WHEATLEY HOUSING GROUP LIMITED
BOARD MEETING

Wednesday 21 February 2024 at 10.30am
Wheatley House, 25 Cochrane Street, Glasgow

AGENDA

1. Apologies for absence

2. Declarations of interest

3. a) Minutes of meeting held on 20 December 2023 and matters arising
   b) Action list

4. Group CEO update

5. Chair updates

Main Business

6. 2024/2025 rent and service charges

7. Business plan financial projections

8. [redacted]

9. Five-year investment plan

10. Repairs update

11. Customer Engagement Framework

12. Performance report

Other Business

13. Risk management update

14. Finance report

15. [redacted]

16. Contract award: grounds maintenance

17. AOCB

Date of Next Meeting: 24 April 2024 (Dumfries)

Report

To:	**Wheatley Housing Group Board**
By:	**Anthony Allison, Group Director of Governance and Business Solutions**
Approved by:	**Steven Henderson, Group Chief Executive**
Subject:	**2024/25 Rent and Service Charges**
Date of Meeting:	**21 February 2024**

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1. Purpose

1.1 This report:

- Provides feedback from our consultation on the 2024/25 rent, service and other charges increase; and
- Confirms the approvals agreed by Registered Social Landlord ("RSL") Boards for the 2024/25 rent, service and other charges increases under delegated authority.

2. Authorising and strategic context

2.1 Under the Group Standing Orders, the Group Board is responsible for agreeing the overarching parameters for rent setting. Thereafter each RSL Board agrees their rent increase within the agreed parameters. The Group Board agreed rent setting parameters at their meeting on 20 December 2023.

2.2 The Board agreed that increase options of 7.5% and 7.9% should be the basis of consultation with our tenants, except for ex West Lothian Housing Partnership tenants where we were consulting on the transfer commitment of 2.5%. RSL Boards were delegated authority to agree to their rent increases where it was one of the agreed options.

3. Background

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

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

3.2 The Board considered the first three principles as part of agreeing the baseline consultation levels.

4. Discussion

4.1 We formally consulted tenants on our rent setting proposals from 10–31 January 2024. Our formal consultation was independently managed by Civica.

4.2 Following the high uptake level from tenants last year we maintained the extended means to respond from mail to instantaneous digital methods or by telephone via a dedicated code.

Consultation – quantitative feedback

4.3 The consultation maintained the relatively high response rate from last year, with **over 7500** valid responses received as detailed below:

Table 1: WHG results

Rent options	Responses
7.5%	3323 (71.6%)
7.9%	1218 (28.5%)
Total	4639

Table 2: WHS results

Rent options	Responses
7.5%	1164 (67.7%)
7.9%	556 (32.3%)
Total	1720

Table 3: WHE results

Rent options	Responses
7.5%	618 (69.5%)
7.9%	271 (30.5%)
Total	889

Table 4: LHA results

Rent options	Responses
7.5%	261 (70.9%)
7.9%	107 (29.1%)
Total	368

4.4 The results were very similar across all RSLs, with the majority indicating a preference for 7.5% but around 30% supporting the higher 7.9% option on the basis that it would support additional investment.

Qualitative feedback

4.5 We invited respondents to provide feedback on why they elected to choose the option they did or where they did not wish to support any options, feedback as to why. We received written feedback from over 2000 customers regarding the proposals.

4.6 The most consistent themes of the feedback were the same across all RSLs and related to:

- An appetite for investment and improvement to existing homes;
- The wider economic climate and the challenges this was, or could be, presenting for tenants in terms of the cost of living; and
- Feedback on existing services (mainly repairs and NETs) and tenants' service priorities.

4.7 Of the 2056 respondents who provided comments, a very small proportion, 167 in total, suggested that we should apply, or should consider applying no increase.

Summary

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

Table 5: RSL rent increases

RSL	Increase
Ex- WLHP stock (WH-East)	2.5%
WH-East	7.5%
WH-South	7.5%
WH-Glasgow	7.5%
LHA	7.5%

4.9 As previously discussed by the Board, these increases, when set within the context of our cumulative increase over 2021, 2022 and 2023 which were nearly 10% below inflation, still would maintain the RSLs at the lower end of the relevant comparator group. The proposed 7.5% increase would also see all RSLs within the Group below CPI inflation for the last three years by around 8%.

5. Customer Engagement

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

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1 The level of rent increase proposed during the consultation included a detailed 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 The separate paper with our financial projections confirms that, based on the proposed rent uplifts, we will 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.

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

10. Risk appetite and assessment

10.1 Our risk appetite in relation to business planning assumptions such as rent increases is open, defined as "*willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward".*

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

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

11. Equalities implications

11.1 There are no equalities implications associated with this report. To support our customers whose first language is not English to request a translation, we also included a translation note in the current five top languages, informed by our translation/interpretation request data and results from the 2022 customer EDI survey.

12. Key issues and conclusions

12.1 Our consultation attracted over 7500 responses, with over 2000 respondents also giving qualitative feedback. The proportion of respondents, at nearly 30%, indicating a preference for the higher rate of 7.9% based on additional investment is very consistent with the qualitative feedback.

13. Recommendations

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

LIST OF APPENDICES:

None

Report

To: **Wheatley Housing Group Board**

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

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

Subject: **Business Plan Financial Projections**

Date of Meeting: **21 February 2024**

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1. Purpose

1.1 The purpose of this report is to:

- seek approval of the Group and subsidiary financial projections and related key financial ratios and;
- seeks Board approval for the draft Group Charging and Pricing Policy 2024.

2. Authorising and strategic context

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

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

3. Background

3.1 Higher levels of inflation continue to have an impact on the business and our customers. The economic outlook in the UK for 2024/25 remains uncertain and inflation has proved to be more resistant to interest rate increases than expected, with a strong labour market and higher wage settlements helping to maintain higher prices for a longer period than previously anticipated. The latest figures for CPI show an annual rate of 4.0% (December 2023) which in general terms has shown a slow downward trend from its peak of 11.1% in October 2022. Increases in the cost of fuel, utilities, insurance and repairs and maintenance costs have had a notable impact on our cost base. Fuel and utilities costs have stabilised to some extent; however, insurance and repairs and maintenance costs are still subject to notable price increases.

3.2 In their most recent announcement, the Bank of England indicated that they expected that although overall inflation may reduce to 2% by the middle of this year it would rise again slightly, and they would keep interest rates high for long enough to see inflation settle at 2%. This leaves forecasts for interest rate reductions from the current rate of 5.25% not likely until the second half of 2024. A large proportion of our existing funding is at fixed rates which limits our interest rate exposure on these amounts.

3.3 Keeping rents affordable remains a key strategic aim but it is important that we strike an appropriate balance between affordability for our tenants during this continued period of pressure on household budgets, whilst ensuring the ongoing financial viability of our operations and the preservation of appropriate levels of investment in our homes and services to customers. Following the low rent increase in 2023 which helped customers with the initial shock of the cost-of-living crisis and the effect of high levels of inflation on our operating costs, most notably repairs, we are now in a period of rebuilding financial capacity to ensure we have an appropriate level of funding available to maintain the quality of our homes and meet our legislative obligations. This includes the delivery of energy efficiency projects including those that will go towards delivering the standards outlined in the Scottish Government consultation on the Social Housing Net Zero standard.

