

# Wheatley Housing Group Investor update

November 2021

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# Agenda

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# 1. Policy context update

# Supportive Scottish housing policy

- **Scottish Elections May 2021** – Cross-party support for increased affordable housing
- **Housing to 2040** – significant commitment over the next 10 years, increased post SNP/Green collaboration:
  - **110,000 homes** to 2031/32, with min. 70% for social rent
  - Increased grant funding
    - **£78k** city & urban social rent / **£53.5k** city & urban MMR
    - Up to **£17.3k** additional funding available (eg for zero-emission heating, balconies, etc)
- **Ministerial responsibilities** - Cabinet Secretary Shona Robison responsible for new build target; Minister Patrick Harvie responsible for building energy efficiency and tenants' rights
- **Infrastructure Investment Plan and Housing budget for 2021/22** – £832m for affordable and social homes this year



- Net Zero Emissions for all buildings by 2045
- Eradicate Fuel Poverty by 2040
- All homes consented from 2024 to use zero direct heating emissions (no gas)
- All private rented homes to meet EPC Band C by 2035
- **Energy Efficiency Standard for Social Housing v2 (“EESH2”) – EPC Band B or equivalent rating by 2032**
  - Combination of improvement to **fabric energy efficiency** (insulations, windows, doors) and **alternative heating sources** (solar PV, heat pumps)
- £1.8 billion 5 year budget so far for building energy efficiency
- £200m SG Social Housing Net Zero Fund (£100m so far opened for bids)

## A stylized illustration of a sustainable city. The scene is divided into three horizontal sections by wavy lines. The top section shows a house with a solar panel, a wind turbine, and a sun with a lightning bolt. The middle section shows a row of houses, a wind turbine, and a sun. The bottom section shows a large classical building, a wind turbine, and a sun. The entire illustration is enclosed within a circular frame.

- **SG action plan to end homelessness** – wide range of measures, no target “end date”
- **c42,000 people/households** - homeless in Scotland at present
- **Wheatley target is 60% of lets to homeless people and families** - at least 10,000 such lets over the next 5 years (almost double pre-pandemic levels), including the national leader on Housing First – tenancy sustainment maintained at the equivalent of mainstream lets (90%)

Ending  
Homelessness  
Together

Updated action plan, October 2020





- **Cladding** - no ACM or HPL
- **Scottish legislation** – key issue is interconnected smoke and heat detector installation by 1 February 2022 – on track to deliver, cost £5m this year
- **Sprinkler installation** - required since March this year in new build social housing flats and shared multi-occupancy residential buildings, grant funded
- **Fire Risk Assessment** – our programme in high-rise properties, including status of actions, reported to Audit Committee as standing item
- **Community Improvement Partnership** - with Scottish Fire & Rescue supported by in-house fire experts since 2011





## Universal Credit update

- Removal of £20 general UC allowance uplift
- Housing cost component will still increase if rent is increased
- Some compensatory Scottish benefits – eg Scottish Child Payment of £20
- c30% of Wheatley tenants on UC; expected to rise to 35% by March

The 5 week wait, and re-opening of the economy, has had some impact on rent arrears – although this has been contained with a strong focus on income collection:

- Gross Rent Arrears (using SHR definition of current tenants + former tenants + write-offs) was 4.90% at 30 Sept; up from 4.48% in March
- Current tenant arrears 3.6%
- Scotland-wide social landlord SHR-definition average is 6.22%
- Our business plan assumption was very conservative at 6.2%
- SG tenant hardship grant fund will help mitigate position



- **Engagement Plan for 2021/22 publicly available:**

<https://www.housingregulator.gov.scot/landlord-performance/landlords/wheatley-housing-group-ltd/engagement-plan-from-31-march-2021-to-31-march-2022>

- **Wheatley Housing Group deemed ‘Fully Compliant’ with regulatory standards** – we remain ‘systemically important’ given stock size, turnover, level of debt and significance in our geographies.
- **DGHP integration** – front-line services well-integrated with strong governance oversight (Group Chair now on WHG Board). SHQS compliance works delayed due to Covid-19, but well progressed and on track for completion by March 2022
- **Member of Social Housing Financial Resilience Group** – WHG along with other larger RSLs, SHR and Scottish Government representatives met throughout pandemic to update on systemic issues (if any) and share best practice / experience with lenders
- **Consumer regulation** – it has been the Scottish Regulator’s statutory purpose since 2011 to “safeguard and promote” the interests of tenants and homeless people

