim review (b)	31-Mar-2023		50%	01. Scope of second interim review finalised	31-Dec-2022	No	This interim review will be documented through a ‘one year on report’. It will be used to demonstrate performance, investment and improvements made in the CFC in year one of operations.
				02. Undertake second interim review	28-Feb-2023	No	
RSL digital services model (b)	31-Mar-2023		25%	01. Review existing digital services offering with customers, including existing usage rates, functionality, and projected future lifespan	31-Aug-2022	Yes	Following ET meeting 1/12/22, the project was updated as below: - Milestone 2 is now due by the end of January 2023 - Milestone 3 description has now been updated from 'Undertake themed engagement discussions
				02. Scope future RSL digital services model, including role of apps, online services, repairs digital offering and	31-Oct-2022	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				self-service			with Customer Voices' to 'Undertake engagement with customers'. This has been completed via a survey which had over 1000 tenant responses.
				03. Undertake themed engagement discussions with Glasgow 1000 Panel on digital services	28-Feb-2023	No	
				04. Present recommendations to ET for next 3 years	31-Mar-2023	No	

C. Engagement Programme Stream

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
Wheatley Whole Family approach (b)	30-Sep-2022		100%	01. Complete the research phase, including survey of households with children and follow up focus groups	31-May-2022	Yes	Complete as previously reported
				02. Present findings and proposed approach to ET	30-Jun-2022	Yes	
				03. Engagement with customer voices on the proposed Whole Family approach	31-Aug-2022	Yes	
				04. Final implementation approach agreed by ET	30-Sep-2022	Yes	
Engagement Framework – Phase 2 (b)	31-Mar-2023		60%	01. Develop a programme of engagement using customers' preferred methods	31-May-2022	Yes	The customer voices feedback will now be at the May governance event on repairs. This will allow the pilot to have operated for longer and it also builds on a wide range of pre pilot tenant engagement undertaken in January/February 23.
				02. 2022/23 Engagement plans, including mechanisms for allocation of funding, agreed by Boards	31-May-2022	Yes	
				03. Develop learning and development programme for staff as well as Customer and	30-Sep-2022	Yes	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				Community Voices			
				04. Customer voices feedback to group wide governance event(s)	31-Mar-2023	No	
				05. Complete recruitment of Customer and Community Voices	31-Mar-2023	No	
Customer data collection exercise (Contact info, equalities and communication preferences) (b)	30-Nov-2022		100%	01. Project approach and proposed resource requirements agreed Group Executive	31-May-2022	Yes	Complete as previously reported
				02. Data collection exercise undertaken (RSL tenants, Lowther tenants & Care customers)	30-Sep-2022	Yes	
				03. Update to Group Executive on outcome of data collection exercise and proposed actions	31-Oct-2022	Yes	
				04. Update to Boards on outcome of data collection exercise	30-Nov-2022	Yes	

D. Assets & Sustainability Programme Stream

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
Corporate Estate (b)	31-Mar-2023		80%	01. East Glasgow and Bathgate Hubs complete	31-Jul-2022	Yes	ET has now agreed the approach to Lipton House, including the first floor and, once the NETs team move to Brasswell, minor reconfiguration of the second floor.
				02. West Glasgow Hub complete	30-Sep-2022	Yes	
				03. East Hub (NMR) complete	30-Sep-2022	Yes	
				04. CFC Lipton House	31-Dec-2022	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				complete			The timescale for this work will go beyond March 2023. As such, a project milestone wording change proposed for milestone 4 – to 'CFC Lipton House approach agreed' – has been agreed.
				05. South Hub (Dumfries) complete	31-Mar-2023	Yes	
Strategic Sustainability Framework (b)	31-Jan-2023		87%	01. Pathway to Net Zero Advisory Group recruited and in place	31-May-2022	Yes	The launch programme is currently underway with each partner Board having been provided an update on the approach during the February cycle. The launch will be over an extended period throughout February and March.
				02. Commission an independent review of energy efficient technologies and low emission heating systems installed to date	31-May-2022	Yes	
				03. Draft framework reviewed by Advisory Group	31-Jul-2022	Yes	
				04. Update on sustainability framework and independent review to Group Board	31-Aug-2022	Yes	
				05. Independent review complete	30-Sep-2022	Yes	
				06. Draft framework and outcome of independent review to ET	31-Oct-2022	Yes	
				07. Draft framework approved by Group Board	31-Dec-2022	Yes	
				08. Group wide launch of strategic sustainability framework	31-Jan-2023	No	
Asset Strategy for	31-Mar-2023		33%	01. Strategic assets appraisal	31-Dec-2022	Yes	Presentation and

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
Glasgow (b)				undertaken for Glasgow, taking into account our planned development programme and liaison with partners (GCC)			discussion at ET on 15/12/22 concludes appraisal. A project milestone change is proposed to reflect the next steps detailed in the appraisal. This would require milestones 2 and 3 to be replaced with: 2. Engage frontline 3. Refine assessment 4. Set out approach to March WH Glasgow board at the strategy workshop.
				02. Asset strategy approved by ET	31-Jan-2023	No	
				03. Asset strategy and approach to customer engagement during implementation approved by Wheatley Homes Glasgow Board	31-Mar-2023	No	
[redacted]							
WHS TRA - Initial Stages (b)	31-Mar-2023		100%	01. Appoint Masterplan Consultant	30-Sep-2022	No	Smith Scott Mullen appointed. DGC taking paper to January Committee to support 50% of the Masterplan consultancy costs.
				02. Commence community consultation with Customer & Community Voices	31-Dec-2022	Yes	

E. Governance Programme Stream

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
Strategic Governance Review (b)	30-Nov-2022		100%	01. Wheatley Homes Glasgow – all legal steps taken to officially change name	31-May-2022	Yes	The self-assessment was considered by the Lowther Homes Board at its November meeting. This project is now complete.
				02. East of Scotland partnership – stage 1 consultation complete	31-May-2022	Yes	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				03. East of Scotland partnership tenant ballot completed	30-Jun-2022	Yes	
				04. WLHP stock transfer completed	31-Jul-2022	Yes	
				05. Lowther Homes – undertake first annual self-assurance statement (externally validated) and present to Board	30-Nov-2022	Yes	
Equality, Diversity & Inclusion (b)	31-Oct-2022		100%	01. ET agree proposed survey approach for staff and tenants	31-May-2022	Yes	Complete as previously reported
				02. EDI update to Group Board, including revised Equality, Diversity and Inclusion Policy for approval	31-Aug-2022	Yes	
				03. Equalities results from customer data collection exercise analysed and proposed actions to Group Executive	30-Sep-2022	Yes	
				04. Update SHR Annual Assurance Statement on progress with equalities	31-Oct-2022	Yes	
Updated Strategic Agreement with GCC (b)	31-Mar-2023		0%	01. Group Executive agree an outline updated strategic agreement for discussion with GCC	30-Sep-2022	No	This will form part of the discussion at the March Board workshop/additional meeting.
				02. Present outline strategic agreement to Group Board for consideration	31-Oct-2022	No	
				03. Update to Wheatley Homes Glasgow Board	30-Nov-2022	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				04. Board approvals of draft strategic agreement with GCC	28-Feb-2023	No	
				05. Present to GCC for approval	31-Mar-2023	No	
Strategic agreement with Dumfries and Galloway Council (b)	31-Mar-2023		20%	01. Group Executive agree an outline strategic agreement for discussion with DGC	30-Sep-2022	Yes	Positive progress is being made, with discussions on the final proposals of the agreement continuing into February in preparation for upcoming council meeting. This will form part of the discussion at the March Board workshop/additional meeting.
				02. Present outline strategic agreement to Group Board for consideration	31-Oct-2022	No	
				03. Update to DGHP Board	30-Nov-2022	No	
				04. Board approvals of draft strategic agreement with DGC	28-Feb-2023	No	
				05. Present to DGC for approval	31-Mar-2023	No	

H. Other - Changing Lives & Communities

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
Strategic realignment of Care services (b)	31-Mar-2023		50%	01. External consultant appointed	31-Oct-2022	Yes	External consultants draft report and proposal for our response are being finalised. It is expected this report to the Board will now be in April or part of the June residential.
				02. Review the current service delivery offering within Care	30-Nov-2022	Yes	
				03. Report from external consultant	31-Jan-2023	No	
				04. Final report to Board	31-Mar-2023	No	
Implement year 2 of the Group Homelessness Framework (b)	31-Mar-2023		75%	01. Undertake a review of existing customer engagement in homelessness service design and delivery	30-Jun-2022	Yes	This project remains on track for completion by 31 March.
				02. Develop an action plan to	30-Nov-2022	Yes	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				maximise engagement opportunities			
				03. Undertake a review of existing tenancy sustainment performance reporting and develop and agree a new consistent group wide approach to reporting	31-Dec-2022	Yes	
				04. Proposal drafted and available for ET review	31-Mar-2023	No	
Review of group allocations policy and systems (b)	31-Mar-2023		80%	01. Updates to policy agreed by ET and RSL Boards for consultation with tenants	31-May-2022	Yes	Milestone 4 (final milestone) in the project is to undertake testing of new Homes4D&G system. While this has commenced, we will wait until further elements of testing are complete before marking the milestone as complete.
				02. Undertake customer consultation	31-Jul-2022	Yes	
				03. Present findings to Wheatley Board	31-Aug-2022	Yes	
				04. Present findings to RSL Boards	30-Sep-2022	Yes	
				05. Undertake testing of the new system in D&G	31-Mar-2023	No	

J. Other - Enabling our Ambitions

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
NETs Digital service (b)	30-Nov-2022		100%	01. Undertake build phase	31-Jul-2022	Yes	Rollout to all NETS Staff was completed on the 26th January 2023. An update on this work was provided to RSL Boards in February.
				02. Undertake testing of the product	31-Aug-2022	Yes	
				03. Commence pilot	30-Sep-2022	Yes	
				04. Go Live	30-Nov-2022	Yes	
				05. Provide update to Board	30-Nov-2022	Yes	

Appendix 4 – Q3 2022/23 ARC and SPSO measures

1.1 This appendix provides ARC and SPSO measures year to date to the end of Q3.

1.2 For RSLs, the data used for both ARC and SPSO measures includes both tenants and RSL owners.

1.3 Lowther are not required to report on ARC but we report an ARC equivalent measure for them which includes tenants and owners (RSL owners and non-RSL owners). Lowther's SPSO measures include tenants and non-RSL owners.

Charter (ARC) Measures

1.4 ARC measures are only reported to SHR for our Registered Social Landlords (RSLs) and include tenants and RSL owners.

1.5 The table below outlines the average time for a full response (working days) by Stage 1 and Stage 2. Performance in 2022/23 for all RSLs is exceeding targets this year.

Charter - average time for a full response to complaints (working days)				
Subsidiary	2021/22		2022/23 – YTD Stage 1 - 5-day target, Stage 2 – 20-day target	
	Stage 1	**Stage 2**	**Stage 1**	**Stage 2**
WHS	4.74	21.95	3.75	18.42
WHE	3.92	18.92	3.71	18.14
WHG	3.98	20.78	3.97	18.40
Loretto	3.62	21.33	3.42	17.71
[redacted]				

1.6 The table below outlines the average time for a full response to complaints (working days) overall, for Stage 1 and Stage 2 combined. All RSLs year to date are achieving the new overall target of 6 days (reduced from 8 days last year). WHG are above target for period 9 but year to date they are achieving target.

Charter - average time for a full response to complaints (working days)		
Subsidiary	2021/22 Target - 8 days	YTD 2022/23 – Target - 6 day 6 days
WHS	5.94	5.43
WHE	5.83	5.16
WHG	6.05	5.62
Loretto	5.04	5.12
[redacted]		

*Not targeted for this measure

1.7 It should be noted that the additional ARC complaints measures – The percentage of all complaints responded to in full at Stage 1 and Stage 2 – are calculated at year end and will therefore be reported annually.

SPSO Measures

1.8 SPSO measures for RSLs include tenants and RSL owners complaints and for Lowther include tenants and non-RSL owners. We are required to report on these indicators annually to the SPSO.

1.9 All indicators required for the annual submission are displayed below. In addition to this an annual report must be published no later than the end of October each year. As this is the first year, this will be developed after we have the full annual results at year end 2022/23 for publication by the end of October 2023.

1.10 Stages of complaints are defined as:

- Stage 1 complaints – received as Stage 1 complaints and are normally resolved on initial receipt at CFC or by front-line staff
- 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 An initial summary of the latest period and year-to date figures for each of the indicators are included below

Indicator 1 - total number of complaints received.

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	353	6
WHG	2626	19
Loretto	128	0
WHE	324	4
[redacted]		
Group by Stage YTD	3759	32
Group - All Complaints YTD	3791	

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".

SPSO Indicator 2 - number and % of complaints at each stage that were fully closed within timescales of 5 and 20 working days - YTD			
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
WHS	93.06%	100.00%	100.00%
WHG	90.58%	100.00%	96.01%
Loretto	99.21%	N/A	100.00%
WHE	93.61%	100.00%	96.88%
[redacted]			

Indicator 3 - the average time in working days for a full response to the complaints at each stage.

SPSO Indicator 3 - the average time in working days for a full response to the complaints at each stage - YTD			
Subsidiary	Stage 1 - average time in working days to respond to complaint	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	3.75	19.20	18.28
WHG	4.01	18.24	18.39
Loretto	3.35	N/A	17.72
WHE	3.71	19.80	18.00
[redacted]			

Indicator 4 - the outcome of complaints as a % of overall complaints.

SPSO Indicator 4 - the outcome of complaints as a % of overall complaints - YTD				
Subsidiary	Stage 1 - upheld	Stage 1 - partially upheld	Stage 1 - not upheld	Stage 1 - resolved
WHS	20.52%	9.54%	37.57%	32.37%
WHG	45.81%	10.10%	32.00%	11.41%
Loretto	47.24%	8.66%	18.11%	25.98%
WHE	37.38%	14.38%	27.80%	20.45%
[redacted]				
	Stage 2 - upheld	Stage 2 - partially upheld	Stage 2 - not upheld	Stage 2 - resolved
WHS	60.00%	20.00%	0.00%	20.00%
WHG	52.38%	14.29%	28.57%	4.76%
Loretto	N/A	N/A	N/A	N/A
WHE	0.00%	20.00%	80.00%	0.00%
[redacted]				
	Escalated complaints - upheld	Escalated complaints - partially upheld	Escalated complaints - not upheld	Escalated complaints - resolved
WHS	43.59%	12.82%	43.59%	0.00%
WHG	45.18%	13.62%	39.53%	1.33%
Loretto	55.56%	16.67%	22.22%	5.56%
WHE	46.88%	6.25%	46.88%	0.00%
[redacted]				

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: 22 February 2023

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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 2022 and the forecast full year out-turn for 2022/23; and
- seek approval from the Wheatley Group Board for the award of the External Audit appointment to KMPG LLP following a recommendation of the appointment by the Group Audit Committee

2. Authorising and strategic context

2.1 Under the Group Standing Orders the Group Board is responsible for the on-going monitoring of performance against agreed targets. This includes the on-going performance of its finances. The Group Board is also responsible for approving the Group's financial statements and the appointment of the external auditors and approval of their remuneration. Under their terms of reference, the Group Audit Committee is responsible for making recommendations to the Group Board in these matters.

2.2 The strategic context is one of a challenging external environment, with inflation rising rapidly on fuel, utilities and construction materials and the announcement in the Scottish Government Programme for Government of a rent freeze for all tenants until 31 March 2023. The rent cap for social rents will expire on 31 March 2023, with the retention of a cap for PRS/ MMR. Scottish Government have indicated that this will be set at 3% from April 2023 to October 2023.

2.3 The key themes and aims of the 2021-26 strategy Your Home, Your Community, Your Future set the context for the preparation of the 2022/23 budget. The 2022/23 budget effectively mirrors the first year of the business plan financial projections for each entity and will allow each Board, as well as the Group Board, to monitor progress during the year against our business plan targets.

3 Background - Financial performance to 31 December 2022

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

£m	Year to Date (Period9) Actual	Budget	Variance
Turnover	311.6	302.4	9.2
Operating expenditure	(243.2)	(241.0)	(2.2)
Operating surplus	**68.4**	**61.4**	**7.0**
Operating margin	*22.0%*	*20.3%*	
Net interest payable	(44.7)	(47.5)	2.8
Surplus	**23.7**	**13.9**	**9.8**
Net Capital Expenditure	**98.3**	**94.3**	**4.0**

4. Discussion

4.1 The Group is reporting a statutory surplus of £23.8m, £9.8m favourable to budget. Higher overall grant income on new build completions and savings across void rent loss, expenditure and in interest payable year to date is offset by costs in delivering the increased customer demand for repairs and maintenance. Key variances against budget include:

- Within turnover, grant income recognised on new build completions is £6.8m favourable budget and relates to the completion of 458 units (375 social rent and 83 MMR) in the year to December. This includes 160 units delayed from 2021/22.
- Net rental income is £0.8m favourable to budget with a stronger performance in void rent loss levels driving the variance.
- Other income is favourable to budget arising from £1,713k of unbudgeted grant income for decarbonisation and renewables projects in WH South and the Scottish Housing Net Zero funded projects.
- In operating expenditure, total costs are £2.1m unfavourable to budget, with lower expenditure than budget across staff costs, running costs and bad debts offset by higher spend on revenue repairs and maintenance.
- Staff costs are £0.7m favourable to budget due to employee care contract costs in Wheatley care. This relates to a number of services operating with staff vacancies against budget.
- Running costs are £0.6m favourable, linked to group service costs where a number of departments are currently reporting lower costs across Wheatley Solutions.
- Revenue repairs and maintenance spend is £5.2m unfavourable to budget. The variance primarily relates to a higher than budgeted spend across responsive repairs which is £8.6m higher than budget, with cyclical spend £3.4m lower than budget. There is a higher demand for repairs with increasing number of new jobs coming through the CFC and increasing inflationary pressure on the cost of materials in the in-house services in the south and east. In 2022/23, completed job numbers have increased 26% from 2019/20 in the West and East and by 10% from 2020/21 in the South, picking up lower activity levels in the two previous years.
- Bad debt costs are £1.3m lower than budget. As in previous years our approach has been to include a prudent level of provision for costs.

4.2 Net capital expenditure is £4.0m higher than budget. Within this, new build spend is £1.8m lower linking through to grant income claimed which is £6.7m lower than budget. New build spend reflects the accelerated spend on Southfort in WH East and Curries Yard in WH South offset by delays in planning approvals and slow progress on other sites due to supply issues. Greater spend had been anticipated across sites at WHGlasgow including Shawbridge Arcade and Calton; at Forfar Avenue in Loretto due to planning delays; and at WH East including underspend at Penicuik, Rowanbank, Winchburgh BB due to a combination of spend being accelerated into 2021/22 and delays.

4.3 Investment in our existing homes of £60.2m was £3.9m higher than budget with higher spend across adaptations, void improvements and capitalised repairs in the RSLs. This is reduced in part by core investment works reflecting the reprofiled programme to 2023/24. Year to date spend includes £3.7m relating to adaptations, decarbonisation projects and Scottish Housing net zero funded projects all of which are fully grant funded.

Q3 Forecast

	Q3 Forecast		
£m	**Budget**	**Forecast**	**Variance**
Turnover	395.7	417.3	21.6
Operating expenditure	(323.5)	(330.0)	(6.5)
Operating surplus	**72.2**	**87.3**	**15.1**
Operating margin	*18.3%*	*20.9%*	
Net interest payable	(65.5)	(63.9)	1.6
Statutory surplus	**6.7**	**23.4**	**16.7**
Net Capital Expenditure	**(133.9)**	**(134.2)**	**(0.3)**

4.4 The full year forecast out-turn for the Group shows a statutory surplus of £23.4m, £16.7m higher than budget. The key drivers for the variance to budget are:

- a higher level of grant income on completion of new build properties reflecting the updated profile for delayed 2021/22 units now completing in 2022/23
- the recognition of grant funding of £5.7m for Scottish Housing Net Zero Funding connected response projects in WH Glasgow, full home retrofit work in WH South and decarbonisation projects in WH South. Associated expenditure is included in core investment spend
- improved void performance with void rent loss forecast £2.0m lower than budget
- the additional £3.5m for the Here for You Fund shown in running costs, offset partially by lower forecast Group services running costs
- an additional £8.4m for reactive repairs to meet increased customer demand through the CFC and inflationary cost pressures facing the inhouse services in the East and South
- lower bad debt expenditure forecasting savings of £1.7m against budget reflecting the slower transition of tenants to UC. This forecast still retains a prudent level of provision for bad debts of £4.5m which compares to actual costs in 2021/22 of £2.9m
- a favourable variance in net interest costs forecast of £1.6m, with actual short term floating rates in the first nine months offsetting recent base rate increases.

4.5 Net capital investment is forecast to be broadly in line with budget:

- total core investment programme is expected to be £4.5m higher than budget and includes the recognition of an additional £5.7m of spend funded by Scottish Government Net Zero Heat Fund and funded decarbonisation projects in WH South; and
- the forecast also provides for in higher than budgeted adaptations, capitalised voids and capitalised repairs.