3.4 The Scottish Government extended the provisions within the Cost of Living (Tenant) Protection (Scotland Act) 2022 to 31 March 2024 for mid-market and private rental properties. This legislation has limited our rent increases with an initial freeze followed by a cap of 3% and the pausing of evictions for most tenants other than a small number of specified circumstances. Scottish Government have recently confirmed the transitional arrangements from March 2024 which apply a principle of a managed return to open market rent levels. The implications of this are being assessed against some analysis of our private and mid-market rent levels against open market rates.

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

- *The RSL Borrowing Group* – the aggregated financial position of WH Glasgow, Loretto Housing, WH East, WH South, Wheatley Developments Scotland and the entity that raises borrowing and lends to them, Wheatley Funding No.1 Ltd; this is by far the largest part of our group, with a turnover of over £438m comprising around 90% of Group income;
- *Lowther Homes* – our private letting and factoring arm, with a turnover of £33m and its ring-fenced borrowing from Scottish Widows;
- *Wheatley Care* – our Group care company, with income of c£22m and no external debt; and
- *Wheatley Foundation* – receiving gift aid from Lowther Homes, donations from our Group RSLs and raising external grant income. The Foundation delivers our community programmes such as employability, education and training and manages investment of between £7m and £8m a year.

3.6 These parts of the Group are supported by Wheatley Solutions, which 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.

4. Discussion

4.1 Our strategy for 2021-2026, *Your Home, Your, Community, Your Future*, forms the basis of these financial projections. The detailed 2024/25 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.

<u>Delivering Exceptional Customer Experience</u>

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

- The higher level of repairs spend with feedback from tenants continuing to emphasise how important the repairs service is for them. The launch of the repairs service in early 2023 extended our collaborative working with City Building (Glasgow) LLP by introducing a new and improved model which has a specialist team dealing solely with repairs. This improvement to the service was enhanced further following the successful launch of 'Book-it, Track-it, Rate-it' which improves communications around repairs appointments and the ability to capture real time feedback on service quality from customers;
- Our group-wide customer first centre where a new telephony system (STORM) was introduced in 2023/24 with further functionality planned to be developed in 2024/25. This will increase the automation of call handling and enable more analytical information to be gathered to help improve the customer experience;
- Our Wheatley 360 wraparound services with a provision of £3.8m of ongoing funding. Wheatley 360 provides additional support and services to our tenants such as housing and money advice, homelessness and customer support; and
- Continuing our commitment to the Community Improvement Partnership ("CIP") with the police and fire services and Group Protection with a provision of £2.4m per annum. These partnerships support communities across a number of areas, such as fire prevention, and dealing with anti-social behaviour and crime.

4.3 These projections include funding of £38.5m over the next five years towards the Group's IT capital programme, which is aligned to 6 workstreams, delivering key business strategy outcomes and ongoing investment across staff and customer digital services and platforms. The workstreams are:

- Digital Workplace, Workflows and Automation, including technology in hubs and support of the hybrid working model;
- Customer Digital and Self Service, including the review and replacement of our current customer self-service platforms;
- Housing and Care, supporting the new housing operating model through ongoing investment in staff mobile applications and services;
- Digital Repairs includes an ongoing programme of redevelopment of online repairs services for customers, aligned to ongoing improvement to support the evolution of 'Book-it, Track-it, Rate-it';

- Core Architecture and CyberSecurity, ongoing maintenance and improvement to Group technology platforms to ensure ongoing security, stability and support of critical business operations; and
- Data, AI and Innovation, including projects ensuring the delivery of Group Data Strategy and improved analytics.

4.4 Subject to Board approval, an increase in social rents in April 2024 of 7.5% will be applied by our RSLs, with the exception of former WLHP tenants whose rents will increase by 2.5% in line with tenant ballot agreements. This is informed through feedback from consultations carried out with tenants, linked to partnership promises and as approved by all individual RSL Boards. For mid-market and private rental properties, the Scottish Government has recently consulted on transitional arrangements to apply from March 2024 which are based on the principle of a managed return to open market rent levels. The implications of this are being assessed against some analysis of our rent levels against open market rates. For planning purposes, we have assumed a 2024 rent increase of [redacted] for private and mid-market tenancies while we complete this exercise.

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 £5.8m (excluding inflation) have been assumed to be achieved in management costs over the next five years building on the efficiency savings delivered across the Group to date. We will continue to utilise our investment in technology and our new ways of working to deliver improvements to our customer experience.

Making the Most of our Homes and Assets

4.6 In 2024/25, we plan to spend around £154m in our existing properties between capital investment and repairs, equivalent to £2,389 per property, with this supported by over £3.3m of funding from the Scottish Government's Net Zero Heat Fund. City Building will continue to play a key part in the investment in our customers' homes through its role as our delivery arm for repairs and investment work in the west and will continue to have a role in the delivery of WH South's investment programme going forward.

4.7 In total, we plan to invest approximately £444m in improvements to our customers' homes in the first five years of the plan, with a further £432m in repairs. This funding will ensure that our properties remain in a good state of repair and sufficient provision is available for all compliance requirements and reflects the importance customers tell us they place on the quality of their home. Included in our investment programme are projects which will help improve the energy efficiency of our homes aligned with our fabric first approach in our sustainability strategy and which will go towards meeting the revised Social Housing Net Zero Standard. Our investment plans reflect the priorities in our neighbourhood plans developed in conjunction with customers.

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. We completed 1,082 new homes over the first two years of the strategy and anticipate completing 348 units in 2023/24. Based on the 2024/25 projections a total of c.3,200 homes will be added over the 2021-26 strategy period including units delivered through acquisition and renovation. This is in the context of a challenging development market affected by a slowdown of private developments and s75 opportunities and delays in securing planning consents.

4.9 Over the five-year period from 2024 to 2029 our financial projections reflect the delivery of an additional 5,600 properties for social or mid-market rent including 296 by Lowther Homes and 67 acquisitions. Over the 10-year period to 2032, the projections include provision for the development of around 9,000 new homes. The projections also include the capacity to undertake significant regeneration projects in the Wyndford estate in Glasgow and Lochside in Dumfries. Further details of the Group's five-year development programme are presented separately to this Board.

4.10 Our five-year development plan is assumed to be supported by £683m 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.

4.11 The Scottish Government announced its 2024/25 budget in December 2023 reporting a challenging financial operating position in the upcoming financial year. The budget included a 26% reduction in the funding for the Affordable Housing Supply Programme with the budget reducing from £752m in 2023/24 to £556m in 2024/25. The position for 2024/25 is substantially lower than the previous budget guidance for 2024/25 issued by the Scottish Government.