## 2. Our 2021-26 strategy

**Your Home, Your Community, Your Future**

# Your Home, Your Community, Your Future (2021-2026 strategy)

- We will:

*deliver an **unprecedented shift in the balance of power and control towards our customers**, empowering them to make their own choices about the services they want, ensuring they are properly equipped to do things for themselves and involving them in the design of products and services from start to finish*

- Cabinet Secretary Shona Robison attended Group Board in October and was highly supportive of our strategy, describing Wheatley as a **“key and trusted partner”** of Scottish Government
- Strategy sessions underway with our staff at present through a series of welcome-back “Wheatley Way” sessions



# Strategic ambitions by 2026

**1500+**

Tenants regularly engaging  
through our new structures

**10,000**

Homeless people to be  
provided with homes

**90%+**

Customer satisfaction  
across our RSLs

**A+ (stable)**

S&P rating maintained

**4,000**

Jobs, training places &  
apprenticeships

**20,000 tonnes**

CO2 reduction from our housing  
stock vs 195,000 tonnes 2021  
annual emissions baseline

**5,500 new homes**

Key delivery partner for SG for the supply of energy-efficient,  
digitally-enabled, social rent and affordable homes

**50%**

Of customers regularly using  
online services



## 3. Key activities for 2021/22

## Full remobilisation of services from May this year

- Repairs backlog addressed
- Capital investment programme; including DGHP given delays from Covid-19
- Housing officers back on their patches and visiting customers

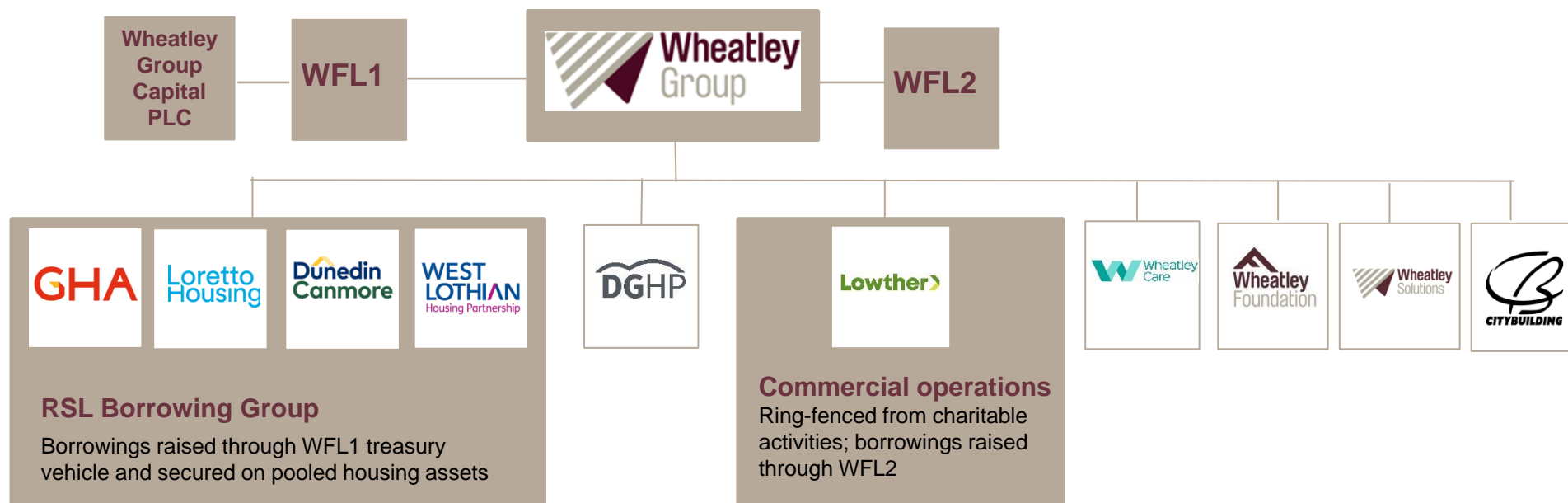
## New Operating model

- **Largest-ever tenant consultation exercise** with over 5000 responses over 6 weeks, closed in October
- New enhanced **Customer First Centre** for 90%+ customer contact resolution
- **Freeing up housing officers** to spend time in communities
- Hybrid working for previously office-based staff – **fewer offices, but better designed** for new way of working
- Significant investment in **digital solutions** for staff and customers
- New tenant **engagement structures** formally involving 1500+ tenants in different ways
- Proposed **new name for GHA** following Cube merger – **Wheatley Homes Glasgow**