4.6 The Group Q3 forecast has been prepared on a prudent basis and is reported after including provision for additional support to customers facing financial hardship through the launch of the new Here for You Fund.

4.7 The forecast variations to budget on individual lines continue to be managed within the parameters of the overall budget for 2022/23. In the RSL borrower group, interest cover of 127% at 31 March 2023 is forecast which is in line with the approved 2022/23 financial projections and budget, and remaining within our financial policy Golden Rules.

External audit re-tender and appointment

4.8 The Group has an existing contract in place with KPMG for the provision of statutory audit services. The contract was awarded in 2016 for an initial term of 5 years and the option to extend for a further 12 + 12 months basis, covering the period up to the end of the 2022/23 financial year.

4.9 In October 2022, during discussions around the extension for 2022/23, KPMG advised they were unable to commit to providing audit services for the final year of the procured arrangement. Their decision was driven by the firm's UK-wide introduction of a new audit approach in response to increased regulatory requirements for the provision of auditing services and their associated implementation of new audit software to support these changes. This in turn required a substantial amount of migratory work, the time and costs of which would be required to be recognised in the 2022/23 audit fee and would providing limited value to both parties in the absence of a longer term appointment.

4.10 In light of this, the Group Audit Committee agreed in November 2022 to re-tender for external audit services via the Crown Commercial Services framework. The purpose of the procurement was to establish a contract for the provision of services to the Group which delivers value for money, are efficient and responsive, and are fully compliant to statutory requirements.

4.11 During the tender period we enter into engagement with a number of potential providers, being aware to remain compliant with procurement rules. A number of potential bidders sighted issues with the requirement to provide audit services that meet the more stringent regulatory requirements for Public Interest Entities ("PIE"), a key requisite for us with Wheatley Group Capital meeting the PIE criteria as a result of our listed bond. Smaller providers mentioned their limited capacity to provide services to a Group of our size with a number of legal entities and for one large provider, policy decisions within the firm meant they were not active in the not-for-profit sector in Scotland. One compliant bid was received, from the incumbent service provider – KPMG.

4.12 Fee proposals for the KPMG bid are set out in the table below:

[redacted]

The proposed fees are a notable increase from the current fee level of [redacted]. Large rises in audit fees are being experienced across all UK sectors driven by the increase in the requirements for the provision of external audits by the Financial Reporting Council, the auditing regulator in response to recent issues around audit quality. A number of new auditing standards have also been introduced such ISA 315 which takes effect for the first time this year and requires auditors to increase the scope of their work around the identification of material misstatements in the financial statement expanding amongst other areas into a need to assesses IT systems and controls.

4.13 The fees compare with recent audit re-tenders of large, complex housing organisations; L&Q recently renewed their audit arrangements at a fee of £760,000 per annum and Clarion's external audit fees are in the region of £700,000 per annum.

4.14 The core fee will be held at [redacted] per annum for the first three years of the contract, with a one off final fee for West Lothian Housing Partnership of [redacted] for 2022/23 only. Thereafter from 2025/26 fees will rise in line with CPI and amounts shown for that year onwards are indicative. Fees are also based on current scope of the audit work and will change accordingly should additional regulatory or professional standards increase. This also includes any material changes to the activities or size of the Group.

4.15 Given KMPG were the only compliant bidder and following consideration of the wider external audit environment, the Group Audit Committee have recommended their appointment. As part of their bid, KPMG have committed to continue to provide access to value-add activities, including:

- Attendance of KPMG social housing finance forums for management, executives and non-executives
- Skills and knowledge transfer for Audit Committee members through KPMG-sponsored Audit Committee Institute (ACI)
- Attendance to KPMG's Annual Social Housing Finance Seminars that create awareness of current accounting, tax and pensions issues
- Provision of CPD sessions.

5. Customer Engagement

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

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1 As noted above.

9. Legal, regulatory and charitable implications

9.1 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. In relation to the external audit appointment, securing the services of an incumbent auditor provides the benefit of continuity of approach and reduces the risk that may arise in relation to new auditors understanding of our business, systems and funding structure.

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 2022.

12.2 Completing the external audit procurement process will enable the successful bidder to present their annual audit plan to the Group Audit Committee at the next meeting, conduct an interim audit visit and commence the 2022/23 audit in late May 2023.

12.2 Given our level of engagement with the Scottish Housing Regulator, a change of external auditors is considered a notifiable event where we would be required to inform the Regulator of any appointment change.

12.3 There is a requirement to obtain the approval of our bank funders for any change to our audit arrangements and our lenders have confirmed that this will be provided. This approval must be obtained in advance of any appointment but cannot be unreasonably withheld. Our loan documentation notes that the firm appointed must be of "national standing".

13. Recommendations

13.1 The Board is requested to:

1) note the Group management accounts for the period ended 31 December 2022 at Appendix 1; and
2) approve the RSL Borrower Group accounts at Appendix 2 for submission to the Group's lenders.
3) Approve the appointment of KMPG as external auditors

Appendices:
1: Wheatley Group Financial Report to 31 December 2022
2: RSL Borrower Group Financial Report to 31 December 2022

Appendix 1: Wheatley Group Financial Report To 31 December 2022 (Period 9)

1a) Wheatley Group – Year to date

	Period to 31 December 2022			Full Year Budget £'000
	Actual £'000	Budget £'000	Variance £'000	
INCOME				
Net Rental Income	236,166	235,337	829	312,908
Grant income	42,369	35,619	6,750	40,714
Other Income	33,058	31,396	1,663	42,095
Total Income	**311,593**	**302,352**	**9,242**	**395,717**
EXPENDITURE				
Employee Costs	67,593	68,282	689	90,056
ER/VR	763	763	-	5,149
Running Costs	33,297	33,894	597	46,239
Repairs & Maintenance	55,180	49,996	(5,184)	64,096
Bad debts	3,293	4,611	1,318	6,127
Depreciation	82,162	82,162	-	109,624
Demolition Programme	774	1,201	427	2,205
Total Expenditure	**243,062**	**240,909**	**(2,153)**	**323,495**
NET OPERATING SURPLUS	**68,532**	**61,443**	**7,088**	**72,222**
	22.0%	20.3%		18.3%
Net interest payable	(44,746)	(47,478)	2,732	(65,511)
STATUTORY SURPLUS/(DEFICIT)	**23,786**	**13,965**	**9,820**	**6,711**

	Period to 31 December 2022			Full Year
	Actual £'000	Budget £'000	Variance £'000	Budget £'000
INVESTMENT				
Total Capital Investment Income	32,860	38,812	(5,952)	53,452
Core Investment Programme	60,232	56,371	(3,861)	73,406
New Build Programme	62,341	64,133	1,792	96,789
Other fixed assets	8,602	12,584	3,982	17,146
Total Capital Investment Expenditure	**131,175**	**133,088**	**1,913**	**187,341**
NET CAPITAL INVESTMENT SPEND	**(98,315)**	**(94,276)**	**(4,039)**	**(133,889)**

Key highlights year to date:

The Group operating surplus for the period ended 31 December was £68,532k which is £7,088k favourable to budget. At the statutory surplus level, a surplus of £23,786k is reported showing a favourable variance of £9,820k to budget. The variance to budget reflects lower void rent losses, higher grant income recognised from delayed new build completions and favourable variances across a number of other expenditure lines offset by costs in delivering the increasing demand for repairs and maintenance.

Total income of £311,593k is £9,242k favourable to budget:

- Net rental income is £829k favourable to budget across the RSLs. Year to date rent loss on voids at 1.06% is lower than budget of 1.70% across all RSLs and Lowther, driving the favourable variance.
- New build grant income recognised to date relates to 458 units completed in the RSL borrower group. The favourable variance to budget is primarily due to grant recognition for 160 units delayed from 2021/22. Grant recognised relates to completions at Damshot, Hurlford Ave, Sighthill and Watson for WHGlasgow; Dargavel, Hallrule, Queens Quay, Vellore Road and Sawmill for Loretto; Almondvale, South Gilmerton, Blackness Road, Roslin Ph1 and Penicuik for WH East; and Eastriggs and Nursery Avenue for WH South.
- Other income is £1,663k favourable to budget. Unbudgeted grant income of £1,713k in relation to Decarbonisation and Net Zero projects in the RSLs, L&A damages for Sighthill and continuation of the furnished let service generating income in WHGlasgow is reduced in part by lower levels of optional factoring services and lower external service income in Care. This furnished let income is offset by additional service costs included in direct running costs and the spend in relation to the unbudgeted grant income is reflected in the core investment programme.

Total expenditure of £243,062k is £2,153k unfavourable to budget:

- Staff costs (direct and group services) are £689k lower than budget driven by a favourable variance in employee care contract costs from budget in Wheatley care due to a number of services operating with staff vacancies against budget and lower staff costs across Wheatley Solutions.
- Running costs (direct and group services) are £597k favourable to budget with the variance largely linked to lower than budgeted group recharges where a number of departments are currently reporting lower costs across Wheatley Solutions.
- Revenue repairs and maintenance spend is £5,184k unfavourable to budget. The variance primarily relates to a higher than budgeted spend across responsive repairs which is £8,645k higher than budget, with cyclical and compliance spend £3,461k lower than budget. There is a higher demand for repairs with increasing number of new jobs coming through the Customer First Centre and increasing inflationary pressure on the cost of materials in the in-house services in the south and east. In 2022/23, completed job numbers have increased 26% from 2019/20 in the West and East and by 10% from 20/21 in the South, picking up lower activity levels in the two previous years.
- Bad debts are £1,318k favourable to budget across the Group with a prudent provision set aside for increases in arrears.

Net interest payable is £2,732k lower than budget linked to lower loan balances drawn and lower floating interest rates in the year to October 2022 than assumed in the budget.

Net capital expenditure of £98,315k is £4,039k unfavourable to budget.

- Capital investment income relates to the cash receipt of new build grants, grant funded adaptations and monies in relation to the SHNZ projects and is £5,952k lower than budget mainly relating to delayed claims for Forfar Avenue and Winchburgh BB linked to the lower level of new build spend on these developments as noted below. £1,176k of SHNZ of grant income has been received for the SHNZ funded projects.
- Total Core investment spend is £3,861k higher than budget driven by higher spend in the RSLs due to higher adaptations, capitalised voids and capitalised repairs, all customer demand driven. Of the total investment spend £3,711k relates to grant funded adaptations, decarbonisation and SHNZ projects. YTD SHNZ project spend is £1,176k.
- New build spend reflects the accelerated spend on Southfort in WH East and Curries Yard in WH South offset by delays in planning approvals and slow progress on other sites due to supply issues. Greater spend had been anticipated across sites at WHGlasgow including Shawbridge Arcade and Calton; at Forfar Avenue in Loretto due to planning delays; and at WH East including underspend at Penicuik, Rowanbank, Winchburgh BB due to a combination of spend being accelerated into 2021/22 and delays.

Wheatley Group Financial Report To 31 December 2022 (Period 9)

RSL Borrower Group

2a) RSL Borrower Group – Year to date

	Period to 31 December 2022			Full Year Budget £'000
	ACT £'000	BUD £'000	VAR £'000	
INCOME				
Net Rental Income	223,048	222,088	960	295,179
Grant income	42,369	35,619	6,750	40,714
Other Income	13,252	10,946	2,305	14,699
Total Income	**278,669**	**268,653**	**10,016**	**350,592**
EXPENDITURE				
Employee Costs	50,439	50,247	(192)	66,213
ER/VR	763	763	-	5,149
Running Costs	25,217	25,863	646	34,955
Repairs & Maintenance	51,002	45,716	(5,286)	58,395
Bad debts	2,927	4,380	1,453	5,820
Depreciation	82,162	82,162	-	109,624
Demolition Programme	774	1,201	427	2,205
Total Expenditure	**213,284**	**210,332**	**(2,952)**	**282,361**
NET OPERATING SURPLUS	**65,385**	**58,322**	**7,063**	**68,231**
	23.5%	21.7%		19.5%
Net interest payable	(42,569)	(45,301)	2,732	(62,608)
STATUTORY SURPLUS/(DEFICIT)	**22,816**	**13,021**	**9,795**	**5,623**

Key highlights year to date:

The operating surplus to 31 December is £65,385k, £7,063k favourable to budget. At the statutory surplus level, a surplus of £22,816k is reported showing a favourable variance of £9,795k compared to the budget. The variance to budget reflects lower void rent losses, higher grant income recognised from delayed new build completions and favourable variances across a number of other expenditure lines offset by costs in delivering the increasing demand for repairs and maintenance.

Total income of £278,669k is £10,016k favourable to budget:

- Net rental income is £960k favourable to budget across the RSLs. Rent loss on voids at 1.03% is lower than the overall 1.61% budget driving the favourable variance.
- New build grant income recognised to date relates to 458 units completed in the RSL borrower group. The favourable variance to budget is primarily due to grant recognition for 160 units delayed from 2021/22. Grant recognised relates to completions at Damshot, Hurlford Ave, Sighthill and Watson for WHGlasgow; Dargavel, Hallrule, Queens Quay, Vellore Road and Sawmill for Loretto; Almondvale, South Gilmerton, Blackness Road, Roslin Ph1 and Penicuik for WH East; and Eastriggs and Nursery Avenue for WH South.
- Other income is £2,305k favourable to budget arising from by unbudgeted grant income in WH South for decarbonisation and renewables project (Cavity Wall Insulation (CWI) and LCITP works) of £537k and recognition of the SHNZ grant for £1,176k for projects in Glasgow, East and South. L&A damages for Sighthill and continuation of the furnished let service generating income in WHGlasgow remain favourable to budget. This furnished let income is offset by additional service costs included in direct running costs and the spend in relation to the unbudgeted grant income is reflected in the core investment programme.

Total expenditure of £213,284k is £2,952k unfavourable to budget:

- Employee costs (direct and group services) are £192k unfavourable to budget arising from additional staff costs, primarily in the NETS team, additional overtime for frontline staff in WHGlasgow and temporary staff costs in the W360 Money Advice Team. Lower staff costs across Wheatley Solutions are being reported reducing the overall unfavourable variance.
- Running costs are £646k favourable to budget with the variance largely linked to lower than budgeted group recharges where a number of departments are currently reporting lower costs across Wheatley Solutions contributing to the underspend against budget.
- Revenue repairs and maintenance spend is £5,286k unfavourable to budget. The variance relates to a higher than budgeted spend across responsive repairs which is £8,747k higher than budget, with cyclical and compliance spend £3,461k lower than budget. There is a higher demand for repairs with increasing number of new jobs coming through the Customer First Centre and inflationary pressure on the cost of materials in the in-house services in the south and east. In 2022/23, completed job numbers have increased 26% from 2019/20 in the West and East and by 10% from 2020/21 in the South, picking up lower activity levels in the two previous years
- Bad debts are £1,453k favourable to budget across the Borrower Group with a prudent provision set aside for increases in arrears.

Interest payable is £2,732k favourable to budget linked a lower floating rate than assumed in the business plan at this point in the year.

2a) RSL Borrower Group – Year to date

	Period to 31 December 2022			Full Year
	Actual £'000	Budget £'000	Variance £'000	Budget £'000
INVESTMENT				
Total Capital Investment Income	31,418	35,244	(3,826)	49,259
Core Investment Programme	59,336	55,765	(3,571)	72,598
New Build Programme	62,048	60,136	(1,912)	90,929
Other fixed assets	8,442	12,464	4,022	16,986
Total Capital Investment Expenditure	129,826	128,365	(1,461)	180,513
NET CAPITAL INVESTMENT SPEND	(98,408)	(93,121)	(5,287)	(131,254)

	Period to 31 December 2022			Full Year
CORE INVESTMENT PROGRAMME SPLIT:	ACTUAL £'000	BUDGET £'000	VARIANCE £'000	Budget £'000
Core Investment Programme	37,514	41,006	3,492	52,162
Core Investment Programme - grant funded	1,713	537	(1,176)	687
Adaptations	2,134	1,153	(981)	1,537
Adaptations - grant funded	1,998	674	(1,324)	893
Voids	11,989	9,372	(2,617)	12,427
Capitalised Repairs	3,988	3,023	(965)	4,892
TOTAL SPEND	**59,336**	**55,765**	**(3,571)**	**72,598**

Key highlights year to date:

Net capital expenditure of £98,408k is £5,287k higher than budget.

- Capital investment income relates to the cash receipt of new build grants, grant funded adaptations and monies in relation to the SHNZ projects and is £4,533k lower than budget mainly relating to delayed claims for Forfar Avenue and Winchburgh BB linked to the lower level of new build spend on these developments as noted below. £1,176k of SHNZ of grant income has been received for the Connect Response project in WH Glasgow.
- Total Core investment spend is £3,571k higher than budget driven by higher spend in the RSLs due to higher adaptations, capitalised voids and capitalised repairs, all customer demand driven. Of the total investment spend £3,711k relates to grant funded work for adaptations, decarbonisation and SHNZ projects. YTD SHNZ project spend is £1,176k.
- New build spend reflects the accelerated spend on Southfort in WH East and Curries Yard in WH South offset by delays in planning approvals and slow progress on other sites due to supply issues. Greater spend had been anticipated across sites in WHGlasgow including Shawbridge Arcade and Calton; at Forfar Avenue in Loretto due to planning delays; and at WH East including underspend at Penicuik, Rowanbank, Winchburgh BB due to a combination of spend being accelerated into 2021/22 and delays.

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

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

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

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

In the period to 31 December 2022, an underlying surplus of £3,273k has been generated using this measure which is £526k unfavourable to budget. The variance is driven by higher repairs and maintenance costs offset in part by interest payable being favourable to budget.

Borrower Group Underlying Surplus - December 2022

	YTD Actual £ks	YTD Budget £ks	YTD Variance £ks	FY Budget £ks
Net operating surplus	65,385	58,322	7,063	68,231
add back:				
Depreciation	82,162	82,162	0	109,624
less:				
Grant income	(42,369)	(35,619)	(6,750)	(40,539)
Net interest payable	(42,569)	(45,301)	2,732	(62,608)
Total expenditure on Core Programme	(59,336)	(55,765)	(3,571)	(72,598)
Underlying surplus	**3,273**	**3,799**	**(526)**	**2,110**

2c) Wheatley Homes Glasgow – Year to date

	Period To December 2022 Actual £ks	Period To December 2022 Budget £ks	Period To December 2022 Variance £ks	Full Year Budget £ks
INCOME				
Rental Income	153,208	153,228	(20)	203,455
Void Losses	(1,519)	(2,333)	814	(3,097)
Net Rental Income	151,689	150,895	794	200,358
Grant Income	10,589	7,029	3,560	7,269
Other Income	9,233	7,877	1,356	10,653
Total Income	**171,511**	**165,800**	**5,711**	**218,279**
EXPENDITURE				
Employee Costs - Direct	26,942	26,664	(277)	35,196
Employee Costs - Group Services	11,598	11,616	18	15,397
ER / VR	508	508	0	4,408
Direct Running Costs	10,394	10,497	103	14,183
Running Costs - Group Services	6,735	7,288	553	9,745
Revenue Repairs and Maintenance	35,417	32,089	(3,328)	40,294
Bad debts	2,024	3,100	1,075	4,114
Depreciation	56,501	56,501	0	75,334
Demolition	674	913	239	1,517
TOTAL EXPENDITURE	**150,793**	**149,175**	**(1,618)**	**200,188**
NET OPERATING SURPLUS / (DEFICIT)	**20,718**	**16,625**	**4,093**	**18,091**
Net operating margin	*12.1%*	*10.0%*	*2.1%*	
Interest payable & similar charges	(30,433)	(32,740)	2,307	(46,257)
STATUTORY SURPLUS / (DEFICIT)	**(9,715)**	**(16,115)**	**6,400**	**(28,165)**

INVESTMENT	Period To December 2022 Actual £ks	Period To December 2022 Budget £ks	Period To December 2022 Variance £ks	Full Year Budget £ks
Total Capital Investment Income	**7,175**	**7,323**	**(148)**	**10,711**
Investment Programme Expenditure	37,012	33,665	(3,347)	44,287
New Build Programme	13,649	17,381	3,732	25,748
Other Capital Expenditure	4,676	7,490	2,813	10,093
TOTAL CAPITAL EXPENDITURE	**55,336**	**58,535**	**3,199**	**80,128**
NET CAPITAL EXPENDITURE	**48,161**	**51,212**	**3,051**	**69,417**

Key highlights year to date:

Net operating surplus of £20,718k is £4,093k favourable to budget. Statutory deficit for the period to 31 December is £9,715k, which is £6,400k favourable to budget. The main drivers of the variance are the favourable position on void rent losses, higher grant income from new build completions and lower interest payable; offset by an increase in repairs and maintenance spend.