4.12 While a large proportion of our 2024/25 programme has a grant award confirmed we will continue to work with Scottish Government More Homes Division and local authorities to understand the impact of the budget decision on the future programme. As part of our risk analysis, we have modelled a scenario to show the financial impact a reduction in grant funding would have on the projections to ensure we can manage the risk. Details of this scenario are included in Appendix 1, Section 6 at scenario 11 and show that while less new build grant funding would reduce the size of the programme, the ring-fenced nature of new build projects means that the financial impact on the rest of the business is minimal.

<u>Changing Lives and Communities</u>

4.13 [redacted]

4.14 [redacted]

4.15 [redacted]

4.16 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:

- £1m of funding for the Helping Hand Fund until March 2025. This fund provides assistance to our customers who are facing financial hardship with rent;
- The continued delivery of wide-ranging support by the Wheatley Foundation to customers across the Group including in the key areas of poverty social inclusion, and employability; and
- This will be primarily funded by donations from Lowther Homes and the RSLs with a spend of £8m in 2024/25 used to support core committed activities linked to the RSLs such as provision of welfare benefit advice and home comforts.

Developing our Shared Capability

4.17 In 2023/24 we completed the final phase of our operating model across the Group which saw changes to our frontline service model to allow us to offer customers access to specialist housing and repairs teams when needed. The new My Repairs team which was launched in January 2023 had a successful first year extending our collaborative working with City Building and helping to deliver improvements in customer satisfaction with the repairs services. Our six Centres of Excellence are all fully operational and, along with conveniently located touchdown points across our communities, provide places where staff and customers can meet to work, share their learning and engage effectively together.

4.18 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 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. Further planned investment of £38.5m in IT and £6.5m in premises and service facilities (such as concierge stations, care sites and local staff/community hubs) is included in our financial projections ensuring all staff are provided with the technology and facilities they need to work effectively and efficiently in our hybrid environment.

Enabling our Ambitions

4.19 To achieve our strategic ambitions, we need to ensure the Group has sufficient funding in place to support our objectives and we remain compliant with our loan covenants. During 2023/24 we agreed two new fixed rate loans with [redacted]

4.20 As set out in the Funding Strategy at the June 2023 Board meeting, the Group has £800m of capital repayments scheduled to take place before the end of the decade. New funding and refinancing activity will be required to ensure continued liquidity to support our new build programme and scheduled repayments and we plan to raise up to £[redacted] during 2024/25, with discussions with potential lenders progressing well. Beyond 2024/25, the size of the funding requirement is largely dependent on the size of the development programme. [redacted]. The next update on our 2024/25 fundraising will be provided to the June 2024 meeting.

4.21 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.

4.22 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; and o (the maximum debt level is determined by whichever is the lower)
Interest cover	▪ Always minimum 25% cover over the covenant level.

4.23 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 maintain the Golden Rule for the next five years.

Group Financial Projections

4.24 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

4.25 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.

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

4.27 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: [redacted]

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 divided by the value of completed housing and investment properties) is used to assess whether there is sufficient asset cover to support the level of debt. 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]

[redacted]

4.30 [redacted].

4.31 [redacted].

4.32 [redacted].

Group Pricing and Charging Policy

4.33 The updated Pricing and Charging Policy is set out in Appendix 11. This shows our approach to charging and pricing for the services we provide our customers. This covers rents and service charges for all housing tenures, as well as other charges levied by our subsidiaries and internal charges between subsidiaries for services.

4.34 It has been updated to reflect the inclusion of WH South and the position with regard to the 2024 Scottish Government consultation on heat network metering which will inform our approach to a review of charges for heat with rent and district heating schemes. This review will be completed in Q1 of 2024/25. The policy also includes Framework of Principal Charges, which provides more detail on the specifics of the main non-social rent charges made by our subsidiaries, and how we plan to increase these for 2024/25.

4.35 The policy is reviewed every three years with an annual update made to the Framework of Principle Charges.

5. Customer engagement

5.1 The commitments funded in the business plan reflect our ongoing programme of engagement with our tenants with over 1,500 tenants actively involved in shaping services and regularly engaging with us through our Stronger Voices programmes. Our neighbourhood priority plans, developed in conjunction with tenants, have a direct link through to our 5-year investment programme. Our financial projections include provision for the resources necessary to support key aspects of our services that customers tell us are most important to them such as repairs and investment to maintain the quality of their home, environmental teams and access to housing services through our Customer First Centre including the “My Repairs” specialist teams.

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1 Allocations for repairs and investment continue to be at the core of our financial projections. Over recent times our business has accommodated higher levels of inflation on our operations while keeping rent increases low to help tenants with the initial impact of the cost-of-living crisis, reducing our financial capacity for capital investment. These projections include rent and cost efficiency assumptions to allow us to build capacity back into the business for re-investment into capital and energy efficiency improvements in our existing properties. Tenants have told us this is important to them through the 2024 rent consultation feedback.

8.2 The projections also recognise the higher demand for repairs we have increased our provision for reactive repairs by over £10m in 2024/25. Through our “in house” services in WH South and WH East and the close working relationship with our colleagues at City Building 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.

8.3 Our frontline housing, customer first centre and neighbourhood environmental teams and the Wheatley 360 wraparound service remain key elements of our service provision. Support for vulnerable customers is prioritised through our Wheatley Foundation, and our Livingwell offer for older customers. The re-introduction of our “Helping Hand Fund” will offer support to customers with this particularly focused on help with paying rent.

9. Legal, regulatory and charitable implications

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

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

10. Risk appetite and assessment

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

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

11. Equalities implications

11.1 There are no equalities implications arising from this report.

12. Key Issues and conclusions

12.1 The updated financial projections, once approved, will set the overall borrowing framework for 2024/25. 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 in paragraph 4.18 and paragraph 4.32 respectively;
3) Approve the financial projections for each of the subsidiaries attached;
4) Agree that the projected 2024/25 figures form the basis of next year’s annual budgets for each subsidiary and the Group overall; and
5) Approve the Group Pricing and Charging Policy 2024.

LIST OF APPENDICES:

Appendix 1: WHG 2024/25 Financial Projections
Appendix 2: WH Glasgow 2024/25 Financial Projections
Appendix 3: Loretto Housing 2024/25 Financial Projections
Appendix 4: WH East 2024/25 Financial Projections
Appendix 5: WH South 2024/25 Financial Projections
Appendix 6: [redacted]
Appendix 7: [redacted]
Appendix 8: [redacted]
Appendix 9: [redacted]
Appendix 10: [redacted]
Appendix 11: [redacted] available here

Wheatley Group

Making homes and lives better
www.wheatley-group.com

Wheatley Housing Group
Business Plan Financial Projections
2024/25

Index

1. Strategic context
2. Wheatley Housing Group Financial Projections
3. RSL Borrowing Group (WH Glasgow, Loretto HA, WH East & WH South)
    a. Key Assumptions
    b. Projected Financial Statements
    c. Debt profile
    d. Key ratios and covenant compliance
4. Commercial Subsidiaries
    a. [redacted]
    b. [redacted]
5. Other Group Companies
    a. Wheatley Housing Group
    b. [redacted]
    c. [redacted]
6. Risk analysis

1. Strategic context

External environment

- ***UK economy*** – While the current CPI rate is 4.0%, the reduction has been slow from a peak of 11.1% in late 2022, continuing to put pressure on costs and customer finances. Increases in interest rates by the Bank of England to 5.25% have increased the costs of existing variable rate debt and new funding.
- ***SG private rent controls*** – Transitional arrangements on rent increases on private tenancies (incl MMR) from March 2024 have been recently announced. Future increases are referenced to open market rent and we are assessing the implications this has for Lowther rent increases.
- ***Government support for housing in Scotland*** continues despite pressure on resources. Commitment remains to £3.5bn of grant funding over current parliamentary term however significant reduction in funding for new build in 2024/25.