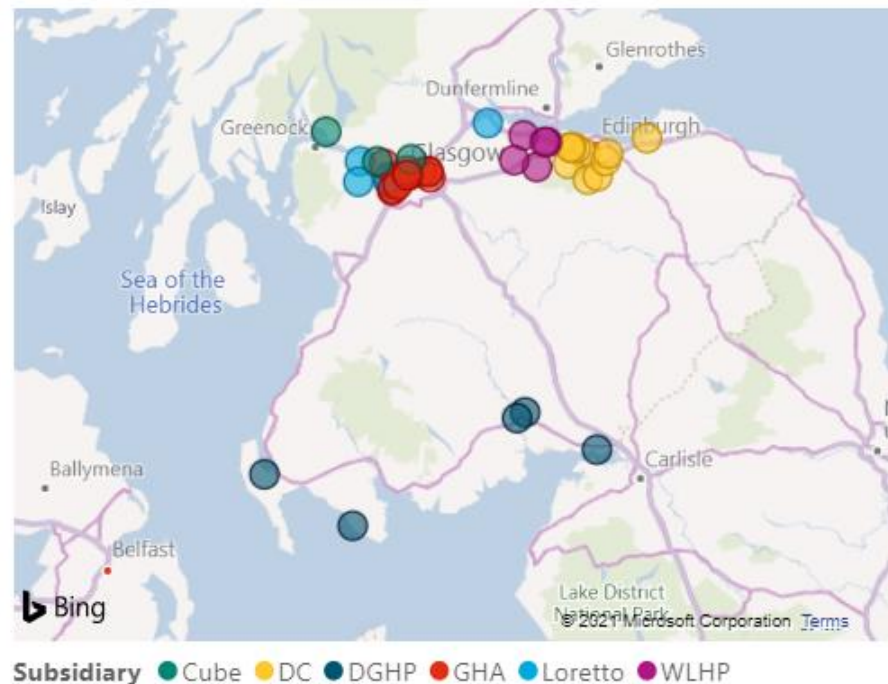
# Group structure update



- DGHP, and tax efficient subsidiary, DGHP3 to join RSL Borrower Group
- New Group Chair, Jo Armstrong, appointed September 2021
- Governance review considered future direction for Group structure, reported to Group Board in October
- Group CEO recruitment due to start in early 2022

# New build programme delivery

- Completed 413 new homes in FY20/21
- Completed 189 new homes since 01/04/21
- 1,240 units across 24 projects on site with a further 527 units across 7 sites due to start in 2021/22
- Our largest project is West Craigs in Edinburgh (300 units)
- Split of 63% social rent / 37% MMR
- No build-for-sale exposure



Status	Projects	Social Rent	MMR	Total Properties
On Site	24	739	501	1,240
Due on site	7	344	183	527
In development	13	429	173	602
<b>Totals:</b>	<b>44</b>	<b>1,512</b>	<b>857</b>	<b>2,369</b>

# Wyndford regeneration (Glasgow)





## **4. Performance update (operational, financial, treasury)**

# Operational performance update to 30 Sept 21

**4.90%**

Gross rent arrears (including former tenants and write-offs) vs 6.22% Scottish social landlord average