- Net rental income of £151,689k is £794k favourable to budget. Gross rental income is broadly in line with budget.. Void losses are £814k lower than budget and represent a 0.99% void loss rate void loss rate compared to the budgeted rate of 1.5%.
- Grant income recognised mainly relates to 103 units completed by December: 26 SR units at Damshot, 27 MMR units at Hurlford (both delayed from last year), 46 MMR units at Watson and 4 MMR units at Sighthill. The YTD budget includes grant for 56 MMR units at Sighthill and completion is delayed until later this financial year and April 2023 noting that this unfavourable variance is offset by the grant released for Damshot and Hurlford.
- Other income is £1,356k favourable to budget due Social Housing Net Zero (SHNZ) grant of £1,128k and higher miscellaneous income, relating to £214k L&A damages for Sighthill new build.
- Total employee costs (direct and group services) are £259k unfavourable to budget. The overspend to budget in direct employee costs relates to additional overtime and public holiday costs with the extra public holidays this year. The group services recharge is £18k favourable to budget at December and reflects WH-Glasgow's share of changes in Wheatley Solutions staff from the budgeted structure.
- Total running costs (direct and group services) are £656k favourable to budget. Group recharges are £553k favourable to budget due to several departments currently reporting lower costs across Wheatley Solutions, leading to the underspend against budget.
- Revenue repairs and maintenance spend is £3,328k unfavourable to budget. The variance relates to a continuation of the higher levels of customer demand for repairs work since the summer which has increased 28% on compared to 2021/22 with increasing number of new jobs coming through the Customer First Centre.
- Gross interest payable of £30,433k represents interest due on the loans due to Wheatley Funding No.1 Ltd. Costs are £2,307k lower than budget linked to lower loan balances drawn and lower variable rates than assumed in the budget.

Net capital expenditure of £48,161k is £3,051k lower than budget. The variance is driven by lower other capital expenditure and new build, partially offset by higher investment spent.

- Investment programme spend is £3,347k unfavourable to budget, with higher spend in adaptations and capitalised voids and repairs. YTD spend also includes £1,128k of unbudgeted spend on SHNZ projects, which are wholly grant funded.
- New build spend is £3,732k lower than budget following delays on Calton Village and Shawbridge Arcade.
- Capital investment income (grants) is £148k lower than budget. Whilst new build grant claims are lower due to the delayed Shawbridge Arcade project, this is offset by £1,128k Net Zero Grant related to the investment programme.
- Other capital expenditure of £4,676k is £2,813k lower than budget. Other capital spend includes work on local touchdown hubs and IT capital.

2d) Loretto Housing – Year to date

	Period To 31 December 2022 Actual £k	Budget £k	Variance £k	Full Year Budget £k
INCOME				
Rental Income	11,024	11,051	(27)	14,823
Void Losses	(158)	(358)	199	(478)
Net Rental Income	**10,866**	**10,694**	**172**	**14,345**
Grant Income	**17,716**	**17,324**	**392**	**18,875**
Other Income	**363**	**237**	**126**	**315**
Total Income	**28,945**	**28,254**	**690**	**33,535**
EXPENDITURE				
Employee Costs - Direct	987	1,038	51	1,384
Employee Costs - Group Services	449	447	(3)	596
ER / VR	50	50	0	185
Direct Running Costs	1,332	1,390	57	1,812
Running Costs - Group Services	266	288	22	385
Revenue Repairs and Maintenance	2,266	2,054	(211)	2,569
Bad debts	128	295	167	394
Depreciation	5,490	5,490	0	7,320
TOTAL EXPENDITURE	**10,970**	**11,053**	**83**	**14,645**
OPERATING SURPLUS / (DEFICIT)	**17,975**	**17,201**	**774**	**18,890**
Interest Payable	(2,430)	(2,593)	163	(3,320)
STATUTORY SURPLUS / (DEFICIT)	**15,546**	**14,608**	**938**	**15,571**

	Period To 31 December 2022 Actual £k	Budget £k	Variance £k	Full Year Budget £k
INVESTMENT				
Total Capital Investment Income	**4,316**	**5,978**	**(1,662)**	**8,088**
Investment Programme	1,755	3,523	1,768	5,339
New Build Programme	8,237	8,652	415	14,115
Other Capital Expenditure	156	250	94	434
TOTAL CAPITAL EXPENDITURE	**10,149**	**12,425**	**2,276**	**19,888**
NET CAPITAL EXPENDITURE	**5,832**	**6,447**	**615**	**11,800**

Loretto Housing

Key highlights year to date:

Net operating surplus of £17,975k is £774k unfavourable to budget. Statutory surplus for the year is £15,546k, £938k favourable to budget. The main drivers of the favourable variance are grant income, other income and void losses.

- Gross rental income of £11,024k is £27k unfavourable to budget. A reduction in rental income is reported due to ongoing delays in completions at the Dargavel new build, in addition to earlier delays in completions at Hallrule and Queens Quay. The impact of this is partially offset by additional service charge income for two supported sites.
- Void losses in the year to date are 1.44% against a budget of 3.24%.
- Grant income mainly relates to the release of grant for new build completions; YTD grant has been released for 4 units at Dargavel delayed from 2021/22 plus a further 35 (out of a total of 45 budgeted YTD), 32 units at Hallrule, 80 units at Queens Quay, 16 units at Sawmill and 8 units at Vellore Rd (not in this year's programme).
- Other income reports a favourable variance to budget of £126k due to receipt of development fees for Queens Quay and Dargavel L&A damages.
- Direct Employee costs are £51k favourable to budget linked to staff recharged to other subsidiaries. Employees recharged from Group Services are for Loretto's share of Wheatly Solutions staff.
- Direct running costs are £57k favourable to budget, with most budget lines showing underspends. Group Services running costs are £266k YTD and favourable to budget due to several departments currently reporting lower costs across Wheatley Solutions, contributing to the underspend against budget.
- Revenue repairs and maintenance expenditure is £211k unfavourable to budget due to an overspend on reactive maintenance, reflecting a continued increase in customer demand.
- Bad debts are £167k favourable to budget. A prudent approach was taken when setting the budget.
- Gross interest payable of £2,430k represents interest due on the loans due to Wheatley Funding Ltd. Costs are £163k lower than budget linked to lower loan balances drawn than assumed in the budget.

Net capital expenditure of £5,832k is £615k favourable to budget.

- Capital investment income (grant) is £1,662k lower than budget mainly due to the Forfar Avenue site start being delayed. This is partially offset by the grant received for the Vellore Rd turnkey project, which was not anticipated in this financial year.
- New build spend £415k lower than budget mainly due to the Forfar Avenue site start being delayed. This saving is partially offset by the Vellore Rd turnkey project and the timing of spend at Hallrule and Dargavel.
- Investment programme expenditure of £1,755k relates to core programme works, capitalised repairs and voids. An underspend is reported due to CBG resources being diverted to the repairs service earlier in the year, with some of the programme being deferred until next year, and the majority of Duke St spend forecast to move to next year.
- Other capital expenditure of £156k relates to the Loretto contribution to Wheatley Group IT and office refurbishments.

2e) West Lothian Housing Partnership – Year to date

WEST LOTHIAN Housing Partnership

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

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

Key highlights year to date:

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

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

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

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

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

2f) Wheatley Homes East – Year to date

	Year to 31 December2022 Actual £k	Budget £k	Variance £k	Full Year Budget £k
INCOME				
Rental Income	25,188	25,395	(207)	34,545
Void Losses	(422)	(415)	(7)	(560)
Net Rental Income	**24,766**	**24,980**	**(214)**	**33,985**
Grant Income Recognised in the Year	6,702	3,992	2,710	6,996
Other Income	2,581	2,598	(17)	3,363
TOTAL INCOME	**34,049**	**31,570**	**2,479**	**44,344**
EXPENDITURE				
Employee Costs - Direct	3,315	3,350	35	4,537
Employee Costs - Group Services	1,587	1,578	(9)	2,116
ER/VR	0	0	0	556
Direct Running Costs	2,972	2,988	16	4,011
Running Costs - Group Services	945	1,019	74	1,367
Revenue Repairs and Maintenance	4,684	3,684	(1,000)	5,068
Bad Debts	222	250	28	341
Depreciation	8,971	8,971	0	12,358
TOTAL EXPENDITURE	**22,696**	**21,840**	**(856)**	**30,354**
NET OPERATING SURPLUS / (DEFICIT)	**11,353**	**9,730**	**1,623**	**13,990**
Net Operating Margin	*33%*	*31%*	*3%*	*16%*
Interest receivable	5	5	(0)	7
Interest payable	(5,148)	(5,343)	195	(7,303)
STATUTORY SURPLUS / (DEFICIT)	**6,210**	**4,392**	**1,818**	**6,694**

	Year to 31 December2022 Actual £k	Budget £k	Variance £k	Full Year Budget £k
INVESTMENT				
Total Capital Investment Income	**17,460**	**16,440**	**1,020**	**22,306**
Total Expenditure on Core Programme	5,164	4,619	(545)	5,851
New Build & Other Investment	29,707	23,866	(5,841)	37,042
Other Capital Expenditure	2,892	1,324	(1,568)	1,510
TOTAL CAPITAL EXPENDITURE	**37,763**	**29,809**	**(7,954)**	**44,403**
NET CAPITAL EXPENDITURE	**20,303**	**13,369**	**(6,936)**	**22,097**

Key highlights year to date:

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

Net operating surplus of £11,353k is £1,623k favourable to budget. Statutory surplus for the period to 31 December is £6,210k, £1,818k favourable to budget. The main drivers of the variance are higher than budgeted grant income recognised offset in part by higher than budgeted repairs and maintenance costs.

Total income is £2,479k favourable to budget:

- Gross rent is £207k adverse to budget due to delayed completions at South Gilmerton, Wisp 3C and Almondvale. Void losses are £7k higher than budget with the variance relating to voids in DC Harbour while fire mitigation works were completed. The works completed in October.
- Grant income recognised is £2,710k favourable to budget due to handovers at Almondvale (37 units) and South Gilmerton (18 units) expected to complete in 2021/22, completing in 2022/23. Prior to date of transfer WLHP completed 48 units at Almondvale. 14 SR units at Penicuik have also completed in December, ahead of scheduled March completion date. 8 SR and 6 MMR units at Blackness Rd & 12 SR units at Roslin Ph1 have also completed in 2022/23.
- Other income of £2,581k is £17k adverse to variance mainly due to local authority income at WH East Harbour being £60k under budget. This is subject to ongoing contract discussions. This is partially offset by favourable performance in other areas including WHEPS currently £35k favourable to budget.

Total expenditure is £856k unfavourable to budget:

- Employee costs - direct are currently £35 favourable to budget, with £27k underspend in the hostel due to staff vacancies.
- Total running costs (direct and group services) are £90k favourable to budget with Group recharges £74k favourable to budget due to a number of departments currently reporting lower costs across Wheatley Solutions, contributing to the underspend against budget.
- Revenue repairs and maintenance spend is £1,000k unfavourable to budget. The variance primarily relates to a higher than budgeted spend across responsive repairs which is £1,043k higher than budget, with cyclical and compliance spend £43k lower than budget. The increase in spend in responsive repairs is due to the clearance of repairs backlog by c600 jobs, an increase in demand (33% ytd increase in job numbers v ytd 2019/20) and inflationary pressures on the cost of materials.

Interest payable of £5,148k is £195k lower than budget linked to lower floating interest rates and loan drawdowns being required later than budgeted, leading to lower than budgeted interest costs.

Net capital expenditure of £20,303k is £6,936k higher than budget.

- Capital investment income relates to the cash receipt of new build and medical adaptation grants and is £1,020k higher than budget due to accelerated new build spend at Southfort leading to accelerated grant claims.
- Investment programme spend is £545k unfavourable to budget due to higher than budgeted fire safety works, mainly at Parliament St Hostel, as well as higher capitalised voids and repairs.
- New build spend of £29,707k is £5,841k higher than budget due to accelerated spend at Southfortt, Raw Holdings, Roslin Ph2 and Westcraigs. Spend at MacMerry is also higher than budget due to deferred spend from 21/22 being incurred in 22/23. This is partially offset by lower than budgeted spend at Penicuik and Rowanbank and Winchburgh BB.
- Other Capital Expenditure includes accelerated refurbishment works and environmental works and spend will be delivered within the reprofiled full year forecast.

2g) Wheatley Homes South – Year to date

OPERATING STATEMENT	Year to December 2022 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INCOME				
Rental Income	34,156	34,052	105	45,184
Void Losses	(232)	(493)	261	(654)
Net Rental Income	**33,925**	**33,559**	**366**	**44,529**
Grant Income	5,236	3,999	1,237	4,124
Other Income	2,504	1,641	863	2,240
TOTAL INCOME	**41,664**	**39,199**	**2,465**	**50,893**
EXPENDITURE				
Employee Costs - Direct	3,954	3,944	(10)	5,258
Employee Costs - Group Services	2,117	2,117	0	2,807
ER/VR	205	-	(205)	-
Direct Running Costs	1,562	1,652	90	2,203
Running Costs - Group Services	1,257	1,356	98	1,813
Revenue Repairs and Maintenance	8,565	7,790	(775)	10,248
Bad debts	550	707	157	943
Depreciation	10,237	10,237	0	13,649
Demolition	100	288	188	688
TOTAL EXPENDITURE	**28,548**	**28,091**	**(457)**	**37,608**
NET OPERATING SURPLUS	**13,116**	**11,108**	**2,007**	**13,285**
Net operating margin	*31%*	*28%*	*3%*	*26%*
Interest Receivable and similar incom	18	25	(7)	33
Interest payable & similar charges	(4,093)	(4,100)	7	(5,213)
STATUTORY SURPLUS	**9,041**	**7,033**	**2,007**	**8,105**

INVESTMENT	Actual £ks	Budget £ks	Variance £ks	Budget £ks
TOTAL CAPITAL INVESTMENT INCOME	**2,295**	**2,400**	**(105)**	**5,063**
Capital Investment spend	15,176	13,611	(1,565)	16,775
New Build Programme	7,608	5,604	(2,004)	9,391
Other Fixed Assets	687	3,367	2,680	4,916
TOTAL CAPITAL INVESTMENT EXPEND	**23,471**	**22,582**	**(889)**	**31,082**
NET CAPITAL EXPENDITURE	**21,176**	**20,182**	**(994)**	**26,019**

Key highlights :

Net operating surplus of £13,116k is £2,007k favourable to budget. Statutory surplus for the period to 31 December is £9,041k, which is £2,007k favourable to budget. The key drivers of the variance are reduced void rent loss and unbudgeted grant income for adaptation works, partly offset by increased repair costs.

- Net Rental income is £366k favourable to budget with YTD Void losses being £261k favourable to budget representing a 0.7% void loss rate compared to the budgeted rate of 1.4%.
- Grant income recognised in the year relates to 37 social rent units completed with 18 units at Eastriggs and 19 units at Nursery Avenue. The YTD budget is £1,237k higher than budget due to adaptation grant income claimed (offsets spend in capital investment line).
- Other income is £863k favourable to budget with unbudgeted income recognised for the decarbonisation and renewable project of £537k, including Cavity Wall Insulation (CWI) and Low Carbon Infrastructure Transition Programme (LCITP) works, and higher than budgeted Care (Temp Accommodation and Young Persons) rental income.
- Total employee costs (direct and group services) are £10k higher than budget driven by maternity leave cover. The group services recharge is in line with budget and reflects WH-South's share of changes in Wheatley Solutions staff from the budgeted structure.
- ER/VR costs are £205k adverse to budget following the commitment of five members of staff to take ERVR in 2022/23. This cost will yield future revenue savings.
- Total running costs (direct and group services) are £188k favourable to budget. Group recharges are £98k favourable to budget due to several departments currently reporting lower costs across Wheatley Solutions, leading to the underspend against budget. Direct running costs
- Repair costs are £775k over budget with higher than budgeted spend across responsive repairs which is £1,585k over budget. Increased responsive repairs is driven by increased demand, higher material and subcontractor costs. Cyclical and overhead spend is £810k lower than budget.
- Demolition costs are £188k lower than budget relating to timing of works at Troqueer and Kelloholm. YTD costs of £100k relates to buy back of final property at Lochside and a number of disturbance costs.

Gross interest payable of £4,093k represents interest due on the loans due to Wheatley Funding No.1 Ltd and external funders.

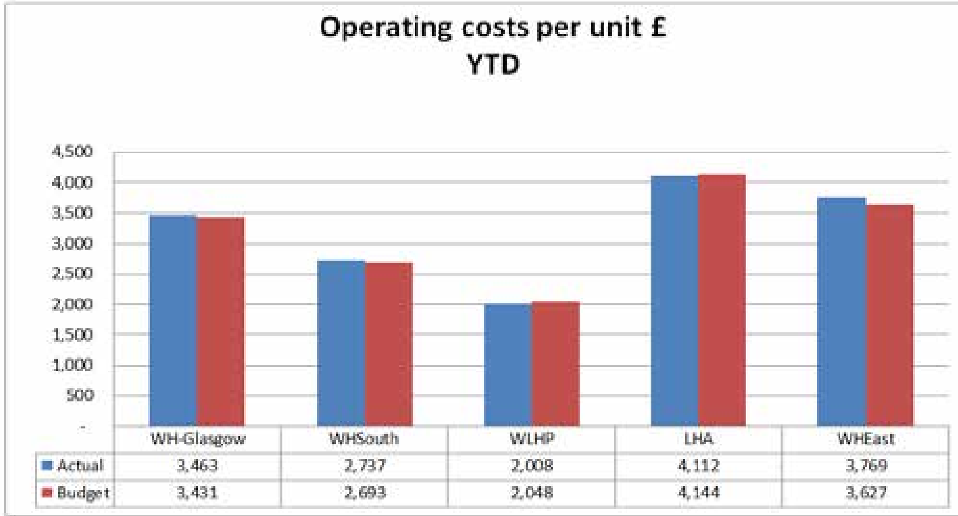
Net capital expenditure of £21,176k is £994k higher than budget. The variance is driven by higher investment and new build spend.

- Total core investment spend of £15,176k is £1,565k higher than budget due to increased spend on adaptations and capitalised voids, partly offset by the deferral of boiler replacements to 2023/24.
- New Build expenditure is £2,004k over budget driven by Curries Yard development now on site (not part of 2022/23 budget) partly offset by deferral of Glenluce and Corsbie Rd to 2023/24. Capital investment income is £105k lower than budget as a result of reprofiling the development programme.
- Other capital expenditure of £687k is £2,680k lower than budget. Other capital spend includes work on local touchdown hubs and IT costs.

2h) Wheatley Developments Scotland

[redacted]

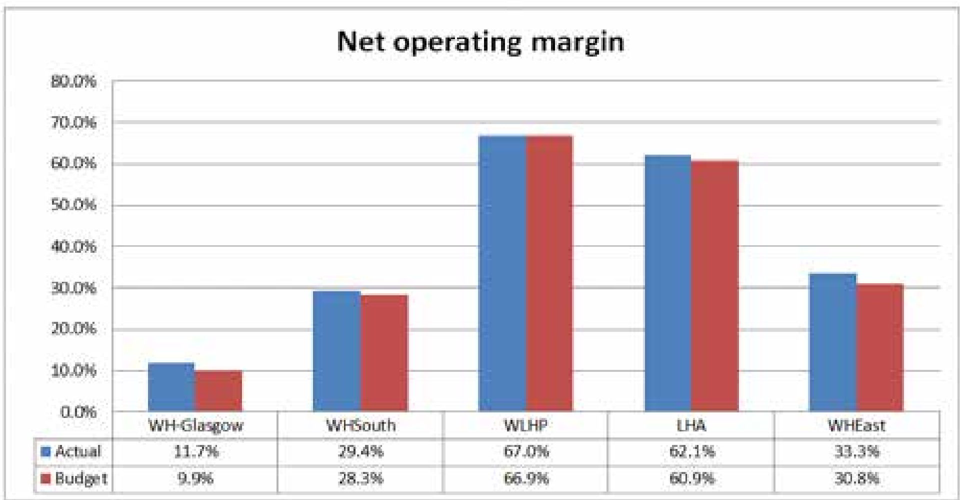
3) Summary of RSL operating costs and margin v budget



	WH-Glasgow	WHSouth	WLHP	LHA	WHEast
Actual	3,463	2,737	2,008	4,112	3,769
Budget	3,431	2,693	2,048	4,144	3,627

Operating costs per unit:

- At December 2022 operating costs per unit are marginally higher than budget across all RSLs with the exception of Loretto. This variance is attributable to the higher repair costs to maintain our properties.
- Operating costs per unit vary across the RSLs depending on the stock profiles and types of accommodation offered.