Customer priorities

- ***Affordable rents*** – impact of inflation and a potential tightening of the job market will impact on household incomes and affordability of rents.
- ***Investment in existing homes*** - maintaining sufficient levels of investment in homes, particularly in relation to energy efficiency improvements.
- ***Safe and well maintained neighbourhoods*** – delivering on priorities identified in our neighbourhood plans. Antisocial behaviour remains a key theme in customer feedback highlighting the need to maintain concierge presence and CIP funding.
- ***Quality of services*** – customer feedback links quality of service as key priority, particularly in relation to the repairs and NETs service.
- ***Efficient use of resources*** – getting things right first time seen as key to getting value for money for the rent they are paying.

Financial sustainability

- ***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. Future rent increases provide capacity for investment.
- ***Debt servicing and compliance*** – group funding arrangements allow operational flexibility but set clear financial parameters which need to be met going forward (e.g. financial covenants).

Key challenges

- 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 financial resources available for ***higher repairs costs and core capital investment, and investment to deliver the new Energy Efficiency standards.***
- ***Operational performance*** – continued focus on performance improvement key to financial stability and becoming best in class.

2. Wheatley Housing Group

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

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

Financial Projections – next 5 years

Statement of Comprehensive Income

£000s	2024-25	2025-26	2026-27	2027-28	2028-29
Turnover	**486,925**	**535,217**	**565,524**	**603,283**	**647,720**
Operating Costs	(360,645)	(376,443)	(387,778)	(401,177)	(416,239)
Other Income & Gains	(39,861)	(46,242)	(15,374)	(24,079)	(33,614)
Operating Surplus	**86,420**	**112,532**	**162,372**	**178,026**	**197,867**
Operating Margin	*18%*	*21%*	*29%*	*30%*	*31%*
Gain on Sale of Fixed Assets	190	0	0	0	0
Net Interest Payable	(78,081)	(83,872)	(88,886)	(94,042)	(102,467)
Surplus before Tax	**8,529**	**28,661**	**73,486**	**83,984**	**95,400**
Tax	(350)	(575)	(626)	(627)	(691)
Surplus for the Year	**8,179**	**28,086**	**72,860**	**83,357**	**94,708**
Movement in Housing Valuations	850	(10,601)	(47,070)	(55,559)	(56,155)
Comprehensive Income	**9,029**	**17,485**	**25,790**	**27,799**	**38,554**

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 22.5% over the period from £401m to £491m primarily as a result of projected growth in stock numbers and rental increases.

Operating Expenditure
Over the five-year period operating costs remain relatively stable in real terms with some small fluctuation due to organisational restructure and demolition costs. Operating costs include an increased provision for repairs reflecting the increase in demand that we have experienced in 2023/24 and growth from the additional stock. The costs in 2025/26 include an ERVR provision of £6.0m to deliver savings through operating model changes to further improve efficiency and service provision. In addition, costs in 2024/25 to 2026/27 reflect the reduced employer contributions for the Strathclyde Pension Fund with the employer pension contributions reducing from 19.3% in 2023/24 to 6.5% in 2024/25 and 2025/26 and 17.5% in 2026/27 before being assumed to return to 19.3% in 2027/28. The movement in operating costs (excluding depreciation) in real terms is demonstrated in the table below. Operating costs for 2023/24 restated at 2024/25 prices are forecast to be £249m.

	2024-25	2025-26	2026-27	2027-28	2028-29
Operating Cost*	£238m	£240m	£242m	£241m	£239m

**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
Operating surplus, which includes grant income and valuation adjustments on investment properties, is forecast to increase over the five-year period from £86m in the first year to £198m in year 5. Excluding the impact of the recognition of new build grant income and valuation movements, the operating surplus is projected to increase from £40.5m in 2024/25 to £75.1m in 2028/29. This is equivalent to an increase in operating margin from 10.1% to 15.3% and is driven by increasing rental income and a continued focus on delivering cost efficient customer services.

Funding Costs
While a large proportion of our existing funding in the current group funding arrangement is at fixed rates limiting our interest rate exposure, interest rates have been subject to 14 consecutive increases by the Bank of England with rates currently at 5.25%. This has increased the average cost of borrowing across the group. This is reflected in our projected funding costs in 2024/25, and we have taken a prudent assumption on future variable interest rates in preparing these projections. Over the five-year period funding costs are assumed to increase further as a result of the additional borrowing required to fund the planned development programme. The additional funding costs from the development of new homes will be met by the rental income generated on these properties.

Surplus for the Year
Overall, it is expected that the group will generate an accounting surplus before housing valuation movements of £8.2m in 2024/25. This is projected to increase over the five-year period to a surplus of £94.7m 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

	2024-25	2025-26	2026-27	2027-28	2028-29
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Housing & Investment Properties	3,245,187	3,423,173	3,605,219	3,775,758	3,896,642
Other Fixed Assets	79,911	81,119	81,329	79,958	76,394
Total Fixed Assets	**3,325,098**	**3,504,292**	**3,686,548**	**3,855,716**	**3,973,036**
Debtors Due < 1 year	45,216	45,155	45,108	45,062	45,031
Cash	22,295	19,365	17,039	17,428	17,751
Creditors Due < 1 year	(252,295)	(294,678)	(316,666)	(330,609)	(295,966)
Net Current Liabilities	**(184,784)**	**(230,159)**	**(254,519)**	**(268,119)**	**(233,185)**
Loans – Bank & Bond	(1,741,744)	(1,855,767)	(1,985,460)	(2,110,710)	(2,221,779)
Loans - SG	(52,247)	(54,557)	(56,970)	(59,490)	(62,122)
Provisions for liabilities & charges	(9,246)	(9,246)	(9,246)	(9,246)	(9,246)
Pension Asset	(742)	(742)	(742)	(742)	(742)
Long Term Liabilities	**(1,803,979)**	**(1,920,312)**	**(2,052,419)**	**(2,180,188)**	**(2,293,888)**
Net Assets	**1,336,336**	**1,353,821**	**1,379,611**	**1,407,409**	**1,445,963**
Capital & Reserves	**1,336,336**	**1,353,821**	**1,379,611**	**1,407,409**	**1,445,963**

Fixed assets and investment properties

Over the five-year period the value of housing and investment properties are forecast to increase by £805m (26%). This is due to the new units forecast to be completed or acquired over the period in addition to valuation movements on existing stock supported by our capital investment programme.