**20 days**

On average to let our properties vs Scottish sector average of 49 days

**8.6%**

Tenancy turnover

**0.97%**

Void loss vs 1.49% Scottish sector average

**3.8%**

Staff absence vs Scottish RSL sector average 6.8%

**6%**

Reduction in dwelling fires compared to same period last year

**90% repairs satisfaction**

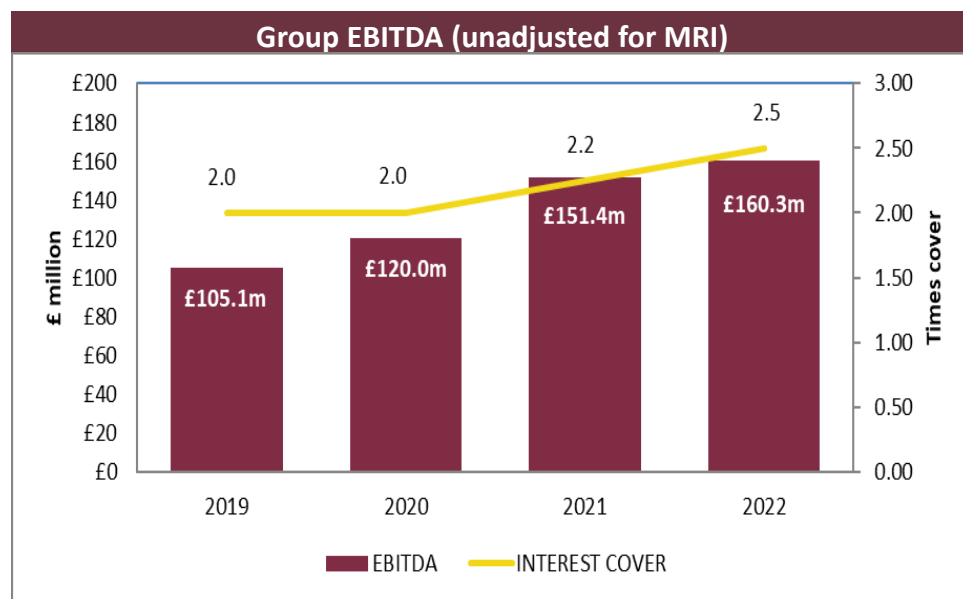
And average timescale to respond to emergency repairs <3 hours

**93%**

Of neighbourhoods classed as calm or peaceful by Police Scotland

# Financial Performance

- Forecast full-year EBITDA on track to deliver steady growth in underlying cash generation and improved interest cover
- Half-year results are favourable to budget as a result of lower operating costs, lower interest costs and lower bad debts. Grant income is behind budget due to delay on new build completions (152 units completed versus 230 unit forecast to complete by 30/09/21).



Source: Wheatley published annual accounts & published forecasts

## SOCI - results for the 6 months to 30 September 2021

	Actual £000	Budget £000	Variance £000
Turnover	185.5	185.2	0.3
Grant income	13.1	14.8	-1.7
Total Turnover	<b>198.6</b>	<b>200.0</b>	<b>-1.4</b>
Operating expenditure	-145.6	-149.4	3.8
<b>Operating surplus</b>	<b>53</b>	<b>50.6</b>	<b>2.4</b>
<b>Operating margin</b>	<b>29%</b>	<b>27%</b>	
Net finance costs	-34.4	-35.8	1.4
<b>Surplus before tax</b>	<b>18.6</b>	<b>14.8</b>	<b>3.8</b>

# Wheatley Group Liquidity

## Immediately accessible funds

30/09/2021	Cash	Undrawn RCFs & Overdrafts	Undrawn Facilities	Total
WFL1	48.15	251.10		
RSLs	9.26			
Wheatley Care	2.52			
Wheatley Solutions	0.78			
Lowther	4.81			
Foundation	1.68			
DGHP	63.76	35.00		
<b>Total</b>	<b>130.96</b>	<b>286.10</b>	<b>0.00</b>	<b>417.06</b>

Group Cash Balances	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21
	£129.34	£124.26	£147.81	£151.51	£143.14	£130.96

### As at 30 September 2021:

- The Group had cash balances of £130.96m (£147.81m at 30 June 2021)
- The June cash balance was increased by the drawdown of £28m from the 2018 EIB facility during that month
- The Group has not drawn any funding from committed RCFs or overdrafts at this time, with operating expenditure being met by cash reserves
- The reduction in cash in recent months is driven by the increase in investment and new build spending. During April and May, some Covid operating restrictions were still in place, and we were in the process of remobilising our repairs and investment work.
- We remain compliant with our 2-year forward liquidity golden rule