	WH-Glasgow	WHSouth	WLHP	LHA	WHEast
Actual	11.7%	29.4%	67.0%	62.1%	33.3%
Budget	9.9%	28.3%	66.9%	60.9%	30.8%

Net operating margin:

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

Wheatley Group Financial Report
To 31 December 2022 (Period 9)

Care and Commercial

4a) Wheatley Care – Year to date

[redacted]

4b) Lowther – Year to date

[redacted]

5) Wheatley Solutions – Year to date

[redacted]

6) Wheatley Foundation – Year to date

[redacted]

7) City Building (Glasgow) LLP – Period to 2 December 2022

[redacted]

8) Wheatley Group – Consolidated Balance Sheet

Wheatley Group

	As at 31 December 2022 £ks	As at 31 March 2022 £ks
Fixed Assets		
Social Housing Properties	2,533,211	2,496,586
Investment properties	263,824	262,635
Other tangible fixed assets	72,381	63,053
Investments -other	116	116
Fixed Assets	**2,869,532**	**2,822,390**
Debtors Due More Than One Year		
Inter Company Loan	0	0
Pension Asset	58,166	58,166
Current Assets		
Stock	1,542	1,412
Trade debtors	880	1,848
Rent & Service charge arrears	21,613	28,883
less: Provision for rent arrears	(14,107)	(12,517)
Prepayments and accrued income	11,999	5,176
Intercompany debtors	(0)	0
Other debtors	22,483	32,200
	44,410	**57,002**
Bank & Cash	30,786	64,724
Current Assets	**75,196**	**121,726**
Current Liabilities		
Trade Liabilities	(3,082)	(15,056)
Accruals	(61,000)	(60,082)
Deferred income	(46,453)	(60,580)
Rents & service charges in advance	(15,914)	(14,785)
Intercompany creditors	(0)	(0)
Other creditors	(12,960)	(20,724)
	(139,409)	**(171,227)**
Net Current Assets	**(64,213)**	**(49,501)**
Long Term Liabilities		
Contingent efficiencies grant	(46,764)	(46,764)
Bank finance	(1,216,349)	(1,210,196)
Bond finance	(300,000)	(300,000)
Provisions	(9,070)	(9,070)
Deferred income	(34,009)	(31,543)
Intercompany creditors	0	0
Pension liability	(388)	(388)
Long Term Liabilities	**(1,606,580)**	**(1,597,961)**
Net Assets	**1,256,905**	**1,233,094**
Funding Employed		
Capital & Reserves		
Share Capital	0	0
Retained Income b/fwd	755,777	670,828
Income & Expenditure	23,786	84,924
Revaluation Reserves	477,342	477,342
Funding Employed	**1,256,905**	**1,233,094**

Key highlights:

- Group net assets are £1,256.9m at 31 December 2022.
- The Balance Sheet as at 31 March 2022 is in line with the audited 2021/22 financial statements, and includes the year end statutory adjustments for property and pension valuations as well as the fair value calculation on the Scottish Government loan.
- The fixed asset movements from the year end reflects investment in the core programme, the new build programme, and any other fixed asset additions, less depreciation to date.
- Current assets (excluding cash) are £12.6m lower than the year end position mainly driven by the reduction in other debtors due to the timing of grant receipts and rent and service charge arrears from the 2021/22 year end. The March 2022 housing benefit payment from GCC was not received until 1 April 2022. This is offset by an increase in prepayments in Solutions relating to annual support contracts for IT software. These are paid annually and then released as a charge to the operating statement across the financial year.
- Current liabilities are £31.8m lower than the year end position, with a reduction in trade creditors in WH South and a reduction in deferred income following the recognition of new build grants on completion of units.
- Income and expenditure of £23.8m relates to the group surplus for the year to date.

10) Wheatley Group – Q3 Forecast

	FULL YEAR		
	Budget £000	Forecast £000	Variance £000
INCOME			
Net Rental Income	312,908	314,091	1,183
Grant Income	40,714	56,549	15,835
Other Income	42,095	46,680	4,584
Total Group Income	**395,717**	**417,320**	**21,602**
EXPENDITURE			
Employee Costs	90,056	89,456	600
ER/VR	5,149	3,149	2,000
Running Costs	46,239	48,804	(2,565)
Repairs & Maintenance	64,096	72,494	(8,398)
Bad debts	6,127	4,452	1,675
Depreciation	109,624	109,624	-
Demolition	2,205	1,990	215
Total Group Expenditure	**323,495**	**329,969**	**(6,473)**
NET OPERATING SURPLUS	**72,222**	**87,351**	**15,129**
Net operating margin	18.3%	20.9%	2.7%
Gain/(loss) on sale of fixed assets	-	-	-
Net Interest Payable	(65,511)	(63,894)	1,617
STATUTORY SURPLUS	**6,711**	**23,457**	**16,746**

INVESTMENT	FULL YEAR		
	Budget £000	Forecast £000	Variance £000
Total Capital Investment Income	(53,452)	(54,039)	587
Core Investment Programme	73,406	77,902	(4,496)
New Build Programme	96,789	96,627	162
Other fixed assets	17,146	13,743	3,403
NET CAPITAL INVESTMENT SPEND	**133,889**	**134,233**	**(344)**

Wheatley Group

Key highlights:

The Group forecast full year out-turn at the end of Quarter 3 shows a net operating surplus of £87.4m, which is £15.1m favourable to budget and a statutory surplus of £23.5m, which is £16.7m favourable to budget. Forecast adjusted EBITDA after excluding grant income on new build completions of £145.4m is £4.3m favourable to budget.

The forecast includes provision for the new £6m Here for You Fund and makes a higher provision for reactive repairs, void works to our homes, adaptations and capitalised repairs.

Total income is forecast to be £21,602k higher than budget:

- Net rental income is expected to be £1,183k favourable to budget and includes the reprofiled new build completions and lower rent loss on voids with the forecast reflecting a continuation of the favourable performance at December with an average rate of 1.07% forecast for the year.
- Grant income is expected to be £15,835k favourable to budget. The forecast is based on the updated profile for delayed 2021/22 completions now competing in 2022/23 and for 2022/23 completions.
- Other income is forecast to be £4,584k favourable to budget. Scottish Housing Net Zero (SHNZ) matched grant funding and further awards for the decarbonisation project in WH South totalling £5.0m has been recognised offset by lower levels of factoring income in Lowther (also lower factoring costs included in repairs and maintenance), lower district heating income in WH Glasgow and lower levels of income forecast in Wheatley Care based on service hours delivered.

Total expenditure is expected to be £6,473k higher than budget.

- Employee costs are £600k lower reflecting savings reported in the year to date primarily in Wheatley Care. ERVR costs are £2,000k lower than budget reflecting the reprofiling of staff savings over 2022/23 and 2023/24.
- Running costs are expected to be £2,565k unfavourable to budget after making an additional £3.5m provision for the Here for You fund on top of the budgeted £2.5m to support customers through the cost of living crisis. Also forecast in this line are running cost savings in group recharges where a number of departments are forecast to have lower costs across Wheatley Solutions.
- Repairs and maintenance costs are forecast to be £8,398k higher than budget, and includes an additional provision of £8.7m across the RSLs to help meet expected higher levels of demand. The additional provision has been offset in part by lower factoring costs in Lowther as noted in other Income above.
- Bad debts are forecast to be £1,675k lower than budget with the forecast reflecting the favourable performance at December. The forecast retains provision for bad debt cost of £4.5m compared to actual bad debt costs for 2021/22 of £2.9m.
- Interest payable savings are forecast arising from short term floating rates in the first nine months being lower than the budgeted 2.25% being able to offset increases to the short term rates in the final quarter.

Net capital expenditure is forecast to be £344k higher than budget.

- Capital investment income is forecast to be £587k higher than budget and includes the forecast SHNZ grant income of £5m offset by the reprofiled level of claims of new build grant to match with the most recent new build forecast.
- The core investment programme is £4,496k higher than budget and includes an additional £5m SHNZ investment projects fully funded by Scottish Government. Additional provision has also been made in the RSLs for higher than budgeted adaptations, capitalised voids and capitalised repairs. With the increase in fully funded net zero works in the programme this year an element of programmed investment works have been deferred to 2023/24.
- The new build development spend is expected to be £162k lower than budget.
- Other fixed assets is expected to be £3,403k lower than budget following a reprofiling of the IT capital budget.

Report

To: Wheatley Housing Group Board

By: Pauline Turnock, Group Director of Finance

Approved by: Steven Henderson, Group Chief Executive

Subject: Risk Management Update

Date of Meeting: 22 February 2023

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1. Purpose

1.1 This report asks the Board to consider and approve the proposed changes to the Strategic Risk Register, and the proposed approach to 2023 Board risk workshops.

2. Authorising and strategic context

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

3. Background

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

3.2 This includes risks in the following categories:

A. Risks outwith risk appetite;

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

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

3.3 In line with the Group's Risk Management Framework, Boards will be asked to review and approve any changes to their risk appetite statements in May and June 2023. This paper sets out proposed details for the risk workshops, for the Board's approval.

4. Discussion

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

- Red font – risks highlighted for Member consideration (as set out in paragraph 3.2) and discussed further below;
- Purple font – risks with a high residual risk or inherent risk score where Boards have received an update on the operation of the controls in the last 6 months;
- Black font – lower scoring risks that have remained stable within the current period.

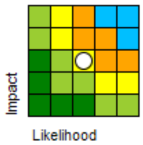
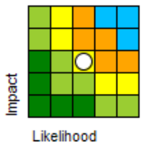
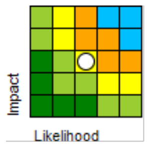
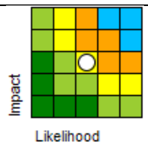
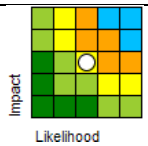
Impact					
5					
4			•Failure to recruit, develop, retain & succession plan	•[redacted] •Impact on our customers of Cost-of-Living crisis •Reduced availability of financial support from S Gov't / Local Gov't	
3		•BC/DR (C) •Rent arrears arising from UC •Commercial Operations •Supplier non-compliance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

Likelihood

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

A - Risks outwith risk appetite

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

Risk	Residual Risk Score	Risk Appetite Level	Commentary
[redacted]			
RISK022 – Financial impact of rent control legislation		Minimal	The Scottish Government has confirmed that the rent control legislation will lapse from 1 April 2023 for social housing. The legislation will remain in place for private and MMR properties, and there will be a 3% rent increase cap in place until 1 October 2023. There is still a risk of further Scottish Government intervention in future, and until the position is more settled, the risk scoring will be maintained.
RISK005 – Care and support services		Minimal	Management will review the scoring of this risk following a one-year review of the Care Quality Framework in April 2023. It is anticipated that this will result in a reduced residual risk score.
RISK 003 – Fire Safety		Minimal	The risk scoring reflects the high potential impact associated with fire and the Group's limited ability to influence the behaviour of those external to the organisation.
RISK010 – Group Credit rating		Minimal	The residual risk score has increased due to the uncertainty within the external economic and policy environment. Management will continue to monitor the potential impact on business plans and keep the scoring of this risk under review.
NEW RISK: RISK 053: Damp and Mould		Minimal	This risk has been added to the Strategic Risk Register in response to the risk to tenant health caused by damp and mould. The cost-of-living crisis, and in particular the increased cost of heating, increases the risk that tenants may face such issues, as properties become colder and less ventilated.

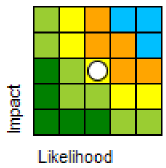
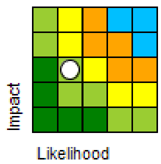
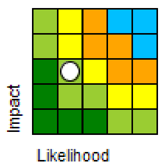
4.4 The implementation of any identified actions will be monitored by management and residual risk scores will be reviewed as part of the scheduled quarterly review of all risks.

B – High scoring risks with controls due for review

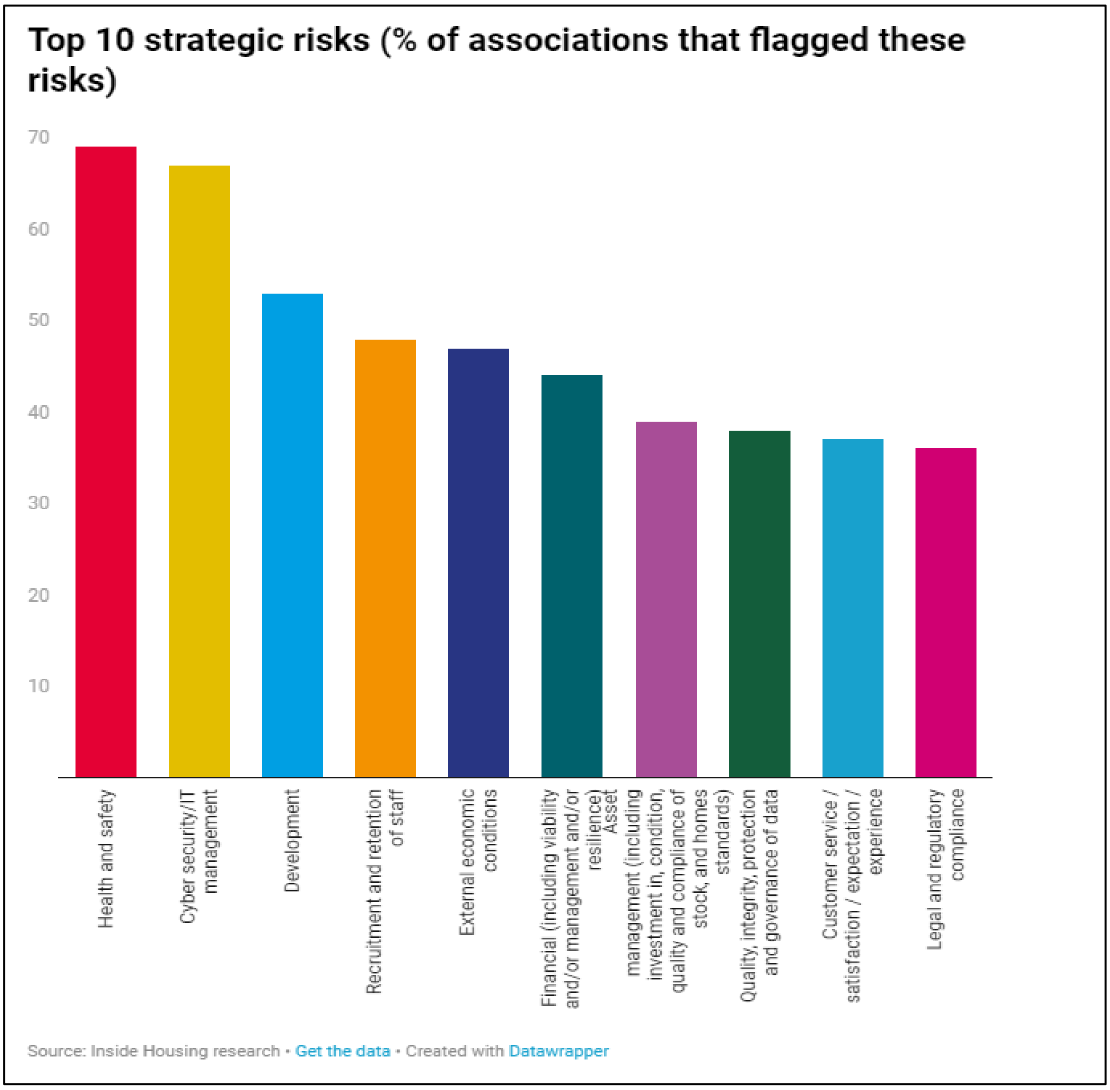
4.5 There are no risks with a residual risk score that is greater than the 12, or an inherent risk score of 20 or more, for which the Board has not received an update on the operation of the controls in the last 6 months.

C - Horizon Scanning

4.6 Following management's review of the operating environment, a new risk in relation to Damp and Mould has been identified. This is shown in Table A as it is currently outwith risk appetite. There are two additional changes highlighted for consideration by the Board. We will no longer ask the Board to approve minor changes. The table below summarises the key changes to the risks within the Strategic Risk Register; full details of these changes are detailed in Appendix 2.

Risk	Residual Risk Score	Risk Appetite Level	Commentary
NEW RISK: RISK 053: Damp and Mould		Minimal	This risk has been added to the Strategic Risk Register in response to the risk to tenant health caused by damp and mould. The cost-of-living crisis, and in particular the increased cost of heating, increases the risk that tenants may face such issues, as properties become colder and less ventilated.
AMENDED RISK: RISK 012 Business Continuity / Disaster Recovery		Hungry	This risk has been updated to include the dependency on technology in core areas of our operations (eg Customer First Centre)
AMENDED RISK: RISK 204 New Build contractor non-conformance with building standards		Minimal	This risk has been added to the Strategic Risk Register following a review of risks within Subsidiary Corporate Risk Registers. The residual risk scoring reflects the impact any issue with build quality in our new build development programme could have financially, reputationally and directly on our customers.

4.7 Review of the January 2023 Inside Housing's publication about top 10 risks facing the 100 largest housing associations did not identify any areas of risk that are not already reflected in the Group's risk profile.



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

Board Risk Workshops

4.9 The Internal Audit team is preparing the approach to the annual Board Risk Workshops. It is intended that these should follow a similar format to that adopted in 2022, with the workshops being delivered alongside Board Strategy workshops in May and June 2023. The workshops will comprise:

- Review of existing risk appetite statements;
- Review of full risk registers;
- Review of quarterly reporting to Subsidiary Boards; and
- Consideration of any areas in which the current risk management framework could be improved.

4.10 Based on the positive feedback received after the previous workshops, the Internal Audit team will again prepare pre-reading, in order to maximise the time available for discussion during the workshop. The Board is asked to consider and approve this proposed approach.

5. Customer Engagement

5.1 No customer engagement implications arise directly from this report.

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

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

9. Legal, regulatory, and charitable implications

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

10. Risk Appetite and assessment

10.1 There is no single risk appetite associated with this paper. Instead, the review of risks within the Strategic Risk Register, as outlined in this paper is designed to provide assurance on the controls in place to manage strategic risks such that the residual risk score is within risk appetite and to identify additional actions management plans to reduce residual risk further, where required.

11. Equalities implications

11.1 This report does not require an equalities impact assessment.

12. Key issues and conclusions

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

12.2 Proposals for facilitating Board risk workshops in May and June 2023 have been outlined, for approval by Board members.

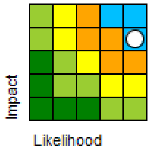
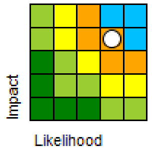
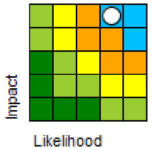
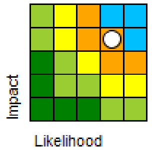
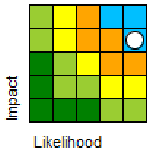
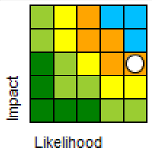
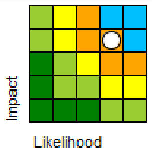
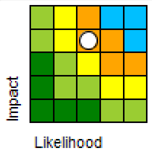
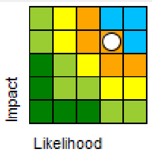
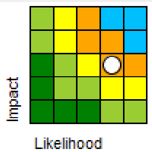
13. Recommendations

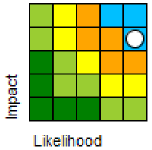
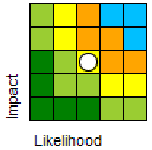
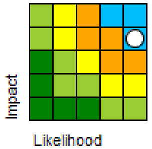
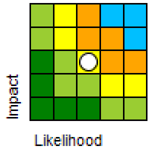
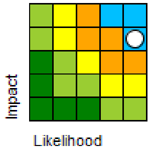
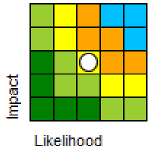
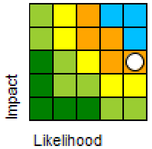
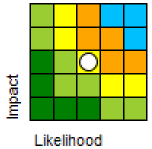
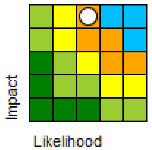
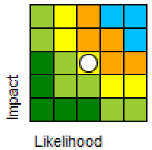
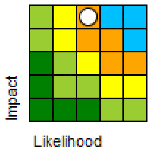
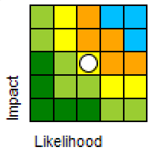
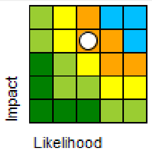
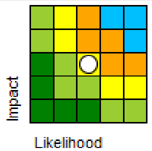
13.1 The Board is asked to note the contents of this report and approve:
1) the proposed changes to the Strategic Risk Register; and
2) the proposed approach to Board risk workshops for 2023.