Net Current Assets / (Liabilities)
Debtors due within a year include increases in rent debtors to provide for the impact of Universal Credit and other welfare reforms. In later years a small reduction in debtors has been projected as pressure on customers' income eases and an element of arrears are assumed to be recovered.

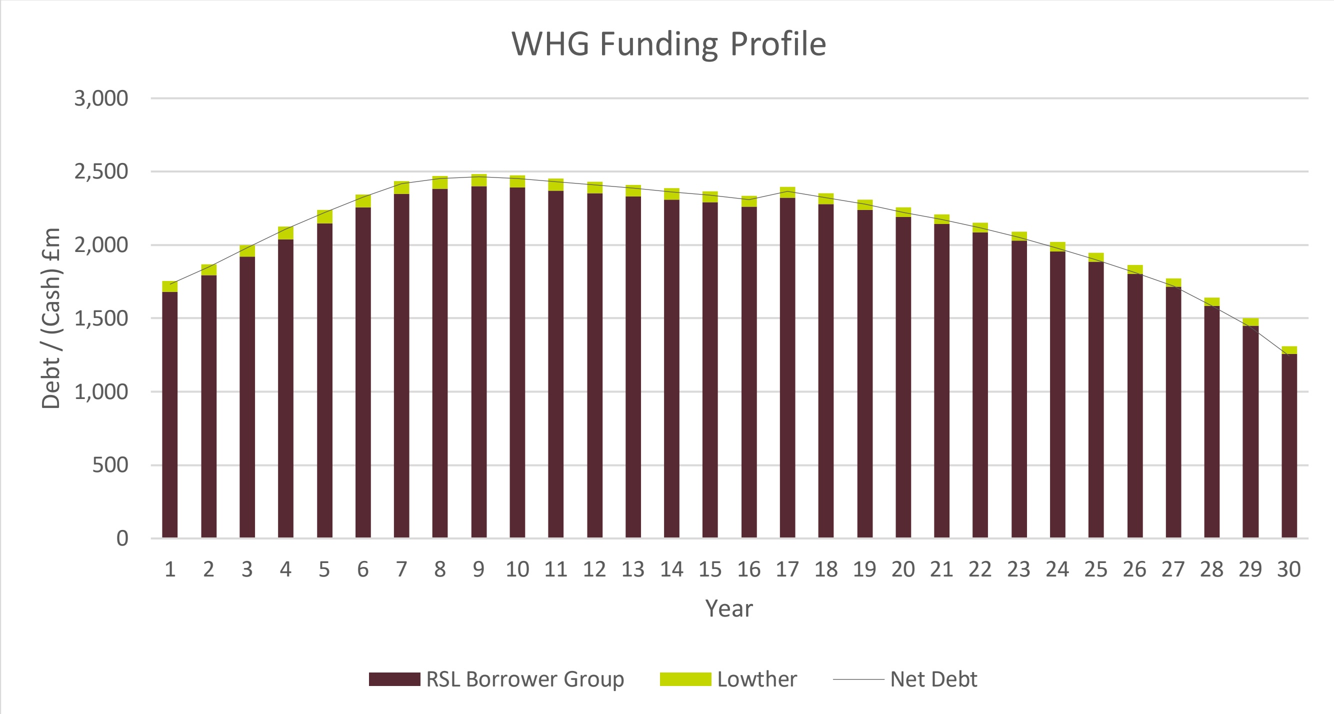
Under the accounting rules for housing assets, grant received in respect of new build is recognised within the Statement of Financial Position as deferred income and included within short term Creditors while under construction. On completion it is transferred to the Statement of Comprehensive Income. 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 £596m 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

[redacted].



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

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

3. RSL Borrower Group

Background/Assumptions

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

Stock numbers

Together WH Glasgow (WHG), Loretto HA (LHA), WH East (WHE) and WH South (WHS) currently own or manage approximately 61,734 properties for social rent, 1,405 mid-market rent houses, which are leased to Lowther Homes, and 359 shared ownership or shared equity properties.

The 61,734 social housing units as at 1 April 2024 reflect the handover of 600 units within four 26 storey blocks to our demolition contractor during 2023/24. In addition to these 600 units which are expected to be demolished over the next two years as part of the wider regeneration in WH Glasgow, a further 781 properties are assumed for demolition over the period to 2030/31. These include 427 properties in Dumfries and Galloway including 269 in Lochside, 66 Livingwell properties in Glasgow and a provision for future regeneration activities.

While no significant disposal of housing properties is anticipated, the projections assume that 12 properties will be sold during 2024/25. One social rent property is in Loretto and 11 properties are supported accommodation properties owned by WH East following the transfer from Barony. 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. Over the last four years there has been a slowdown in the development programme as a result of increasing costs, availability of funding and delays in securing planning consent however it is anticipated that 227 new homes for social rent will be delivered in the year to March 2024.

Over the first five years, an additional 4,013 new properties for social rent will be completed as part of this programme with a further 2,938 in the period to 2033/34. This will be funded from available cash, use of our committed RCFs, additional debt and will be supported by Scottish Government grant funding. The overall development programme is expected to deliver 4,081 additional social housing properties over the next five years including 67 acquisitions and an additional unit as the result of a refurbishment.

The 1,405 mid-market rent properties forecast to be owned by the RSLs in April 2024 include the completion of 100 new units during 2023/24. Over the next five years it is projected that a further 1,164 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 2028/29 it is forecast that 2,569 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 2024-25	Year 2 2025-26	Year 3 2026-27	Year 4 2027-28	Year 5 2028-29	Total Years 1-5	Years 6-10 2029-2034
Social Housing							
Opening Stock	**61,734**	**62,026**	**62,570**	**63,344**	**64,293**	**61,734**	**65,310**
New Build	395	613	945	998	1,062	**4,013**	**2,938**
Acquisitions / Other	67	1	0	0	0	**68**	**-**
Demolition / Disposal	(170)	(70)	(171)	(49)	(45)	**(505)**	**(288)**
Closing Social Housing Stock	**62,026**	**62,570**	**63,344**	**64,293**	**65,310**	**65,310**	**67,960**
Mid Market Rent							
Opening Stock	1,405	1,689	1,935	2,087	2,325	**1,405**	**2,569**
New Build	284	246	152	238	244	**1,164**	**597**
Closing MMR Stock	**1,689**	**1,935**	**2,087**	**2,325**	**2,569**	**2,569**	**3,166**
Shared Ownership							
Closing SO/SE Stock	**359**	**359**	**359**	**359**	**359**	**359**	**359**

Income

Rental income represents on average 94% of the RSL borrowing group's turnover (excl. development and other investment work grants). Rental income has been estimated based on current average weekly rents adjusted for agreed rent increases to be applied in April 2024. The April 2024 general increase approved by all subsidiary boards was 7.5%. In WH East the rent increase for former WLHP tenants only has been capped at 2.5%, in line with ballot commitments to tenants. While keeping rents affordable remains a key strategic aim, the rent and service charge increases supports the continued investment in our existing homes and our services while remaining comparable with the Sector.