## 5. ESG reporting and Sustainable Finance Framework

# ESG reporting

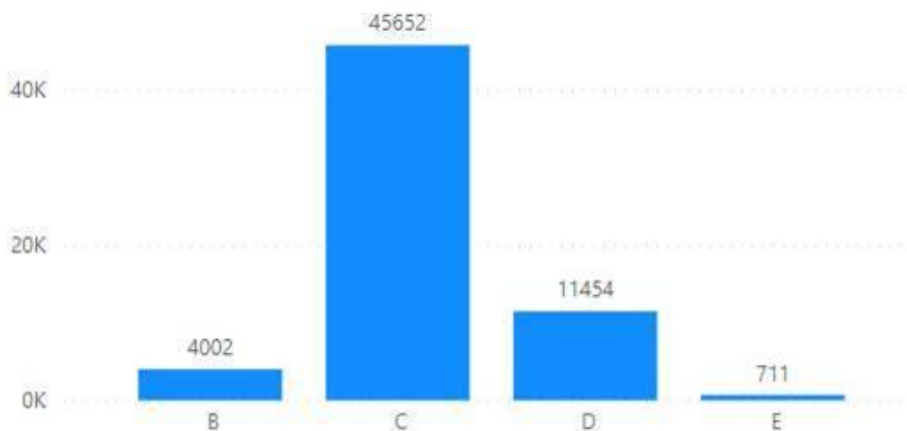
- Our annual ESG reporting broadly follows the Sustainability Reporting Standard for Social Housing Third annual report published with the statutory accounts with highlights including:
  - ✓ Commitment to be **Zero Carbon by 2026** across our corporate estate
  - ✓ **5,400 homes** benefitting from energy supplied by a renewable source
  - ✓ Use of SFHA/Shelter's rent tool to ensure our **rents are affordable**
  - ✓ **Fire Risk Assessments** have resulted in a reduction in Accidental Dwelling fires of 32% since 2017/18
  - ✓ **2,100 homes** let to homeless households in 2020/21
  - ✓ **Over 20%** of our board/committee members are tenants or service users



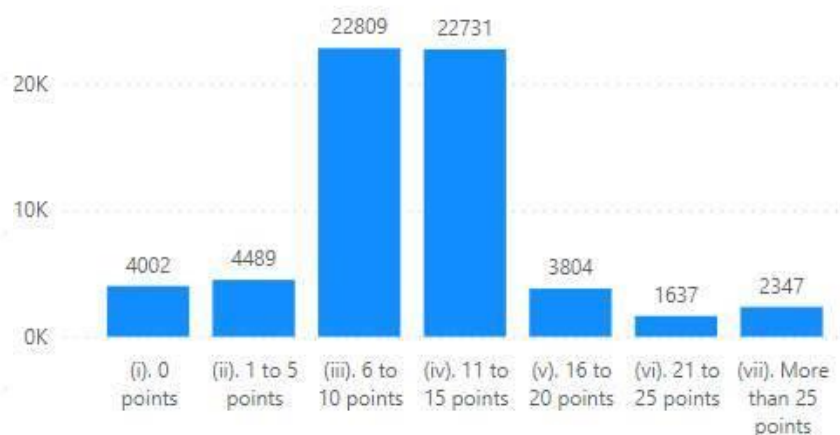
# Housing energy efficiency performance

- EPC positions vs EESSH 2 “B” target by 2032
- The rating of an English property is likely to be better than that of an identical Scottish property; this is due to different bands or letter ratings being applied to different scores, not to any better energy performance
- Archetype and neighbourhood/street level analysis underway to scope investment programme implications; fabric-first approach remains our focus over next 2-3 years
- Informed by expert advice from the University of Edinburgh (Prof Sean Smith)

EPR Rating - Baseline Assessment



Distance to Travel - to meet 81 points



# Sustainable Finance Framework

- Launched on 1 November 2021, aligned with UN SDGs 1, 4, 7, 8, 10, 11
- SPO from S&P confirming alignment with ICMA and LMA Bond and Loan principles
- Future public debt will be issued under the Framework following Use of Proceeds, Project Evaluation, Management of proceeds and Reporting requirements