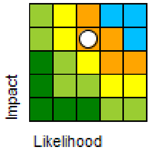
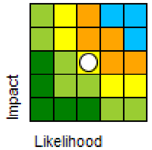
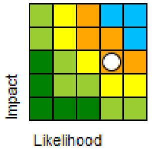
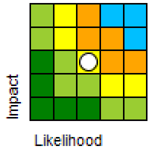
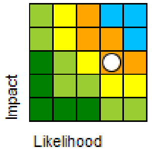
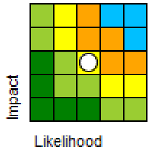
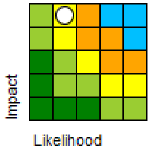
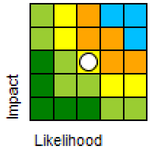
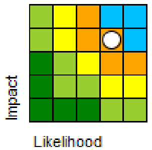
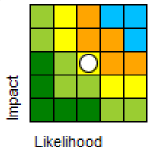
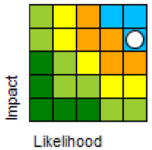
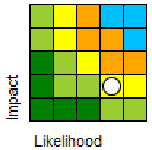
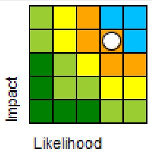
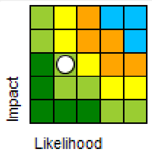
LIST OF APPENDICES:

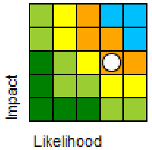
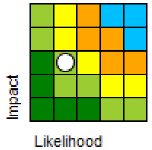
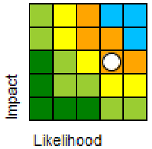
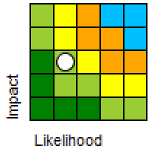
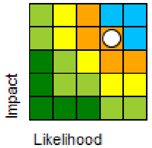
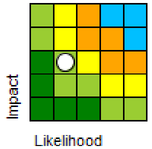
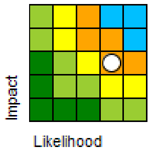
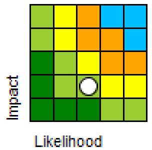
Appendix 1 – Summary status of Group Strategic Risk Register
Appendix 2 –Group Strategic Risk Register

Appendix 1 – Summary status of Wheatley Group Strategic Risk Register

Code	Title	Original Score	Risk Appetite	Current Risk Score	Owner	Strategic Outcome	Ref to Appendix 2
[redacted]							
RISK 001	Impact on our customers of the cost-of-living crisis		Risk Appetite is **HUNGRY** (Blue)		Group Director of Communities	Supporting economic resilience in our communities	N/A (High inherent and residual risk scores; Boards have received an update within the last 6 months)
RISK 021	Reduced availability of financial support from Scottish Government and / or local government		Risk Appetite is **OPEN** (Orange)		Group Director of Finance	Raising the funding to support our ambitions	N/A (High inherent and residual risk scores; Boards have received an update within the last 6 months)
RISK 018	Supply chain disruption		Risk Appetite is **OPEN** (Orange)		Group Director of Governance & Business Solutions	Increasing the supply of new homes	N/A (High inherent and residual risk scores; Boards have received an update within the last 6 months)
RISK 015	Failure to recruit, develop, retain and succession plan		Risk Appetite is **HUNGRY** (Blue)		Group Director of Finance	W.E. Work – strengthening the skills and agility of our staff	N/A (High residual risk score; Boards have received an update within the last 6 months)
RISK 023	Climate change impact on Group assets and services		Risk Appetite is **OPEN** (Orange)		Group Director of Repairs and Assets	Setting the benchmark for sustainability and reducing carbon footprint	N/A (High residual risk score; Boards have received an update within the last 6 months)

Code	Title	Original Score	Risk Appetite	Current Risk Score	Owner	Strategic Outcome	Ref to Appendix 2
RISK 022	Financial impact of rent control legislation		Risk Appetite is **MINIMAL** (Light Green)		Group Director of Finance	Maintaining a strong credit rating and managing financial risk	Page 11 (Outwith risk appetite)
RISK 004	New operating model implementation		Risk Appetite is **HUNGRY** (Blue)		Group CEO; Group Director of Finance	W.E. Work– strengthening the skills and agility of our staff	N/A (High inherent risk score; Boards have received an update within the last 6 months)
RISK 005	Care and support services		Risk Appetite is **MINIMAL** (Light Green)		Group Director of Communities	Shaping Care Services for the future	Page 12 (Outwith risk appetite)
RISK 002	Ongoing threat of future waves of COVID-19 and / or another pandemic		Risk Appetite is **HUNGRY** (Blue)		Group Director of Repairs and Assets; Group CEO	W.E. Work– strengthening the skills and agility of our staff	N/A
RISK 003	Fire Safety		Risk Appetite is **MINIMAL** (Light Green)		Group Director of Repairs and Assets	Investing in existing homes and environments	Page 13 (Outwith risk appetite)
RISK 008	Compliance with funders' requirements		Risk Appetite is **OPEN** (Orange)		Group Director of Finance	Raising the funding to support our ambitions	N/A
RISK 006	Customer Satisfaction		Risk Appetite is **OPEN** (Orange)		Group Director of Housing & Property Management	Enabling customers to lead	N/A

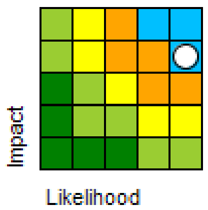
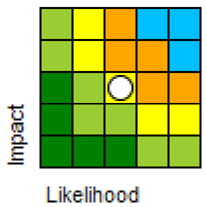
Code	Title	Original Score	Risk Appetite	Current Risk Score	Owner	Strategic Outcome	Ref to Appendix 2
RISK 009	Governance Structure		Risk Appetite is <u>**CAUTIOUS**</u> (Yellow)		Group Director of Governance & Business Solutions; Group CEO	W.E. Work– strengthening the skills and agility of our staff	N/A
RISK 011	Securing new funding and adverse market changes		Risk Appetite is <u>**OPEN**</u> (Orange)		Group Director of Finance	Raising the funding to support our ambitions	N/A
RISK 014	Political and Policy changes		Risk Appetite is <u>**OPEN**</u> (Orange)		Group Director of Governance & Business Solutions; Group CEO	Influencing locally and nationally to benefit our communities	N/A
RISK 010	Group Credit Rating		Risk Appetite is <u>**MINIMAL**</u> (Light Green)		Group Director of Finance	Maintaining a strong credit rating and managing financial risks	Page 14 (Outwith risk appetite)
RISK 053	Damp and Mould		Risk Appetite is <u>**MINIMAL**</u> (Light Green)		Group Director of Repairs and Assets	Investing in existing homes and environments	Page 15 (New Risk – Outwith risk appetite)
RISK 016	Laws and Regulations		Risk Appetite is <u>**CAUTIOUS**</u> (Yellow)		Group Director of Governance & Business Solutions	Progressing from Excellent to Outstanding	N/A (High inherent risk score; Boards have received an update within the last 6 months)
RISK 012	Business Continuity / Disaster Recovery		Risk Appetite is <u>**HUNGRY**</u> (Blue)		Director of People Services	W.E Work – Strengthening the skills and agility of our staff	Page 16 (Amended Risk)

Code	Title	Original Score	Risk Appetite	Current Risk Score	Owner	Strategic Outcome	Ref to Appendix 2
RISK 007	Rent Arrears arising from Universal Credit		Risk Appetite is **MINIMAL** (Light Green)		Group Director of Housing & Property Management	Maintaining a strong credit rating and managing financial risks	N/A
RISK 013	Commercial Operations		Risk Appetite is **MINIMAL** (Light Green)		Group Director of Housing & Property Management	Maintaining a strong credit rating and managing financial risks	N/A
RISK 204	New Build contractor non-conformance with building standards		Risk Appetite is **MINIMAL** (Light Green)		Group Director of Repairs and Assets	Increasing the supply of new homes	Page 17 (Amended Risk)
RISK 020	Implementation of partnership promises		Risk Appetite is **MINIMAL** (Light Green)		Group Director of Governance & Business Solutions; Group CEO	Progressing from Excellent to Outstanding	N/A

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

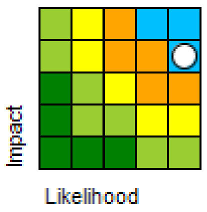
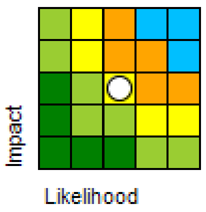
[redacted]

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

<table>
<tr><td>Strategic Outcome</td><td colspan="2">Maintaining a strong credit rating and managing financial risk</td><td>Risk type</td><td>Financial / VFM</td><td>Risk owner</td><td>Group Director of Finance</td></tr>
<tr><td colspan="3">Description</td><td colspan="4">Controls</td></tr>
<tr><td colspan="3">There is a risk that the Group is required to significantly curtail future planned expenditure as a result of rent controls imposed by the Scottish Government, resulting in reduced spend on the new build programme, reduced capital investment in existing properties, and reduced services to customers, all of which may reduce customer satisfaction.</td><td colspan="4">The Group is involved in discussions with the Scottish Government, both directly and through the Scottish Federation of Housing, about its plans in relation to the extent and period of any rent controls applied after 1st April 2023. This includes the Group Chief Executive’s membership of a Scottish Government-convened working group.
The Group has developed a flexible approach to the rent consultation so that customers contribute to the process in a meaningful way, within the constraints of the current period of uncertainty.
The Finance team has reviewed financial plans against a variety of assumptions and will continue to review business plans as additional information becomes available.</td></tr>
<tr><td>Inherent risk</td><td>Residual risk</td><td>Risk Appetite level:</td><td colspan="4">Previous / Next detailed Board update on operation of controls listed above:</td></tr>
<tr><td>
</td><td>
</td><td>Risk Appetite is <u>MINIMAL</u> (Light Green)

Outwith Risk Appetite
The Scottish Government has confirmed that the rent control legislation will lapse from 1 April 2023 for social housing. The legislation will remain in place for private and MMR properties, and there will be a 3% rent increase cap in place until 1 October 2023. There is still a risk of further Scottish Government intervention in future, and until the position is more settled, the risk scoring will be maintained.</td><td colspan="4">• Group Board workshop including discussion of cost-of-living crisis (August 2022)
• Group Board paper on rent setting approach (October and December 2022)</td></tr>
</table>

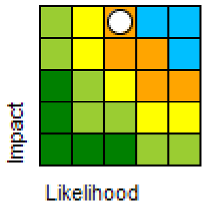
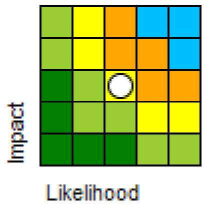
RISK 005 Care and support services – *Outwith Risk Appetite*

<table>
<tr><td>Strategic Outcome</td><td colspan="2">Shaping Care Services for the future</td><td>Risk type</td><td>Compliance: Legal/Regulatory</td><td>Risk owner</td><td>Group Director of Communities</td></tr>
<tr><td colspan="3">Description</td><td colspan="4">Controls</td></tr>
<tr><td colspan="3">A failure in the care of an individual could result in serious personal harm, leading to risk to life and limb, financial liability, and loss of future work due to reputational damage. The commissioning environment relating to care and support services creates risks that funding is insufficient to allow services to break-even while paying staff fair wages.</td><td colspan="4">Care and support services governance arrangements, including the authorising environment, are clear and have been approved. These include regular reviews of service financial positions and processes to hand back services which cannot be delivered in a financially viable manner.
Care Assurance Framework (which includes monitoring the results from Care Inspectorate service visits and Group Assurance inspections) in place which assesses the quality of care and adherence to Care policies and procedures across Group. Care Quality Framework approved by Care Board April 2022 is being implemented.
The Care Inspectorate has remobilised inspections of registered services as part of its scrutiny arrangements.
Regular management review of service users' care packages to monitor where people are leaving the services and how to redeploy resources or attract new users.
The Protecting People Policy Framework sets out arrangement for protecting the People We Work For, including those considered to be vulnerable. Work to deliver against the Framework is reported to the Wheatley Care Board.</td></tr>
<tr><td>Inherent risk</td><td>Residual risk</td><td>Risk Appetite level:</td><td colspan="4">Previous / Next detailed Board update on operation of controls listed above:</td></tr>
<tr><td></td><td></td><td>Risk Appetite is <u>MINIMAL</u> (Light Green)

Outwith risk appetite
Management will review the scoring of this risk following a one-year review of the Care Quality Framework in April 2023. It is anticipated that this will result in a reduced residual risk score.</td><td colspan="4">Finance reports are standing items at the Wheatley Care and Group Boards. (Ongoing)
Care business plan and ongoing care performance reporting to Group and Wheatley Care Board (minimum quarterly)</td></tr>
</table>

RISK 003 Fire Safety– *Outwith Risk Appetite*

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

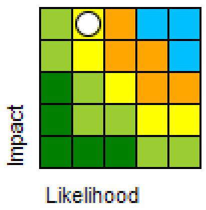
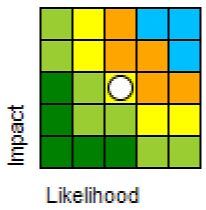
Outwith relevant premises, Fire Prevention and Mitigation Framework, including our approach to high rise block inspections and Livingwell, and Fire Risk Assessments are completed on a rolling cycle.
Daily, weekly and monthly inspections of high-rise domestic premises maintained by Environmental Teams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

Outwith risk appetite
The risk scoring reflects the high potential impact associated with fire and the Group's limited ability to influence the behaviour of those external to the organisation.</td><td colspan="4">Standing item at Group Audit Committee meetings. (Ongoing)
Annual Report to RSL and Lowther Boards on Fire Prevention and Mitigation Framework
Group, RSL and Lowther Boards - Fire safety performance related KPIs (ADFs and FRAs) as part of standing performance updates. (Ongoing)</td></tr>
</table>

RISK 010 Group Credit Rating – *Outwith Risk Appetite*

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

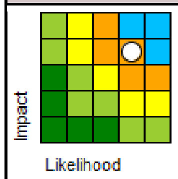
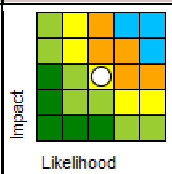
Description	***Controls***
There is a risk that external factors such as a downgrade of the UK's credit rating or a default by another organisation within the social housing sector results in a downgrading of the Group's credit rating to BBB+ or below, resulting in a potential requirement to repay our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

Inherent risk	**Residual risk**	**Risk Appetite level:**	**Previous / Next detailed Board update on operation of controls listed above:**
		Risk Appetite is **MINIMAL** (Light Green) **Outwith risk appetite** The residual risk score has increased due to the uncertainty within the external economic and policy environment. Management will continue to monitor the potential impact on business plans and keep the scoring of this risk under review.	Business plan projections for all Boards set out how we will maintaining financial position (Feb 23) The Group and WFL1 Boards receive quarterly treasury reports on the current credit market conditions and any credit rating updates. (Quarterly through 2021 and 2022; now 2023)

RISK 053 Damp and Mould – *New Risk, Outwith Risk Appetite*

Strategic Outcome	Investing in existing homes and environments	Risk type	Compliance - Legal / Regulatory	Risk owner	Group Director of Repairs and Assets

Description	***Controls***
There is a risk that housing stock is in a poor-quality condition as a result of damp and mould, resulting in harm to tenants' health.	***Existing controls*** The Group has a Damp and Mould Policy, which is supported by detailed procedures. Mould and damp are recorded as specific work order descriptions, with agreed timescales for completion of the works. Timescales for completion of mould works have been reduced from 30 to 15 days and all jobs include a full inspection arranged by the RICO team within 48 hours. Additional staff, who will specialise in mould and damp, are being recruited to provide additional resource to the existing team. A process in in place to contact tenants with completed mould and damp jobs to determine whether the reported issue has been resolved. Trades staff are made aware of condensation and its causes, as well as being trained in application of products used to manage it. There are annual visits to all properties as part of technical compliance programme, with those in attendance advised to report any issues noted while in a property, including damp and mould. Housing Officers also access properties at least once per annum (usually more frequently). Housing Officers have access to information about current mould and damp jobs, factsheets to provide to tenants and are able to direct tenants to videos on how to manage issues. These are also available on Group websites. Training has been developed for all frontline staff who work with tenants including housing, wraparound services, CFC and care staff. CFC staff have specific script for probing when someone raises concern about damp or mould so we understand clearly the extent of concern at the outset. A No Access Policy to cover the Group's approach to forced access, including in instances where repeated issues of damp and mould are raised but access is refused, has been recently rolled out. ***Planned controls*** The Group Health & Safety team has sourced products that can be made available to tenants to help manage condensation, such as dehumidifiers, air dryers for clothes and anti-mould sprays. These will be stored locally and fuel advisors will be able to issue these products to assist tenants. All staff with reason to visit customer homes are being trained to recognise signs of damp and mould. Daily PowerBI reporting on numbers of mould and damp work orders is in development. The group is developing a pilot exercise to test environmental sensors in a small number of properties.

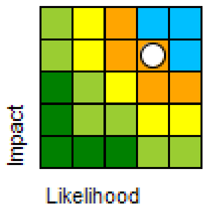
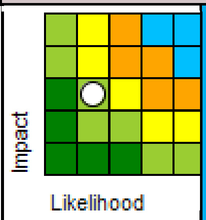
Inherent risk	**Residual risk**	**Risk Appetite level:**	**Previous / Next detailed Board update on operation of controls listed above:**
		Risk appetite is **MINIMAL** (Light Green) **Outwith risk appetite** This risk has been added to the Strategic Risk Register in response to the risk to tenant health caused by damp and mould. The cost-of-living crisis, and in particular the increased cost of heating, increases the risk that	Property Condition Assurance Approach reported to Subsidiary Boards in November 2022 and Group paper on approach to Damp and Mould at the December 2022 Group Board.

		tenants may face such issues, as properties become colder and less ventilated.	

RISK 012 Business Continuity / Disaster Recovery – AMENDED RISK

Strategic Outcome	W.E Work – Strengthening the skills and agility of our staff	Risk type	Operational Delivery	Risk owner	Director of People Services

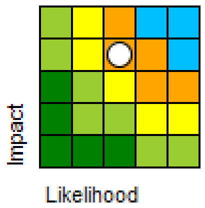
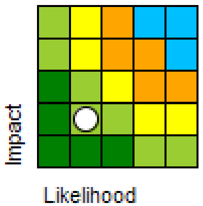
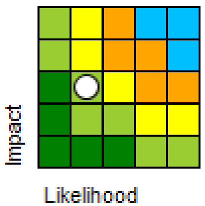
Description	***Controls***
The Wheatley Housing Group does not have adequate or tested Business Continuity / Disaster Recovery Plans in place for key business activities and may rely on the provision of technology provided by third parties(for example: repairs service, care provision/staff cover, customer payment systems/technology, CFC telephony), resulting in significant disruption to service and avoidable reputational damage.	Business Continuity Plans are in place across all business areas. A business continuity implementation group is responsible for collating, reviewing and designing the Group's Disaster Recovery and Business Continuity Plans in conjunction with colleagues in IT. The business continuity framework is being further developed in line with the Group's new business operating model and in light of experience through the COVID-19 pandemic. Regular testing and exercising of the Business Continuity Plans will continue to be implemented across all business areas.

Inherent risk	**Residual risk**	**Risk Appetite level:**	**Previous / Next detailed Board update on operation of controls listed above:**
		Risk Appetite is <u>**HUNGRY**</u> (Blue)	RSL Boards receive a bi-annual update under the Wheatley Solutions Services Agreement on business continuity planning and testing. (May 22) A business continuity plan refresh is underway, with update provided to the Wheatley Group Board in April 2022. (April 22) Revised approach to Business Continuity Management implemented and introduction of Business Continuity Co-ordinators and Response Teams established in all Business Areas. Comprehensive Training provided to Business Continuity Co-ordinators.

RISK 204 New build contractor non-compliance with building standards – AMENDED RISK

Strategic Outcome	Increasing the supply of new homes	Risk type	Compliance: Legislative/Regulatory	Risk owner	Group Director of Repairs and Assets

Description	***Controls***
There is a risk that a supplier provides properties that do not meet required build quality, including building standards, which leads to additional project cost, properties that are not fit for habitation, reputational risks or potential harm to tenants.	Clerk of Works monitoring quality of work produced Employers' agent employed to manage the construction contract. Proactive contract management and regular contractor engagement. Suppliers selected from procurement framework ***Planned:*** Review of hand-over process to strengthen controls

Inherent risk	**Residual risk**	**Risk Appetite level:**	**Previous / Next detailed Board update on operation of controls listed above:**
	Original score:  Updated score: 	Risk Appetite is **MINIMAL** (Light Green)	Project monitoring and contractor engagement update including updated financial assessment provided to each meeting of the Wheatley Development Scotland Board.

Wheatley Group

Report

To: Wheatley Housing Group Board

By: Pauline Turnock, Group Director of Finance

Approved by: Steven Henderson, Group Chief Executive

Subject: Treasury update

Date of Meeting: 22 February 2023

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1. Purpose

1.1 The purpose of this report is to:

- Update the Board with a quarterly overview on the liquidity position, cashflow forecast, covenants and fixed rate loan restructures on our debt facilities to 31 December 2022;
- [redacted];
- Update the board with the details of the finalised [redacted] to Wheatley Funding No.1 Limited (WFL1);
- Update the board with the outcome of the revisions to Syndicate fixed rate loans; and
- Update the Board on the review of the new build appraisal target return rate

2. Authorising and strategic context

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

2.2 Under the terms of the Intra-Group Agreements between the Wheatley Group and its subsidiaries the Group Board is responsible for the on-going monitoring of performance against agreed targets. This includes the on-going performance of its finances.