[redacted]

Gross rental income will be reduced by voids, bad debts and arrears. Over the last three years, there has been significant improvement in performance with void rent loss reducing from 1.4% in 2020/21 to 1.15% in the year to December 2023. 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 2023 actual bad debt costs are averaging 0.89%. The table below shows the assumed average percentage of rent lost across the group's lettable stock.

Performance	2024-25	2025-26	2026-27	2027-28	2028-29
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 £1.35m 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 arrears as a percentage of rental income assumed of 6.40% in 2024/25 compared to a target of 5.25% for 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

We completed the final phase of our operating model this year with the creation of specialist teams within our repair and frontline services supported by the Customer First Centre. The new My Repairs team, which has been in place since January 2023, extended our collaborative working with City Building Glasgow with specialist teams in place and able to drive improvements in the handing of more complex repairs. Frontline staff are able to access our Centres of Excellence which are now operational across all our communities along with conveniently located touchdown points for staff and customers. During 2023/24 this delivered targeted staff savings across the group of £5.0m.

Employee costs for 2024/25 reflect the current staffing structure including the Customer First Centre, NETS, Housing Officers, the My Repairs specialist team and our Wheatley 360 model which co-ordinates a number of teams including our housing advice and furnished lets teams through a single Group wide structure. Staff costs also reflect the reduced employer contributions for the Strathclyde Pension Fund with the employer contributions reducing from 19.3% to 6.5% in 2024/25 and 2025/26 and 17.5% in 2026/27 before an assumed return to 19.3% thereafter.

[redacted]

Over the next five years, staff savings of £5.0m have been assumed across the RSLs and Wheatley Solutions as we continue to re-shape our operating model. These savings will be delivered through our well-established workforce planning process. In 2023/24 there have been running costs savings achieved of £980k which were built into the annual budget.

Further cost efficiencies of £0.8m have also been assumed with these expected to be met primarily through promoting greater online customer engagement through our digital transformation strategy which will result in reduced office and departmental running costs, procurement savings and reductions in IT support and maintenance costs through the termination of legacy contracts. These savings will go some way to offsetting the impact of the inflation on our cost base while allowing the Group to keep rents affordable for tenants.

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

[redacted]

In order to deliver the planned savings a provision of around £11.5m 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 customer satisfaction and perception of value for money. One of our key strategic priorities is to provide an excellent repairs service which meets customer expectations, protects our assets and fully complies with all current and future safety standards and regulatory requirements. As part of our programme of improvements to our repairs service we will utilise technology such as Book-It, Track- It, Rate-It as well as repairs data to identify areas where efficiencies can be made.

Over the last two years, there has been a substantial increase in the cost of repairs, most notably in the cost of reactive repairs, with this driven by both an increased level of demand and the impact of inflation. Based on actuals to date, projected costs to March 2024 and the expected uplift in rates, an increase of £10m has been provided for in reactive repairs in our 2024/25 projections.
In addition to increased demand and increasing prices in our responsive programme, we have also seen an uplift in the cost of our cyclical programme as a result of increased regulatory requirements and safety standards as well as higher contract rates.

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

Repair cost per unit	2024-25	2025-26	2026-27	2027-28	2028-29
Reactive	851	870	881	900	915
Cyclical	481	478	525	499	508

The average cost per unit for reactive repairs of £851 in 2024/25 reflects an increase of £168 per unit compared with the provision in the 2023/24 Financial Projections for the same year on the same basis. 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 reprofiled our 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, including 600 units handed over during 2023/24, 1,381 units will be demolished in the year period to 2030/31 with 1,093 of these within the five years. As shown in the table below a provision of £21.7m has been included for costs associated with this works, £16.8m of this in the first 5 years. This includes the physical demolition cost, site security and home loss and disturbance payments made to tenants. These costs relate primarily properties to be demolished as part of wider regeneration projects such as in Wyndford and Lochside. As these sites will be redeveloped, we have assumed that £13.9m of the costs over the 5 year period can be capitalised as part of the site preparation costs for the planned new homes.

Demolitions	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Units*	758	70	171	49	45	96	192
Demolition Costs £000s	8,828	3,115	2,602	1,145	1,110	2,072	2,845

**The unit profile indicates the year in which the demolition will occur and not when the properties will be handed over to the contractor, the figure in 24/25 includes the 600 units handed over during 2023/24*

Other Provisions

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

Initiatives to support our tenants are primarily delivered by the Wheatley Foundation, the Group's charitable trust, with this funded primarily by Group subsidiaries. This funding includes direct donations from the RSLs of £6.1m over the five year period and the interest due from Lowther to WH Glasgow on its £30m convertible loan which is paid directly to the Foundation as WH Glasgow's contribution towards its activities. The additional interest assumed to be received in relation to a £15m increase in WHG's loan to Lowther will also be redirected to the Foundation. The income recognised in the Foundation will be used to fund several projects and initiatives that will benefit customers and communities across the Group. These initiatives include projects such as the Helping Hand Fund, Wheatley Works, educational bursaries, Home Comforts service as well as the provision of Welfare Benefit Advisers. These projects are considered an investment in creating strong and sustainable communities and providing better opportunities for our tenants.

Operating Cost per Unit

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

	2024-25	2025-26	2026-27	2027-28	2028-29
Operating Expenditure	**192,029**	**195,160**	**196,608**	**198,343**	**196,794**
Average Stock (Social)	61,880	62,298	62,957	63,819	64,802
Operating Cost per Unit	**3,103**	**3,133**	**3,123**	**3,108**	**3,037**

This shows that over the five-year period operating cost per unit reduces by 2.1% in real terms. This is due to efficiency savings assumed in management costs coupled with the growing stock base through our new build programme. Operating costs include the increased provision for repairs reflecting the increase in demand that we have experienced in 2023/24 and growth from the additional stock. The costs in 2025/26 include the increased ERVR provision to deliver savings through operating model changes to further improve efficiency and service provision.

Investment & Growth

Capital investment programme

As part of our financial and asset investment planning, we have aligned the level of financial capacity within our financial projections for investment in existing homes with the stock condition information we hold in our asset management system and our rolling programme of stock condition surveys. The information held on our asset management system has been verified by JLL, the Group's independent valuers. Our investment plans include the delivery of energy efficiency projects including those that will go towards delivering the standards outlined in the Scottish Government consultation on the Social Housing Net Zero standard.

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. Customers have also been engaged through the development of our neighbourhood priority plans and these have also informed the five-year investment programme.