2.3 Raising additional funding and ensuring our existing financing arrangements are fit for purpose ensure we have the financial resources to enable our ambitions to deliver new energy-efficient affordable homes

3. Background

3.1 As anticipated, we drew £5m at the end of Q3 from our [redacted]. This provided funding for the continuation of our new build programme which this financial year to date has been funded from cash reserves.

3.2 Covenants for our WFL1 and WFL2 facilities remain compliant for Q3 (as at 31 December 2022).

3.3 Following this Board's approval to proceed with a £35m loan with [redacted] to fund the delivery of new affordable homes, we have agreed a final rate with the lender and will proceed with drawdown on 27 February 2023.

4. Discussion

i. Liquidity Position

4.1 Our funding arrangements have two main sources of liquidity:

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

4.2 The table below sets out the full cash and liquidity positions over the last six-month period.

[redacted]

4.3 At 31 December 2022, immediately available WFL1 facilities (RCFs and overdrafts) total £280.7m (£275.7m at 31 January 2023). We drew £5.0m from [redacted] on 28 December 2022 for two months at SONIA plus 1.075%. We have drawn an additional £5m on 27 January 2023 from the [redacted] for one month at SONIA + 1.075%. We will receive the new £35m [redacted] funds on 27 February 2023 and will repay the £10m drawn on the RCF plus interest on the following day.

4.4 The Cashflow forecast as set out in the board pack indicates that, in addition to the £35m [redacted] funding, we will need to draw £5m from our RCFs towards the end of Q4 to ensure sufficient cash cover to meet new build expenditure as well as the scheduled, bi-annual bond interest, quarter-end interest and capital repayments [redac) while maintaining the minimum £10m cash holdings across the RSL Borrower Group in line with the Treasury Management Policy.

ii. Covenant position across WFL1, WFL2, DGHP

4.5 The appended treasury pack sets out the covenants for WFL1 and WFL2 to 31 December 2022. These will be submitted to the respective lenders in line with our loan agreements.

4.6 WFL1 and WFL2 remain covenant compliant.

iii. Restructure of Fixed Rate Loan arrangements (Syndicate)

4.7 This Board was updated in the 14 December 2022 meeting about the changes made to some [redacted] fixed rate loans (reducing the coupon from 5.18% to 4.691% while extending the term and increasing the amount of debt subject to the fixed rate).

4.8 Following the Board meeting, and in line with authority previously delegated, we were able to take similar action with a number of the [redacted] fixed rate loans, consolidating these into one arrangement with a lower coupon rate of 4.537% while extending the term by six years to March 2038. The cost of funds is below the assumed longer term business plan rate (5% excluding margin) and the positive impact on cashflow commenced from the 31 December 2022 interest rollover date. The annualised interest saving across both the [redacted] restructures is £1,010k

iv. [redacted]

4.9 [redacted]

4.10 [redacted]

4.11 [redacted]

4.12 [redacted]

v. [redacted]

4.13 [redacted[

vi. [redacted]

4.14 [redacted]

4.15 [redacted]

4.16 [redacted]

5. Customer Engagement

5.1 Not directly applicable as not related to customer service.

6. Environmental and sustainability implications

6.1 We have now drawn £10m of our £50m facility from [redacted]], albeit for an average maturity date of just 1.5 months. We will be reporting on our sustainability KPIs at the financial year-end, and provided these have been met, will receive back a credit equivalent to 0.05% on the drawn funds.

6.2 Failure to meet any of the Sustainability KPIs will not be an Event of Default and, in the unlikely outcome that we cannot meet our obligations, we will forego the loan margin benefit (i.e. it is an opportunity cost).

7. Digital transformation alignment

7.1 No direct impact on the digital transformation programme.

8. Financial and value for money implications

8.1 Contained within section 4 of this report

9. Legal, regulatory and charitable implications

9.1 None.

10. Risk Appetite and assessment

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

10.2 Our current liquidity risk is low given the recent £100m refinancing with Barclays and the Syndicate, and the new £35m term loan from Allia provides fixed term debt to support the new build ambitions.

11. Equalities implications

11.1 The inclusion of the Sustainability KPIs directly incentivises us to deliver our ambitions on provision of housing to homeless households as well as to provide higher and further educational bursaries to customers, both of which seek to address inequalities across our communities.

12. Key issues and conclusions

12.1 We have now drawn a total of £10m from our RCFs and have £275.7m of available working capital facilities as at the date of this report.

12.2 We are covenant compliant across the WFL1 and WFL2 facilities.

12.3 Our EIB finance contracts will be amended to reflect the transition from LIBOR to SONIA. The Allia £35m facility has been approved by all WFL1 Guarantors and will be drawn at the end of February 2023.

12.4 The IRR target rates, increased by this Board in October 2022, have been reviewed and remain appropriate at this time based on current economic conditions.

13. Recommendations

13.1 The Board is requested to:

1) Note the liquidity position and covenant compliance as at 31 December 2022;
2) Approve the amendments to our EIB finance contracts to reflect LIBOR transition;
3) Note the finalised interest rates for the new £35m [redacted];
4) Note the update on the restructure of the [redacted] fixed rate loans; and
5) Note the review of IRR targets for new build appraisals, and that these will be maintained as agreed by this Board in October 2022.

LIST OF APPENDICES

Appendix 1: Treasury pack
Appendix 2: Amendment Agreements – EIB finance contracts
Appendix 3: EIB Board minute

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: **Governance update**

Date of Meeting: **22 February 2023**

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1. Purpose

1.1 To seek the Board's agreement to:

- replace the Group Vice-Chair role with a new Senior Independent Director role and the process to appoint a Senior Independent Director;
- the approach to updating our succession planning assumptions to maintain the tenant voice on the Board.

2. Authorising and strategic context

2.1 Under the Group Remuneration, Appointments, Appraisal ("RAAG") Committee's Terms of Reference it is responsible for keeping the Group Board succession plan under review and agreement of the plan is reserved to the Board. Under the Group Standing Orders the appointment of a Group Vice-Chair is reserved to the Group Board.

3. Background

3.1 The Board were advised at its October 2022 meeting that the RAAG Committee was considering, ahead of the assumed retirement of Bernadette Hewitt as the Chair of Wheatley Homes Glasgow in September this year, how we retained the tenant voice on the Board.

3.2 It was agreed that as a general principle the Board should have a tenant voice as part of its membership given that knowledge of our communities and experience of our services is a key element of the overall Board skills and experience matrix.

3.3 Our Articles of Association do not require the Board to have a Group Vice-Chair. The Articles set out that:

"*The Board may appoint a Vice Chairperson to act in the absence of the Chairperson appointed in accordance with article 59.7 on such terms as the Board shall think fit.*"

3.4 The Board has, over time, taken different views on the need for a Group Vice-Chair, including: having no Group Vice-Chair; having a Group Vice-Chair with a clearly defined role; and the current position of the role being under review.

3.5 The RAAG Committee considered what our future approach could be at its last meeting and agreed to make recommendations to the Board which are set out in this report. It agreed that our focus should not be on whether we have an appointed Group Vice-Chair; rather what, if any, areas need to be more formally defined in terms of roles and responsibilities.

4. Discussion

Group Board office bearer role

4.1. Following the retirement of Martin Kelso from the Board in September 2022 we have not appointed a Group Vice Chair. There are a number of elements of the role of the Group Vice Chair which have evolved and are now either no longer applicable and/or are handled in another way.

4.2. For example, representing the Group at events is covered through a combination of the wider Group Board and partner Board Chairs and other elements of the role, as was, are now the defined responsibilities of a Committee or the wider Board rather than one individual. In terms of support and challenge, the Group Chair has consistently conveyed to the Board that she seeks this from all Board members rather than from an individual in a defined role.

4.3. The Committee considered the current position of having no Group Vice Chair and what, if any, gaps this could give rise to in how the Board operates. It identified one area, that may previously have been assumed as part of the Group Vice-Chair role, where we currently do not have a formally defined position.

4.4. This area was formally defining who facilitates the wider Board's appraisal of the Group Chair (in the absence of a Vice-Chair) and who is a sounding board and intermediary for any Board members for any issues they do not wish to raise directly with the Group Chair. The latter element is about having a clearly defined and documented process for Board members and has never formally been documented as part of the Vice-Chair role.

4.5. Publications by bodies such as the Institute of Directors, the Chartered Governance Institute and the UK Corporate Code cite examples of the common types of matters that Board members would not want to raise directly with the Chair. These include:

- a dispute between the Chair and Board member;
- issues relating to the way Board meetings are being chaired such as inappropriate behaviours the Chair is exhibiting or not addressing;
- the Board have made requests that are not being responded to by the Chair eg that items are brought to the Board that the Chair does not place on the agenda;
- issues with the relationship between the Chair and the Group CEO, such as decisions are being made without the approval of the full Board where it is considered they should have been or relates to a reserved matter; or
- succession planning is being ignored

4.6. The only other matter which we have not formally defined is the process for the Board agreeing on how it would appoint someone to act as the Group Chair in the event of an unforeseen short term or longer term absence of the Group Chair. The Articles confirm that the Board may elect someone to act, but do not specify how, on a more practical basis, this should happen i.e. who facilitates the discussion or what might impact whom the Board can appoint.

4.7. Practice across the wider UK sector among comparator housing groups is varied. Some Boards have a Vice-Chair, some have a Senior Independent Director ("SID") and some have neither. The role of SID has become well established in wider UK Corporate Governance terms and is part of the UK Corporate Governance Code.

4.8. The SID role was established to address a number of issues namely to:

- serve as an intermediary for the other directors.
- lead the annual performance evaluation of the Chair

The UK Corporate Governance Code does not mandate the requirement to have a Vice-Chair.

4.9. Based on the above the Committee agreed to recommend to the Board that we should:

- document a decision regarding the Chair appraisal process, covering: who agrees the process for appraising the Chair and how, including who leads it and reports to the Board on the outcome of it;
- document who will act as an intermediary and sounding Board for Board members on issues where it is not the Chair; and
- confirm who would facilitate any discussion of the Board regarding any short or long term absence of the Chair.

4.10. The Committee agreed to recommend that we do this by replacing the Group Vice-Chair role with a new Senior Independent Role. The proposed role and responsibilities and skills and experience required are set out in Appendix 1. The role would be remunerated at the same level as Group Committee Chairs and would attract no additional remuneration for any individual appointed as the SID already remunerated at that rate.

4.11. In terms of any Chair absence, the role profile proposes that the SID would facilitate the Board discussion on appointing someone to act in the Chair's absence. This allows the Board to appoint someone based on the most relevant skills and experience relative to the length of the absence and key issues for the Board at that time rather than be tied to a pre-appointed Vice-Chair.

4.12. As part of this role the SID would, with the support of the Group Company Secretary, ensure the process for appointing an acting Group Chair was in line with the requirements of our Articles and relevant SHR statutory guidance. The latter is particularly relevant in relation to conflict of interest relating to any individual being the Chair of both the Parent and a Subsidiary for any period of time, even a single meeting.

4.13. Subject to the Board's agreement to the creation of a SID role and the associated role profile it is proposed the process and steps for appointment would be as follows:

- An appointment panel is created consisting of at least two but preferably three RAAG Committee members - immediate;
- Article changes are effected to incorporate the role and remove the Group Vice-Chair role and presented to a Special General Meeting for adoption – April ;
- Interested Board members submit an expression of interest for the role, setting out their interest and relevant skills and experience – by 14 March;
- The appointment panel interviews any candidate(s) it considers has the relevant skills and experience – April ; and
- The appointment panel make a recommendation to the Board – April Board

Maintaining the tenant voice

4.14. Our current succession plan assumptions mean that upon the change of Wheatley Homes Glasgow Chair in September we would have no tenants on the Board. The Board recognised that within the context of the skills, experience and overall diversity balance of the Board this required further consideration. The Board agreed in principle that our succession plan should be updated to ensure that we do maintain a tenant voice post September.

4.15. The Committee considered this and propose that we should use the two co-optee roles to appoint tenants to the Board from September 2023. It is proposed that the two tenants would reflect the nature of our Group we would seek to draw one tenant with an understanding of an urban context and one with an understanding of the rural context i.e. Dumfries and Galloway.

4.16. The Board's agreement is sought that we update the 3 year succession plan to allow for two tenants to join from September 2023 as co-optees and that the RAAG Committee develop proposals for a process. A fuller update on the Board 3 year succession plan, including this, would then form part of the June Board residential.

5. Customer Engagement

5.1 There are no customer engagement implications associated with this report.

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1 Any remunerating associated with roles would be covered from within existing budgets for Board remuneration.

9. Legal, regulatory and charitable implications

9.1 The Scottish Housing Regulator statutory guidance on Group structures and constitutional partnerships states that there must be sufficient independence between the Parent and Subsidiary in a group structure. The appointment of a subsidiary Chair in the event of a long term absence of the Group Chair could give rise to the perception that there is not sufficient independence between the two.

10. Risk Appetite and assessment

10.1 Our agreed risk approach for governance is “cautious”. This level of risk tolerance is defined as a “preference for safe delivery options that have a low degree of inherent risk and have only limited potential for reward”.

10.2 This reflects our risk appetite in relation to laws and regulation, which is “averse”, with the avoidance of risk and uncertainty is a key organisational objective and a priority for tight management controls and oversight.

10.3 Our strategic risk register contains the risk “*The governance structure is not clearly defined, is overly complex and lacks appropriate skills at Board and Committee levels to govern the Group effectively. Failure of corporate governance arrangements could lead to serious service and financial failures*.”

10.4 We mitigate this risk by having clearly defined roles and responsibilities across our governance framework, regularly reviewing our framework and submitting our governance arrangements to external review. The proposals in this report formally define responsibilities as part of our governance and arrangements to have a suitably skilled and experienced individual undertake them.

11. Equalities implications

11.1 There are no equalities implications arising from this report.

12. Key issues and conclusions

12.1 We need to more formally document the process for raising any issues beyond via the Chair and resolve how some of the activities, such as Chair appraisal, previously undertaken by the Group Vice-Chair are handled in future. The report proposes we do this via a SID.

12.2 The Board has, since the creation of Wheatley Group, had a customer voice as part of its membership and this is reflected in our skills matrix. Maintaining this, whilst also taking into account the changes in the group’s strategic footprint, is important for maintaining a well balanced Board.

13. Recommendations

13.1 The Board is asked to:

1) Agree that we replace the Group Vice-Chair role with a new Senior Independent Director role;
2) Provide feedback on and agree the Senior Independent Director role profile set out at Appendix 1; and
3) Approve the proposed appointment process as set out in paragraph 4.13; and
4) Agree that our 3 year succession be updated to provide for two new co-opted directors and that the RAAG Committee develop proposals for Board consideration at the June residential.

LIST OF APPENDICES:

Appendix 1 – Senior Independent Director role profile

Draft role profile

Wheatley Group Board – Senior Independent Director

Role and responsibilities

- Meet the Board (excluding the Chair) to agree the process to appraise the Group Chair and arrangements for how the results of the appraisal will be reported to the Board and the Group Chair;
- Act as a sounding board for the Group Chair on governance related matters;
- Act as the principal contact point for Board members to:
  - raise any matters where the normal channel of the Chair or Group Chief Executive has failed to resolve the matter
  - raise any matters which they do not feel would be appropriate to raise directly via the Group Chair eg where they relate to the Group Chair or an act or omission by the Group Chair
- Engage with the Group Chair in relation to any matters raised by a Board member and facilitate a mutually agreed resolution to any such matters or, where necessary, report such matters to the Group RAAG Committee or the Board;
- In the event of a short term absence of the Group Chair, facilitate the appointment of a Chair of any Board or General Meetings in line with the requirements of the Articles and taking into account any relevant Scottish Housing Regulator statutory guidance;
- In the event of a longer term absence of the Group Chair, facilitate the appointment of an acting Chair in line with the requirements of the Articles and taking into account any relevant Scottish Housing Regulator statutory guidance;

Key skills and experience

The Senior Independent Director must have the following key skills and experience:

- Significant corporate governance experience in both an advisory and Non-Executive capacity;
- Strong interpersonal skills, including a proven ability to sensitively manage and resolve issues in relation to individual performance and conflicting views;
- Extensive Chair experience of Board and Committees in a large, complex organisation;
- Knowledge of the stakeholder and regulatory operating context in which the Group operates and senior experience in a similar operating context;
- A proven ability to build relationships with and command the trust and respect of fellow Board members; and
- Proven ability to exercise excellent judgement under pressure

Wheatley Group

Report

To:	**Wheatley Housing Group Board**
By:	**Frank McCafferty, Group Director Assets and Repairs**
Approved by:	**Steven Henderson, Group Chief Executive**
Subject:	**Generation 3 Construction Framework**
Date of Meeting:	**22 February 2023**

1. Purpose

1.1 The purpose of this report is to seek approval to award a new Group Construction Framework for the delivery of the Group's new build programme and all other construction related projects.

2 Authorising and strategic context

2.1 The Board has operational oversight of the Group's development programme. In line with the Board's Terms of Reference and the Development Services Agreements with each developing RSL, Wheatley Developments Scotland ("WDS") are contracted to deliver all new build development projects. This means that WDS will be the primary user of the new framework. The framework was reviewed by the WDS at its last meeting and the report reflects the feedback from the WDS Board in agreeing it be presented to this Board for approval.

2.2 Based on historic spend information collated from the previous house building and associated works framework and new build projections within the group business plan, it is estimated that there will be a spend of £500M over the maximum four-year (based on a 2+1+1) duration of the Framework Agreement.

3 Background

3.1 The current New Build Development Framework expires 31 March 2023, successfully delivering just short of 2000 new affordable homes, despite Brexit and the pandemic. This framework was established in two Lots:

Lot 1: Up to 30 Units:

- Ashleigh (Scotland) Limited
- Central Building Contractors (Glasgow) Ltd
- CCG (Scotland) Ltd
- City Building (Contracts) LLP
- Cruden Investments Limited
- ENGIE Regeneration Limited
- McTaggart Construction Ltd
- Ogilvie Construction Ltd

Lot 2: 31 Units and above:

- CCG (Scotland) Ltd
- Cruden Investments Limited
- McTaggart Construction Lt.

3.2 Approval was given at WDSL Board in September 2022 to procure, via a full compliant procurement process, the next generation of New Build Development Framework (Generation 3 Construction Framework). This procurement process concluded at the end of December 2022.

3.3 A range of options for procurement of these Works were identified and assessed:

- Option 1 - do nothing
- Option 2 - procure a new, bespoke in-house framework agreement
- Option 3 - utilise existing framework and dynamic purchasing supply agreements, designed by external providers
- Option 4 – procure via open market above threshold competitions for discreet procurements (specific sites/projects).

3.4 Following a review of the current market conditions and the Group's evolving nature together with the future development programme of Works, given the options available, it was agreed that undertaking a regulated above-threshold procurement process to secure a new bespoke in-house framework was the preferred route to market in terms of compliance and the Group's needs.

3.5 The opportunity for group to access external framework continues to exist out with our own Framework Agreement; where this is an appropriate route to market. For example, Hub West is currently being accessed to deliver Duke Street renovation works. We also have experience of accessing Scotland Excel to contract development projects in the South. Scotland Excel also allows a contractual route to award development projects to City Building.

4. Discussion

4.1 The procurement journey commenced via a Contract Notice on Public Contracts Scotland (PCS) portal for the procurement of a framework agreement to secure and appoint a bank of suitably qualified and experienced Contractors to deliver our development programme and associated construction.

4.2 The procurement was carried out on the basis that we would appoint a maximum of eight contractors to the framework. This was identified as the appropriate number following market engagement to maintain a sufficient depth of pool, drive competition between those tendering and achieve coverage of our full development strategic footprint.

4.3 The Group received a total of 11 submissions and following the due diligence of financial and compliance checks 10 submissions were taken forward for evaluation of Quality and Commercial Pricing.

- **Quality – [redacted]**
  The quality evaluation was based on weighted award criteria questions, following assessment and completion of the quality evaluation, bidders who scored [redacted] and above (the minimum requirement) of the [redacted] allowance for Quality were carried forward to the commercial evaluation.

- **Price – [redacted]**
  Pricing was based on Preliminaries & Build Costs Overheads & Profit ([redacted]) together with inflationary increase percentages ([redacted]) for each year of the framework duration.

4.4 The lowest scoring priced bid (£) for each element of price was allocated the maximum percentage (%) available for that element of price, and all other bids were scored on a pro rata basis against each element of the lowest priced bid.

4.5 Scores from the quality analysis were combined with the scores from the cost analysis to reach a final % score for each Tenderer's submission as detailed in the table below, with the 8 top highest % scoring bids established as the proposed appointments to the framework as follows:

Contractor	Price Score [redacted]	Rank	Quality Score [redacted]	Rank	Overall	Rank
JR Construction (Scotland) Ltd	31.30%	3	37.80%	4	69.10%	**4**
Cruden Building (Scotland) Limited	30.79%	4	37.50%	5	68.29%	**5**
Lovell Partnerships Ltd	21.21%	8	31.50%	10	52.71%	**9**
Clark Contracts Limited	40.00%	1	32.70%	9	72.70%	**2**
Ashleigh (Scotland) Limited	31.88%	2	36.00%	7	67.88%	**6**
A.S. Homes Scotland Ltd	16.38%	10	36.30%	6	52.68%	**10**
McTaggart Construction Ltd	28.66%	6	45.60%	1	74.26%	**1**
Hadden Construction Limited trading as Hadden Group	20.57%	9	33.30%	8	53.87%	**8**
Ogilvie Construction Limited	26.19%	7	38.10%	3	64.29%	**7**
CCG (Scotland) Ltd	28.95%	5	41.70%	2	70.65%	**3**

4.6 The works under the Framework Agreement will deliver housing for affordable tenures. It is anticipated that up to 1,000 units per year could be delivered under the Framework Agreement across the Central Belt of Scotland and Dumfries and Galloway but reserving the right for use across any Local Authority area in Scotland.

4.7 The works will be predominantly new build but may include a proportion of conversion, rehabilitation or renovation works to existing properties including non-residential and/or listed buildings. The works will also include enabling works including demolition, ground works, remediation and infrastructure.

4.8 The Framework Agreement will be used by Wheatley Group subsidiaries as defined in the Generation 3 Construction Framework Agreement, Terms and Conditions. The Framework will be for an initial period of 24 months with the option to extend for 12 months and a further 12 months (up to 48 months in total) at the sole discretion of Wheatley Group.

4.9 Where possible we will seek to use the Framework to drive competition between contractors with a view to securing the best outcome in terms of price and quality for particular projects. Where we conduct a mini-competition, we have the ability to select whether all or only some Contractors will be invited to bid. The rationale for not inviting particular Contractors to bid may include factors such as their size/financial standing or experience in a particular construction type.

4.10 A mini-competition will be made by identifying the most economically advantageous tender in accordance with the process set out in the Framework Agreement and will be based on a [redacted] Price / [redacted[Quality split with a plus / minus [redacted] tolerance taking into consideration the size, scale and complexity of the works. Mini-competition is anticipated to be the preferred approach where the requirements of the project and design requirements are relatively standard and effective competition can be achieved.

4.11 For some projects, there may be advantages to selecting a single Contractor at the outset of a project. For example, it may be important to have Contractor involvement early in the design phase due to complexity, or particular value for money could be achieved through cost efficiency because a Contractor is already working at an adjacent site. While direct award is permitted under the terms of the framework, any such proposal will require a strict assessment setting out the justification, based upon:

- The nature of works, e.g., refurbishment, new build homes, bespoke flats
- The scale of works e.g., mid/high rise flats
- Complexity e.g., large scale engineering, district heating
- Value
- Market conditions, e.g., increasing costs, supply chain lead in
- Contractor performance
- Availability of skills & resource
- Access to a secure supply chain to enable delivery
- Geographic location

4.12 For any project where we propose a direct award, a "value for money" assessment will be carried out by an independent Quantity Surveyor. This will assess the costs against that which the Quantity Surveyor considers could be achieved in the market through open competition. The outcome of this assessment, as well as the justification for a direct award against the criteria listed above, will be included in the scheme approval papers presented to the Board of Wheatley Developments Scotland Ltd to ensure full transparency and governance scrutiny of every proposed award.

4.13 Similarly, where it is proposed to invite fewer than all eight Contractors to bid through a mini-competition, the rationale for excluding Contractors and the proposed list to be invited to bid will be presented to the Board of Wheatley Developments Scotland Ltd for approval prior to the commencement of the mini-competition. Where it is not practical to wait until the next Board meeting this would be agreed by the Wheatley Developments Scotland Ltd Chair on behalf of the Board.

4.14 Subject to the Board's approval, the framework will be live from 3 April 2023.

5. Customer Engagement

5.1 Work to place the customer at the heart of how we plan and design our new build developments has commenced and is being considered for all future projects. A number of Customer Voices projects are progressing across Group and learnings from these projects will be applied to future new build projects. We also work with housing management colleagues to link the homes built to prospective customers, at an early enough date to be consulted on preferences for fixture and finishes where possible to do so.

6. Environmental and sustainability implications

6.1 Our recently approved Sustainability Framework sets out our key actions in relation to new build homes. This includes:

- new-build homes will meet the planning requirements in relation to no fossil fuel as required through Building Regulations (March 2024);
- We will size our solar PV systems to generate sufficient electricity to mitigate higher cost of operating electric heating systems;
- Our large-scale regeneration proposals will include an assessment of 'carbon payback' if demolition is being proposed
- We will explore the implications of design for deconstruction and look to incorporate requirements for this as part of future new-build standards;
- We will pilot modern methods of construction;
- Our new homes will be at least EPC B.

6.2 Projects will be developed to meet Aspects 1 and 2 of the Silver Sustainability Standards which covers reduction in carbon dioxide emissions and energy use for space heating. EPC ratings of B will be achieved in all new properties. WHG projects also need to meet the requirement of the Glasgow Standard which is more stringent than Scottish Government conditions across the rest of the Group's development programme. This includes achieving increased sustainability standards, reduction in carbon dioxide emissions and energy use for space heating.

6.3 As part of the contractor framework, our specification has been updated to reflect current and future aspirations of the building regulations and the move to zero emission homes.

6.4 Wherever possible, we will specify low carbon heating technologies in our new developments and work towards the national decarbonisation targets for gas free developments by 2024.

7. Digital transformation alignment

7.1 Fibre broadband will be delivered free to the customer in most completed units, where available, to meet our Group Strategy objectives to facilitate the aim of developing digital neighbourhoods and creating the digital infrastructure that may assist customers to work from home or live independently for longer. Thereafter, our customers will be free to choose their internet supplier of choice from a range of companies including Sky, Talk and Vodafone etc.

8. Financial and value for money implications

8.1 By developing a bespoke framework, advertised through Public Contracts Scotland, market stimulation is created and incentivises Contractors to compete and bid for a place on the framework. The pricing methodology ensures commercial advantage for the term of the framework.

8.2 Value for money will be further enhanced through the choice and flexibility afforded by the call-off arrangements and the ability to negotiate against the rates/percentages submitted for the Framework at the time of appointment utilising Direct Award prior to reaching a final tender sum and by Mini-Competition to secure further value for specific projects/requirements.

8.3 All contractors appointed to the Framework will be required to deliver mandatory Community Benefits requirements in relation to the value of works outlined in the Community Benefit Value Table**.**

8.4 The value of spend through the new Framework Agreement will be directly influenced by the Group's ambitious growth strategy in terms of their affordable housing programme and commitment to the number of units over the duration of this Framework Agreement (2023 - 2025/27).

8.5 The competitive rates/percentages secured as result of the procurement process will assist in programme budgeting. Expenditure will be closely monitored throughout the duration of the Framework using contract management and management information to ensure that spend does not exceed the Framework threshold.

9. Legal, regulatory and charitable implications

9.1 Setting up of the framework was subject to a Procurement via the Public Contracts (Scotland) Regulations 2015 (as amended in 2020). The Group has taken legal advice from internal and external legal advisors for the associated terms and conditions of the framework and subsequent call-off Contracts, and it is intended that the Group will progress to Award after approval from the Group Board.

9.2 The Wheatley Foundation will continue to benefit from charitable donations of £775 per unit as mandated in the terms and conditions for all projects procured via the Framework.

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

9.4 [redacted]

9.5 Projects can be appointed from the framework via mini competition or by direct award. This will be determined by each project's individual circumstances. Given the number of contractors now appointed to the Framework, we have strengthened our process for direct appointment from the Framework, as detailed within section 4 of this report.

9.6 All contractors successful in gaining a place on the framework will be monitored monthly in relation to their financial standing. Additional risk mitigation measures will be put in place as appropriate and in line with the Performance Bond and Parent Company Guarantee requirements. Build to secure standards will also be included as a mandatory requirement for the contractors.

10. Risk Appetite and assessment

10.1 Delivery of our five-year programme through the contractor framework, supports our strategic outcome to increase the supply of new homes. This fits within our strategic theme 2 – making the most of our homes and assets. Our risk appetite for delivering an increase in the supply of new homes is open. However, we balance this with minimal appetite in relation to finance, reputation, and legal compliance

10.2 Financial exposure with appointed contractors will continue to be measured using our agreed control measures. If a Contractor's financial standing deteriorates to an unacceptable level, they may be removed from the Framework or excluded from bidding from projects as noted above.

10.3 The Performance Bond and Parent Company Guarantee framework agreed in January 2022 will remain in place as part of our risk management approach.

11. Equalities implications

11.1 All of our new build developments are built to Housing for Varying Needs and in Glasgow; the Glasgow Standard. We continue to provide housing to wheelchair accessible standards as a contribution towards Local Authority targets.

11.2 As detailed in section 5, we place customers at the heart of our design. We also now collect equalities data from our Customer Voices to help ensure our engagement programme is both diverse and inclusive.

11.3 Projects delivered under the framework require mandatory community benefits to be met. Our Community Benefit approach supports our equality, diversity and inclusion (EDI) aims as a Group, contained within our Group EDI Action Plan as approved in November 2022 by the Wheatley Solutions Board. This supports the implementation of our Group EDI and Human Rights policy.

12. Key issues and conclusions

12.1 Our development activity has increased dramatically over recent years, with the group being recognised at a UK level not only in terms of the size and scale of the programme, but also importantly in terms of the quality of our developments and our track record of delivery. It is expected that the programme will continue to grow in line with our strategic ambitions.

12.2 The current framework is due to expire 31 March 2033 and in line with the Group's strategy and analysis of our development and construction requirements, having access to a compliant route to build remains prudent.

12.3 The new Framework Agreement provides the group with a fully compliant route to market to deliver our growth ambitions in terms of new supply housing. The new framework is both responsive to current market conditions and has been designed for maximum flexibility to allow for any future changes in the market and value for money.

12.4 As well as our own Framework Agreement, we are still able to utilise external Framework providers such as Scotland Excel, Hub West and SPA where appropriate.

13. Recommendations

13.1 The Board is asked to recommend that the Group Board approve the appointment of the 8 contractors outlined below to the New Generation 3 Construction Framework:

- JR Construction (Scotland) Ltd
- Cruden Building (Scotland) Limited
- Clark Contracts Limited
- Ashleigh (Scotland) Limited
- McTaggart Construction Ltd
- Hadden Construction Limited
- Ogilvie Construction Limited
- CCG (Scotland) Ltd

LIST OF APPENDICES:

Appendix 1 – Contractor Equifax Scores

Appendix 1

Gen 3 Contractor Framework

Equifax Scores

Equifax Check Summary				
Provider	Reg No.	Equifax Score D or better	Turnover £20m	Pass/Fail
JR Construction (Scotland) Ltd	SC534950	C+	Y	**Pass**
Cruden Building (Scotland) Limited	SC098858	C+	Y	**Pass**
Clark Contracts Limited	SC088490	B	Y	**Pass**
Ashleigh (Scotland) Limited	SC214691	A	Y	**Pass**
McTaggart Construction Ltd	SC042957	B-	Y	**Pass**
Hadden Construction Limited	SC141875	E+	Y	**Pass (Accounts Reviewed)**
Ogilvie Construction Limited	SC069644	B	Y	**Pass**
CCG (Scotland) Ltd	SC56810	A	Y	**Pass**

Wheatley Group

Report

To: Wheatley Housing Group Board

By: Frank McCafferty, Director of Repairs and Assets

Approved by: Steven Henderson, Group Chief Executive

Subject: Contract award: Improving Distributed Heat Network Performance

Date of Meeting: 22 February 2023

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1. Purpose

1.1 To propose the award of a contract to Minibems Limited for the installation and management of Smart Control systems to improve the efficiency of our distributed heating networks and customer service, subject to concluding necessary terms and conditions.

2. Authorising and strategic context

2.1. The Group Sustainability Framework, that the Board approved at its December 2022 meeting, contained a commitment to 'ensuring our heat networks operate with at least 60% network efficiency by 2025'. The proposal set out here aims to support the achievement of this strategic result.

2.2. Under the Scheme of Financial Delegation, set out in the Group Standing orders, approval of capital contracts over £5m and revenue contracts over £1m is reserved to the Group Board. Expected capital expenditure with Minibems is estimated at [redacted]. Revenue spending with Minibems over the duration of the contract is estimated at £1.2 million, although this will be offset by expected savings of £280,000 due to stopping existing spending on aspects of this service with others. The strategic nature of what is proposed means Board consideration is also necessary.

3. Background

3.1. We have 4,606 properties connected to distributed heat networks that are either owned and operated by us or by third parties through concession agreements. These heat networks consist of multiple homes connected via heat distribution pipework to a centralised heat source, typically a boiler. District Heat Networks ("DHN") and communal boilers are both examples of distributed heat networks covered by this proposal.

3.2. We operate heat networks supplying 2,818 of the properties above, with the remainder managed on concession agreements by third parties (for example SSE for the Wyndford DHN). Under these concessions, the third party is responsible for operating, maintaining, providing customer service and charging to agreed standards, often for a period of 20 years or more.

3.3. The proposal in this paper relates to 1,741 properties connected to distributed heat networks we own and operated. These are networks where we pay the cost of fuel and are directly responsible for the service to customers. The properties involved are connected to various distributed heat networks including at Broomhill and Acre Drive in Glasgow, and Westfield Ave in Edinburgh. In the main, these networks are natural gas fuelled although the site at Broomhill uses wood pellets. The remaining properties (1,077) that are connected to distributed heat networks that we manage are not included in this proposal because they either already have Smart Controls (502 properties) or because the boiler plant is nearing end of life (575 properties) and further analysis is on-going to determine appropriate technical solutions.

3.4. The key challenge, that we are looking to address through this proposal, is to improve network efficiency in our distributed heating. Network efficiency is the difference between energy used to produce heat at the centralised heat source compared with heat received by the consumer. Inefficiency typically comes from losses in the distribution pipework or wasted heat due to overproduction, usually caused by circulating hot water at times when there is little or no demand.

3.5. Across the UK, the average heat network efficiency (based on UK Government Department for Business, Energy, and Industrial Strategy data) is 27%. Efficiency on the networks included in this proposal ranges from 31% (for those with customer programmable controls and metered consumption) to around 19% for old systems that do not have any controls or metering such as communal boilers at heat with rent sites. In contrast, our network with smart energy controls, such as the one at Hillpark in Glasgow, is achieving at least 60% efficiency.

3.6. The reason for this improved efficiency is that in systems with Smart Controls ‘overproduction’ of heat is reduced by using continuous monitoring and Artificial Intelligence to better match real time demand from customers with real time heat source (boiler) output. This approach contrasts with that used in the systems in this proposal (and most systems across the UK) that are designed, and operate, to meet a theoretical maximum demand based on heating the farthest property from the heat source on a theoretical coldest day (usually -10oC) of the year, at all times.

4. Discussion

4.1. Increases in energy costs in recent years means that the inefficiency discussed above has a significant financial impact for us as the purchaser of fuel, mainly natural gas, for the distributed heat networks in this proposal. By way of illustration, our price of gas from 1 April 2023 is expected to be 9.3p/kWh including VAT compared to the 5.3p/kWh we are paying currently.

4.2. As well as the potential for significant energy cost savings, installing Smart Controls provides remote visibility of heating equipment within each property, which allows for improved customer service through remote fault diagnosis and rectification. Experience from operating Smart controls at the 502 properties that have these already shows that most customer calls can be resolved remotely.

4.3. Examples of calls being resolved remotely include dialling into the property to open and close valves thereby flushing the system of blockages and checking and advising the customer on the status at the meter. As well as being convenient for customers, this ability to rectify faults remotely also offers the opportunity for cost savings through reducing the number of engineer visits required.

4.4. Having Smart Controls can further improve the experience for customers through making their heating easier to control and providing access to real time information through a digital control device in their home and an app. These control devices and apps operate in much the same way as modern NEST and HIVE controllers that are becoming increasingly popular with domestic gas and electricity consumers.

4.5. To assess the benefits of introducing Smart Control systems in applicable distributed heat networks that do not have them at present, potential providers were invited to submit their response to a tender that we issued late last year. Our stated requirements included:

- A solution that would standardise control and management of the identified legacy heat networks including billing, improve customer service and maintenance performance;
- Guaranteed minimum 60% network heat efficiency at each site;
- A significant reduction in call-outs for repairs by customers through the use of remote monitoring;
- 24 hours/365 day customer service centre for resolving customer issues; and
- A dashboard for monthly reporting on revenue and expenditure as well as Carbon Reporting (tonnes CO_2) and household use in kWh/m^2 as well as other emerging relevant metrics

4.6. The procurement route used for this project was via Northern Housing Consortium's HVAC&R, Drainage and Plumbing Dynamic Purchasing System. A mini-competition tender process was run, and three organisations were invited to submit a proposal, but only one – Minibems - responded. Minibems is the provider of the Smart Control system discussed above, and as such an organisation that we have first-hand experience of working with.

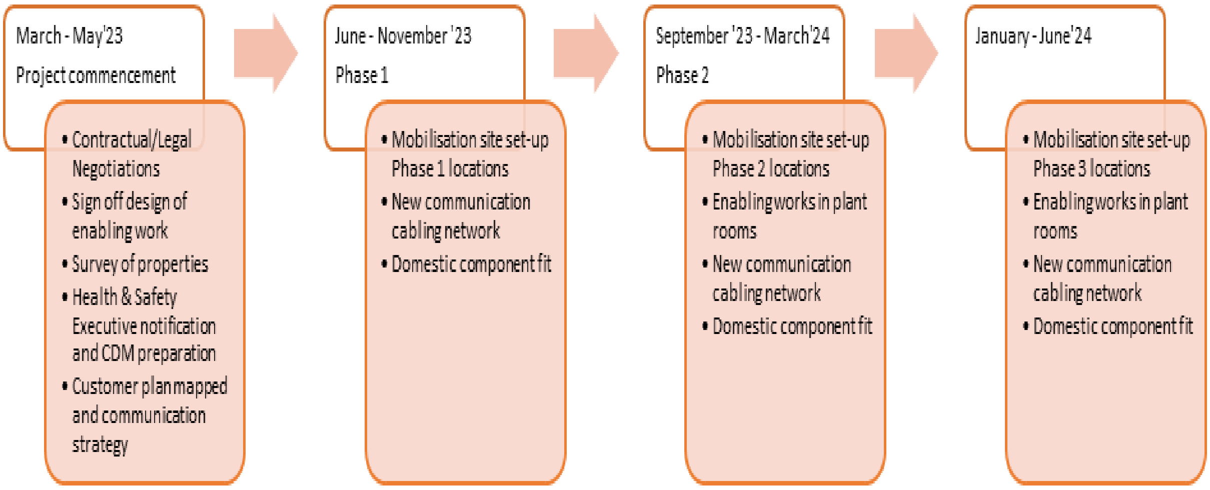
4.7. [redacted]

4.8. [redacted]

4.9. This information, along with the cost for equipment, installation and on-going service charges have been used to develop a cashflow estimate for installing Minibems system. An additional capital cost of £541,000 ex Vat has been assumed next year, to provide financial capacity for works not included in the Minibems proposal, such as pipework and wiring changes, that will be required for the energy centre plant to allow it to be controlled using the Smart Control system. Estimated Cashflows and the expected payback period for the proposed investment in a Smart Control system for our distributed heating networks are shown in Section 8 (Financial and value for money implications)

4.10. Subject to the Board agreeing to proceed, we would look to conclude contract terms and conditions with Minibems. This is likely to take a little time given the relatively innovative nature of what is being proposed with performance guarantees and the need to integrate our complex supply chain for heat network billing, repairs and maintenance into the Minibems management proposal. Specialist support from Shepherd and Wedderburn LLP will be engaged to support concluding the contract.

4.11. Our expected timeline for concluding contractual arrangements and implementing Minibems is as follows:



4.12. In parallel, with implementing Minibems, we also intend looking more generally at our approach to distributed heating including developing proposals for consideration by the Board on our role in supplying heat to customers and the most appropriate delivery models for this. In doing this we will look to rationalise current arrangements which involve several billing providers, energy plant operators and maintenance providers. As part of this, we will also look to improve customer experience and better position our approach to distributed heating in advance of future regulatory and decarbonisation requirements that are being put in place by the Scottish Government (see section 9).

5. Customer Engagement

5.1. Implementing Minibems will require extensive customer engagement as this will require equipment to be fitted in homes and changes to maintenance arrangements. Our focus in doing this will be to ensure access through communicating the benefit of what is proposed to customers including better control of their heating, access to information and a more responsive repairs service including remote diagnosis. We will also actively engage with customers to ensure they have the necessary information to allow them to contact Minibems where there is a heating related issue.

6. Environmental and sustainability implications

6.1. Our recently published sustainability framework contains a commitment to reduce CO_2 emission from our homes by 6,000 tn in 2023/24.