Significant investment in our housing properties has been completed over the past few years with almost all of our stock meeting or exceeding current housing quality and energy efficiency standards. The Scottish Government are currently consulting on a new Social

Housing Net Zero Standard which will replace the current Scottish Government's Energy Efficiency Standard for Social Housing ("EESSH2"). The proposals in SHNZS include separate fabric efficiency targets by 2033 and a requirement for properties to have a net zero heating source by 2045.

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 2024/25 where we hope to secure funding of £3.3m 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.

Investment in existing stock in 2023/24 is forecast to be £81.8m. Over the next five years this investment will continue with a further £418.4m, including inflation, of planned investment in existing stock. This is possible due to operational efficiencies in management costs as well as generating operational cashflows from rental income.

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 2024-25	Year 2 2025-26	Year 3 2026-27	Year 4 2027-28	Year 5 2028-29	Total Years 1-5
Energy Efficiency	14,197	9,054	16,453	20,470	24,779	**84,953**
Other Compliance & Safety	14,384	16,398	13,335	16,131	19,011	**79,259**
Strategic & Neighbourhood plan projects	2,141	2,538	4,012	4,784	4,606	**18,082**
Component Replacements	4,985	6,169	6,575	7,377	9,117	**34,223**
Total Stock Improvement Programme	**35,708**	**34,159**	**40,375**	**48,762**	**57,514**	**216,517**
Capitalised Repairs	24,462	25,073	25,701	26,343	26,894	**128,473**
Medical Adaptations & Other Costs	14,181	14,013	14,731	15,122	15,402	**73,449**
Total Capital Investment	**74,351**	**73,245**	**80,807**	**90,227**	**99,810**	**418,438**

New Build

Over the 10-year period it is anticipated that almost 9,000 new homes will be delivered by the RSLs through direct development, acquisition and the funding of Lowther's programme.

The cost to deliver this programme has been estimated based on current tendered costs and grant levels. As shown in the table below, total costs of £1.7bn are projected over the 10 years with this supported by grant funding of £896m. In addition to the provision for construction of new homes, an allowance has been included for the acquisition of up to 65 individual properties in Glasgow with a further 2 property acquisitions assumed in WH East. A development fund of £373k has also been provided for in 2024/25.

	2024-25	2025-26	2026-27	2027-28	2028-29	Total Years 1-5	Total Years 6-10	Total
Development Costs* £000s								
Development Costs	183,558	250,874	260,428	261,805	228,809	**1,184,982**	508,563	**1,693,545**
Grant Income	102,479	157,383	135,226	146,809	121,494	**663,391**	233,054	**896,445**
Net Development Costs	81,078	**93,001**	**125,202**	**114,996**	**107,315**	**521,592**	**275,509**	**797,100**
Acquisitions	4,676					**4,676**		**4,676**
Total Spend	**85,755**	**93,001**	**125,202**	**114,996**	**107,315**	**526,268**	**275,509**	**801,776**
Units Completed								
- Social	395	613	945	998	1,062	**4,013**	2,938	**6,951**
- MMR	284	246	152	238	244	**1,164**	597	**1,761**
Total	**679**	**859**	**1,097**	**1,236**	**1,306**	**5,177**	**3,535**	**8,712**

**excludes staffing and capitalised interest*

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

The table above highlights that between 2024/25 and 2028/29, we assume £663.4m 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, however as a result of the challenging operating environment a 26% reduction in funding for the Affordable Housing Supply Programme (AHSP) for 2024/25 was announced as part of the budget in December 2023. While a significant proportion of our development programme for 2024/25 has grant committed, we are working with the Scottish Government More Homes Division and Local Authorities to understand the impact of the budget decision on our future programmes. We have carried out a sensitivity scenario to assess the risk if the assumed grant was not all available. While the development of new housing is a key strategic aim, this sensitivity shows that our financial projections are not materially impacted by a limitation on new build grant reducing the size of our new build programme.

In addition to the 5,177 properties assumed to be directly delivered over the five-year period, the financial projections reflect the increase in WH Glasgow's loan to Lowther Homes of £15m. This additional funding enables Lowther to fund the development of 317 properties for mid-market rent, of which the first 21 are expected to complete by the end of March 2024. The first 160 new homes delivered by Lowther are assumed to be directly funded using the £15m WH Glasgow loan with the remaining properties funded through additional private finance.

Cost inflation

Inflation has proved to be more resistant to interest rate increases than expected, with a strong labour market and higher wage settlements helping to maintain higher prices. After the most recent meeting of the Monetary Policy Committee, the Bank of England indicated that their expectation was that although overall inflation may reduce to 2% by the middle of this year it would rise again slightly and they would keep interest rates high for long enough to see inflation settle at 2%. Increases in the cost of fuel, utilities, insurance and repairs and maintenance costs have had notable impact on our cost base. Fuel and utilities costs have stabilised to some extent; however, insurance and repairs and maintenance costs are still subject to notable price increases above the general level of CPI.

We have updated our cost assumptions to reflect the current rate of inflation within our 2024/25 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 insurance costs and the expected uplift in rates by City Building Glasgow. In 2024/25 our forecasts reflect an assumed general cost inflation of 4.0%, 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	2024-25	2025-26	2026-27	2027-28	2028-29
General Cost Inflation	4.0%	2.5%	2.5%	2.5%	2.5%
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Market Forecast (CPI)					
Chatham Financial (Jan 24 Update)	*2.68%*	*2.10%*	*2.00%*	*2.00%*	*2.00%*
BOE (Feb 24 Monetary Policy Report)	*2.80%*	*2.30%*	*1.90%*	*2.00%*	*2.00%*

RSL Borrowing Group Financial Projections – next 5 years

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

Statement of Comprehensive Income

	2024-25	2025-26	2026-27	2027-28	2028-29
Turnover	**438,149**	**475,562**	**515,474**	**550,579**	**584,550**
Operating Expenditure	(314,135)	(330,057)	(340,288)	(355,185)	(369,216)
Other Income & Gains	(38,300)	(34,558)	(15,374)	(22,729)	(23,714)
Operating Surplus	**85,715**	**110,947**	**159,812**	**172,664**	**191,620**
Operating Margin	20%	23%	31%	31%	33%
Gain/Loss on disposal of fixed assets	190	-	-	-	-
Finance Charges	(75,175)	(80,947)	(85,919)	(90,842)	(98,742)
Movement in valuation of social housing properties	850	(10,601)	(47,070)	(55,559)	(56,155)
Total Comprehensive Income	**11,579**	**19,400**	**26,824**	**26,263**	**36,723**

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, is forecast to increase by 23.6% over the period from £354.5m to £438m.

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 2.1% over the five years.