6.2. Improving the efficiency of our distributed heating networks will have a direct positive impact on these CO_2 emissions by reducing the amount of gas and wood pellets we burn. At current efficiency levels, CO_2 emissions from the distributed heating networks covered by this proposal are estimates at around 2,600 tn per year. The efficiency improvements discussed here would reduce emissions to an estimated 1,200 tn; a saving of 1,400 tn a year.

7. Digital transformation alignment

7.1. Introducing Smart Control fits with our ambition to make use of digital technology where it delivers benefits for our customers or business. As part of installing Minibems, a hardwired ethernet connection will be installed to connect equipment in customer homes to the control system. This will enable real-time data collection, as well as the ability to 'dial into' components within the home and resolve a range of repair or diagnostic actions.

8. Financial and value for money implications

8.1 Cashflows for the proposed investment in Minibems technology are shown below. These include the required investment in Minibems equipment, as well as anticipated investment in plant room equipment to support its operations with Minibems. Savings are included on fuel costs and maintenance in line with guarantees in the Minibems proposal, although it should be noted that expected performance is higher than guaranteed levels. This better performance, than the 60% guarantee, once Minibems is operational is borne out by network efficiency levels being achieved at our Hillpark Dr district heating site where Minibems Smart controls are used at present.

[redacted]

8.2 Payback on the proposed spend with Minibems is estimated at 4.5 years with an IRR of 12.8% over the proposed 5+2 years of the contract. Savings are expected beyond the contract period but not included here. The technology to be installed would be owned by us and is based on open protocols which should ensure interoperability with any future provider.

9. Legal, regulatory and charitable implications

9.1. The Scottish Government has set a legislative target within the Heat Networks Scotland Act 2021 to decarbonise all existing and future DHNs before 2038. There are also provisions within the Heat Networks Delivery Plan to introduce operator licensing requirements by the end of 2024 including that within 3 years the operator must produce a 'decarbonisation plan' for each network. While consultation is expected on obligations and licensing requirements, there is a clear direction of travel towards improving efficiency in heat networks - the 2021 Act, indicates that Scottish Government will report on the efficiency of heat networks as well as emissions savings.

9.2. Introducing Minibems will enhance the information we have to meet efficiency performance reporting requirements. Furthermore, our intended examination of delivery models for our heat networks will look to ensure that necessary capacity is created to meet anticipated future regulatory requirements and develop longer term options for network operations and decarbonisation.

10. Risk Appetite and assessment

10.1 The proposal to implement Minibems is part of our strategic commitment to Progressing from Excellent to Outstanding, and relates to financial or VfM risk considerations. Our risk appetite in this area is Cautious (We aim to deliver the highest levels of customer service whilst optimising VfM for the services provided). The proposal here, particularly the guaranteed performance levels, is in fitting with this as we look to reduce costs associated with our provision of distributed heating.

11 Equalities implications

11.1. Particular customer needs will be assessed as part of engagement activities in advance of implementing Minibems, and where appropriate adjustments will be made including additional support to use the system.

12 Key issues and conclusions

12.1 Our distributed heat networks operate with varying levels of efficiency. Network inefficiency leads to increased fuel costs. This can be addressed through implementing Smart Controls which also improve customer experience through providing remote fault rectification and increased control.

12.2 A tender exercise was undertaken to identify a potential provider of Smart Control systems. Minibems, an organisation we work with already, submitted the only proposal and this meets our needs.

12.3 Financial analysis on what is proposed shows a potential to save [redacted] a year per customer in fuel and maintenance costs. Based on this, payback on the required investment is 4.5 years.

13 Recommendations

13.1. The Board is asked to:

1) approve the award a contract to Minibems Limited (Company Registration Number 10293229) for a period of five years with an option to extend for a further two years.
2) delegate authority to Group Director of Repairs and Assets to enter into this Contract on behalf of Group.

Report

To: Wheatley Housing Group Board

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

Approved by: Steven Henderson, Group Chief Executive

Subject: Contract award - Utilities Managed Service

Date of Meeting: 22 February 2023

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1 Purpose

1.1 The purpose of this report is to seek approval to appoint Utility Aid to provide group wide Utility Meter Service Management to the value of £[redacted] for a period of five 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 this Board. The financial value of the managed service will be £[redacted] over the full 5-year contract.

3 Background

3.1 We have approximately 3500 electricity and gas meters supplying offices, care homes, hostels, door entry systems, district heating systems, electric charging points and communal areas. This is not uncommon for an organisation of our scale and type. This gives rise to significant complexity with the meters having multiple energy suppliers with various contractual arrangements and contract end dates as well as meaning a high volume of bills.

3.2 We have been working with Utility Aid a leading UK energy broker who support businesses in keeping their energy costs down, rigorously scrutinising bills, reclaiming overcharges, managing administration and advising on all energy-related matters. A key benefit of Utility Aid is that they can access a national database to validate meters and confirm the energy supplier, which in turn allows us to immediately challenge those invoices which are not our responsibility.

3.3 Prior to this we had to identify and enter into negotiations with the utility provider directly to challenge the request for payment. This also allows us to then migrate 'non-contracted' energy to the Scottish Government supply agreement which is more competitively priced.

3.4 Our current arrangement is to have all utility invoices issued directly to Utility Aid to be vetted ensuring they are correct before being issued to us for payment. The use of Utility Aid and their expertise for this is more efficient and cost effective than having an in-house staff checking and processing the large volume of bills we receive.

4 Discussion

Utility Aid – service to date and current position

4.1 The biggest focus of Utility Aid is on supporting us reclaiming overcharges through strong scrutiny of billing, managing administration, ensure we are only paying for our own meters and understanding the market more widely to secure better value and forecast more accurately.

4.2 In four years of working with Utility Aid we have recouped overcharges of over £1.2m. These relate to meter queries, incorrect invoicing, VAT errors and mobile phone mast refunds. A summary is detailed below:

Category	Value
Overpayments	£584,601.00
Consecutive Estimated Billing	£155,000.00
VAT errors	£106,158.00
Change of Tenancies	£234,391.00
Ownership queriers	£33,774.00
Dual Billing	£52,802.00
Factoring Recharge	£38,554.00
Total	**£1,205,280.00**

4.3 With the assistance of Utility Aid we have contracted approximately 2000 meters onto the Scottish Government Energy Procurement framework which provides a national buying strategy for the public sector. The use of Utility Aid has allowed us to verify ownership and challenge billing in a more effective and timely manner and allowed us to get meters changed to better rates at a time when energy prices were increasing steeply.

4.4 At present, Utility Aid will receive over 2000 lines of meter data from our suppliers to perform checks on such as usage charges and correct VAT charges and will liaise with suppliers on our behalf to correct these and have re-issued bills if applicable. If we were to undertake these checks ourselves via an in-house team it would be more expensive and slower.

4.5 Utility Aid also has access to external systems integrated to the national grid and energy providers which are vital for us to identify meters and their locations, confirming any liability for us. Without Utility Aid's involvement to identify these specific details of provider and location we encounter resistance from suppliers. Undertaking this process in house would take significantly longer as well as be very resource intensive.

Proposed future approach

4.6 The Utility Aid approach has proven to be effective to date. Their expertise and access to a wide range of systems have supported us recouping overpayments, challenging inaccurate billing and charges. If we were to end the contract with Utility Aid and conduct all the activity they currently do in house we would require to expand t utilities team without the benefit of the databases Utility Aid have access to. This would mean the transition to contracted energy would take longer and incur an additional cost during this period.

4.7 We will continue our focus on documenting every meter across our estate and migrating the remaining non contracted meters to our procured supplier where the meter is ours. This still gives us the flexibility to move to an inhouse staffing model in the future at the end of the contract and this option would be evaluated again at that time.

Procurement Route

4.8 There is a need to secure Utility Aid's services through a compliant procurement route. Market research for suitable frameworks to run a mini competition was undertaken and this research identified Northern Housing Consortium (NHC) Dynamic Purchasing System (DPS) Agreement was the most suitable.

4.9 This Framework provides access to multiple suppliers able to fulfil our requirements. A fully compliant tender was issued to the market via a mini competition. We received one compliant bid from Utility Aid.

4.10 The tender specification requested a commercial submission for services we currently use bill validation; debt auditing; account reconciliation; carbon emission data; water meter management; and energy forecasting. The price received was capped at £180k (excluding VAT) per annum. This price is lower than what we would expect the equivalent cost of bringing the service in house would be.

4.11 The specification document also requested services we may look to use in the future such as void property portal service, meter removals for demolition projects, smart meter installations and energy procurement.

5 Customer Engagement

5.1 Whilst not a primary service offering Utility Aid have reacted to the current cost of living crisis providing direct confidential support for staff with utility concerns of their own. Utility Aid have committed to continue to provide confidential advocacy to any staff member that reaches out for help.

6 Environmental and sustainability implications

6.1 We are committed to cutting our carbon emissions and changing to sustainable sources where practical and financially sustainable. We have committed within the group sustainability framework to purchasing "green" electricity from April 2023 for all meters on the Scottish Government framework, meaning over 2000 meters will use Scottish renewable energy sources. The software provided by UA tracks and records our consumption data which be used as a baseline for evidencing our usage and our improvements.

6.2 Utilisation of the Utility Aid collated energy consumption figures will allow for the direction and prioritisation of our capital investment projects, prioritising the least efficient sites for investment allocation. This data can also be used to identify anomalies, triggers can be set to alert housing management when abnormal usage has been identified.

7 Digital transformation alignment

7.1 The validated meter information held on Utility Aid's systems will be exported on to our asset management system PiMMs. We will record all meter numbers and locations to ensuring we have a full record of our asset information on our PiMMs system.

8 Financial and value for money implications

8.1 The overall spend for utilities is significant, with £6.9m budgeted for this year, £10.3m forecast for 2023/24 and £11.6m anticipated for 2024/25. The cost of Utility Aid would be covered from the overall business plan provision for utilities.

8.2 A key task will be the ongoing migration of meters to the procured energy supply contract which will ensure we are securing the most cost effective tariff across our estate. This will be an important driver of value for money in a market that is still at risk of large price increases.

8.3 We have approximately 1200 energy meters not on Group contract, however Utility Aid have recently identified that circa 700 meters as not our liability. The remaining 500 meters operate at an estimated cost of £542k annually on out of contract rates. Utility Aid will undertake the change of tenancy (COT) process transferring these identified meters to Group contracted rates saving approximately £220k.

8.4 By contracting with Utility Aid for the delivery of these services we avoid the long-term costs of investing into a bespoke energy management system, we are able to benefit from Utility Aid systems and industry knowledge, we also avoid costs of licences to access the national grid databases, whilst providing a tight control on inhouse staffing levels by drawing down services as and when required.

Utility Aid Service Fee

8.5 The Group has tendered these services to ensure we have a cap Utility Aid's fee at £[redacted] per annum, irrespective of rising spend. This equates to £[redacted] meters on the Scottish Government framework and this number will reduce as we leverage more meters into contract. By comparison, it would be the equivalent of adding 1p p/kwh on our rates. These fees are in line with what we have been paying to date, the only difference we will be paying UA directly and no longer as an additional charge applied to the invoices of our energy partners.

9 Legal, regulatory and charitable implications

9.1 The Procurement team used the Northern Housing Consortium's (NHC) Dynamic Purchasing System (DPS) Agreement and the risk to the Group for this appointment is considered low.

10 Risk Appetite and assessment

10.1 The creation of a new approach to managing the delivery of contracts is covered by the Group's agreed risk tolerance for Operational Models. It defines the Risk appetite as 'Hungry' whereby innovation is being pursued and challenging current working practices.

10.2 The approach proposed here makes use of specialist expertise to rectify and minimise over-billing while looking to develop a more effective service delivery model than currently in place.

11 Equalities implications

11.1 There are no equalities implications for this report.

12 Key issues and conclusions

12.1 The use of Utility Aid has allowed us to more robustly manage our energy estate, challenge payments and recover overpayments. The expertise and access to specialist systems and databases we would not have access to by doing so in house has allowed us to do this in a more time and cost efficient way. This includes accelerating our transition to contracted energy supplies across our full estate which brings a direct cost saving.

12.2 As energy spend has increased significantly and the use of Utility Aid has supported us ensuring that one of our largest spend categories has an extremely robust and streamlined approach to the management of billing.

12.3 The focus over the life of the contract will be ensuring that our full estate is contracted at the best available market rates, we have clearly identified which meters we are responsible for and reducing the level of overpayments we need to recover. This will, in time, give us the flexibility to consider in future whether a fully in house option would be more appropriate when we are confident we have a clear picture of our entire energy estate.

13. Recommendations

13.1 The Board is asked to:

1) Approve the award of a contract for the provision of Utility Meter Services to Utility Aid Ltd for the contract duration of 5 years to the value of £[redacted] (including VAT)
2) Delegate authority to the Director of Procurement to enter into contract agreements with the providers proposed for appointment to the framework.

Report

To:	**Wheatley Housing Group Board**
By:	**Anthony Allison, Group Director of Governance and Business Solution**
Approved by:	**Steven Henderson, Group Chief Executive**
Subject:	**Contract award- Security services**
Date of Meeting:	**22 February 2022**

1. Purpose

1.1 To seek approval for the award of the contract for the provision of Security services to Allander Security Limited ("Allander") for a contract period of four years to a maximum value of £[redacted].

2. Authorising and strategic context

2.1 Under the Scheme of Financial Delegation (SoFD) and Group Standing Orders, approval of revenue contracts over £1m is reserved to the Group Board.

2.2 The estimated value of this contract over the 4-year period is anticipated to be in the region of £1.3m. We have excluded VAT as variable rates apply. This figure takes into account existing expenditure profile and an addition for any future business growth.

3. Background

3.1 Allander Security Limited, our incumbent supplier, has been providing security services to the Group for over 10 years. Allander has provided manned guarding services at Wheatley House, Lipton House (where the CFC staff are housed 24/7), and previously our office at Trongate in Glasgow. Going forward there will be a requirement at the new Hubs and Centre of Excellence across Glasgow and Edinburgh. These services were last procured in 2019.

3.2 Our spend profile, which was impacted by the pandemic, over the last four years has been as follows:

Group spend by over the last 4 years is as follows:

[redacted]

3.3 Wheatley Homes South have separate compliantly procured manned guarding services via Vigilant Security Services. These services are required at our temporary homeless accommodation site and a support accommodation site. The annual contract value for both sites is £[redacted]. Our Group supplier was unable to provide services to Dumfries and Galloway due to the geographical distance from its labour pool.

3.4 Security Services for Group includes the following:

- External patrols
- Internal patrols
- First Aid trained
- Emergency response
- Controlling access and egress
- Escalation procedures
- Health and Safety
- Incident reporting
- General reporting
- Monitoring of CCTV
- Liaison with Facilities Management Department
- Liaison with Reception staff
- Full site auditing and security recommendations

4. Discussion

4.1 We utilise external contractors to deliver security services to provide us with the level of flexibility we need to increase and decrease security presence across our sites. The use of contractors also ensures that issues such as absence and holiday cover, training staff in more specialist areas and achieving accreditations are dealt with in a more efficient and cost effective way than we could through a fully in house delivery model.

4.2 Our preferred procurement approach for this service was to use an existing procurement framework via a suitable third party. This allows us to benefit from advantageous pricing from the economies scale and the robust terms and conditions suitable for the public sector.

4.3 The Group joined Scotland Excel (SXL) as an associate member earlier in 2016 to allow the Group access to a range of contracts. By becoming an associate member, the Group is able to take advantage of the competitive rates negotiated by SXL over a different range of commodities. Savings include: the cost avoidance of full OJEU procurement activity, savings in time to market, ensured compliance and reduced implementation timescales.

4.4 Following a review of the market and analysis of our needs, it was noted that a limited number of providers offer the range of security services required by Group, including in-house training, continuous contract management and review, and accreditations held by all guards provided. The Covid-19 pandemic prompted a new Group hybrid working model, in turn 56 offices have been reduced to 8 hubs. We identified that guards will be required for Wheatley House (holiday cover), New Mart Road, Dava Street, Dykebar Avenue and Wallacewell Road.

4.5 To determine the best route to market, a benchmarking exercise was undertaken. This showed that potential savings could be achieved via the Scotland Excel Security Services and Cash Collection Framework as there was agreed fixed hourly rates to provide advantage. This route provides a direct award to appoint Allander Security Ltd, our incumbent supplier who can provide the full range of manned guarding services to group, thus ensuring continuity and the quality of service.

Accreditations

4.6 Allander Security Ltd Management team’s qualifications/training include: SIA Licence/CCTV Operations Licence, First Aid Training, Door Supervisor Licence, NVQ 5–Spectator Safety, Strategic Event Planning/Emergency, Introduction to Crowd & Public Safety Management, and Public Safety in complex and bulk environments. Allander is audited on an annual basis by the national certifying security body (Security Systems and Alarms Inspection Body) for the SIA Approved Contractors Scheme. All policies and procedures are reviewed on an annual basis.

4.7 Allander operates a formal Quality Management System (QMS) certification for all activities undertaken. This QMS provides a framework for effective operational management and ensures that all related requirements (statutory, regulatory or customer driven) are suitably addressed and monitored. The supplier has an integrated management system certified to ISO9001/ISO14001/ISO18001 which commits to encouraging continuous improvement to their quality of service, environmental impacts, and health and safety standards.

Contract Management

4.8 We would work collaboratively with Allander to ensure that a full risk assessment is completed for all assignments, and a comprehensive set of bespoke Assignments Instructions (AIs) are produced/reviewed monthly. Allander guarantee that all security/events/marshalling staff receive site induction/training shifts prior to deployment on an assignment and sign the AIs to confirm an understanding of the site requirements. Facilities Management produce site specific SLAs with corresponding KPI targets (monitored weekly by our Contract Owner and Allander’s Operations Managers). Client meetings are held minimum monthly, and weekly if required.

4.9 All Allander Security personnel hold a valid Security Industry Authority Licence, wear easily identifiable badges, uniforms and PPE at all times and have the appropriate training for their designated role, often above the minimum required qualifications. All personnel are PVG checked.

Training

4.10 Allander have an in-house training facility accredited by National Open Collage Network. A four-day induction training programme is provided to staff and conforms to the requirements of SIA/BS7499. Staff also undertake Door Supervisor, CCTV, First Aid and Counter Terrorism training as required.

4.11 Allander Security staff complete a “Site Training Programme” for all Group sites, in which the officer is trained to meet the specific requirements of our sites/events. Both the Facilities Management team and the supplier assess all new Security Officers at the end of their first week to review competence and review again by the end of their 13th week. The supplier ensures that all Security Officers must successfully complete response training which complies fully with BS 7984.

Community Engagement

4.12 As a registered charity and non-profit making organisation Allander Group is owned by Possil Community Business (PCB) and returns all profit to the community. Allander demonstrate this by the commitment to recruit local people where possible and through donations to charities. This is consistent with leveraging our procurement to support job opportunities within Glasgow

4.13 Allander Security is a Recognised Scottish Living Wage Supplier, and no staff are employed on zero hours contracts.

5. Customer Engagement

5.1 Engagement with customers was not directly applicable to this contract renewal.

6. Environmental and sustainability implications

6.1 Allander Security have committed to continuing to deliver community benefits as part of this contract which are in line with the Wheatley Group community benefit statement. Community benefits will be monitored via our newly launch CMS system.

6. Allander advertise as and when jobs become available positions exclusively to our customers. As a result, one of customers was offered a permanent position at Allander and has worked at Wheatley House for many years.

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1 Value for money will continue to be delivered throughout this contract. This contract has been procured via the Scotland Excel Framework and therefore Group benefits from the Framework leverage.

8.2 Due to the specialised terms of conditions of this Framework, it is ensured that all suppliers are appropriately vetted and suitably qualified to carry out services. The utilisation of these terms and conditions also ensures suppliers are committing to best practice, for example, paying staff the Scottish Living Wage.

8.3 We will periodically review our hub operating hours to ensure our assets are being maximised. The recent launch of the new hub model requires a period of assimilation during which staff usage will be monitored and reviewed. Once completed, opening hours may be adjusted to reflect demand. In turn this may impact manned guarding services requirements.

8.4 24-hour security services at Lipton House facilitate a secure and adequate working space for out of hours Customer First Centre staff. The services and staff provided by Allander ensure staff always have access to a safe working environment.

9. Legal, regulatory and charitable implications

9.1 Scotland Excel procurement of this framework has been subject to a fully regulated process. The risk of a procurement challenge is considered low and contract award will follow immediately after approval for commence on 22nd February 2023.

9.2 An Equifax finance report has been conducted for the supplier and according to this its financial stability is rated A- and the supplier is able to consider all contracts regardless of value.

10. Risk Appetite and assessment

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

10.2 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 There are no equalities implications for this report.

12. Key issues and conclusions

12.1 There is a requirement to enable continuation of current security staff working at our hubs to ensure our buildings and staff are appropriately protected. The proposed contractors has strong roots in Glasgow and is consistent with our aim to support jobs within our geographic footprint and communities.

13. Recommendations

13.1 The Board is requested to approve the award of a Group-wide contract for the supply of Security Services to Allander Security Limited for a contract period of four years based to a maximum contract value of £[redacted].