Operating Surplus (Margin)

It is projected that the RSL Borrower Group will make an operating surplus, including grant recognised on new build and valuation adjustments, in all years with this increasing from £85.7m in 2024/25 to £191.6m in 2028/29 equivalent to an increase in operating margin from 20% to 33%. Excluding the impact of grant income and valuation adjustments, the underlying operating margin increases from 11% in 2024/25 to 16% by 2028/29. 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 £11.6m in 2024/25 with this increasing to £36.7m 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

	2024-25	2025-26	2026-27	2027-28	2028-29
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Housing Properties	2,911,343	3,065,750	3,222,661	3,357,913	3,457,437
Investment Properties	161,750	185,484	201,447	225,224	250,236
Other Fixed Assets & Investments	116,773	126,008	126,227	124,943	121,429
Total Fixed Assets	**3,189,866**	**3,377,243**	**3,550,335**	**3,708,081**	**3,829,102**
Debtors Due < 1 year	36,206	36,213	36,233	36,253	36,286
Cash	10,000	10,000	10,000	10,000	10,000
Creditors Due < 1 year	(228,992)	(281,328)	(296,506)	(308,148)	(283,371)
Net current assets/(liabilities)	**(182,786)**	**(235,115)**	**(250,273)**	**(261,895)**	**(237,084)**
Loans	(1,718,267)	(1,833,916)	(1,965,026)	(2,084,886)	(2,193,996)
Pension Liability	(537)	(537)	(537)	(537)	(537)
Other Creditors & Provisions	(1,959)	(1,959)	(1,959)	(1,959)	(1,959)
Long Term Liabilities	**(1,720,763)**	**(1,836,412)**	**(1,967,522)**	**(2,087,382)**	**(2,196,492)**
Net Assets	**1,286,316**	**1,305,716**	**1,332,540**	**1,358,803**	**1,395,526**
Capital & Reserves	**1,286,316**	**1,305,716**	**1,332,540**	**1,358,803**	**1,395,526**

<u>Housing and Investment Properties</u>

Housing and investment properties are projected to increase in value by 26.5% to just over £3.7bn over the five-year period as a result of value added through investment in existing stock and additional units developed.

<u>Other Fixed Assets and Investments</u>

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

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

Current Assets/Liabilities

Short term debtors are forecast to increase in the first year of the projections primarily as a result of assumed increases in rent arrears of £1.35m. This increase is intended to provide for the potential impact of the current economic environment on our customers incomes and the impact of welfare benefit reforms including the full roll out of Universal Credit.

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

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

Long Term Liabilities

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

Reserves

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

Cashflow strength

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 [redacted]

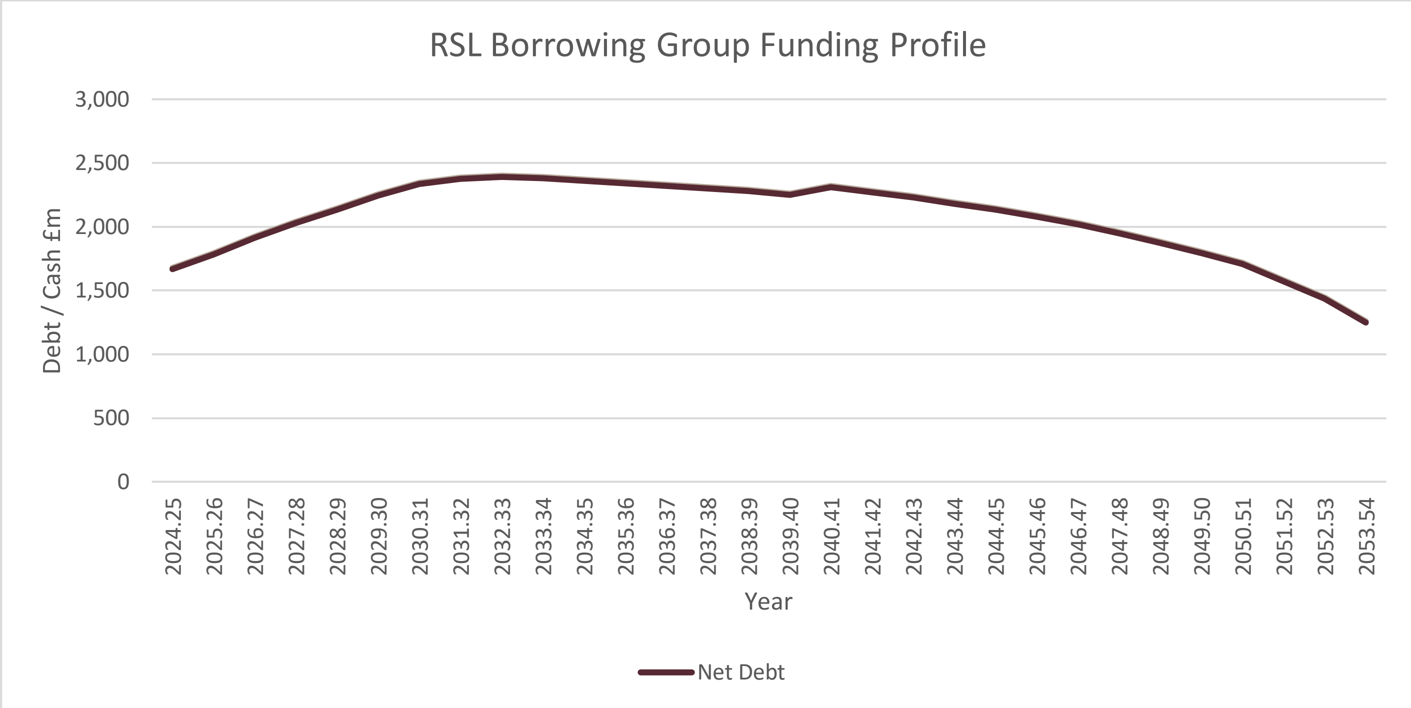
This demonstrates a steady improvement over the period as efficiency savings in operating costs are achieved and additional income is generated from new units and rent increases. Interest costs are forecast to increase over the period as borrowing increases however our projections show there will be 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)	£2,400.9m
Peak Debt (Net)	£2,390.9m
Peak Debt Year	Year 9


RSL Borrowing Group Funding Profile
3,000
2,500
2,000
1,500
1,000
500
0
Debt / Cash £m
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
2053.54
Year
Net Debt

Key financial parameters / covenants

[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 is determined based on our current agreed funding facilities and reduces over the period as these are fully utilised. While the projected covenant drops to 1.4x in 2028/29 new loan facilities will be put in place prior to this to ensure our liquidity and incorporated in the DSCR to provide a higher level of headroom than shown in the table.

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 2022/23 external valuations adjusted for new build properties delivered within the current financial year, project a surplus funding capacity of circa £584m at the start of 2023/24 to support additional debt. The additional capacity consists of £326m of unsecured assets and £257m of assets that have recently been deallocated from funders and available as security for new funding. 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 Wheatley (WHG)

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

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; and
- Delivery of the development programme within resources available particularly given inflationary cost increases and the dependency on sufficient grant being available to support the programme.

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

<u>RSL Borrowing Group</u>

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: [redacted]

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**	**£33,759 (2032/33)**	**£19.5m (2024/25)**	**£146.5m (2026/27)**	
Combined risks							
1	Inflation increases to 3.5% in year 2 and 3% in year 3 with no change to rent increases, interest rates increase to 6% in year 1 and 5.5% in year 2, reactive repairs are £2m higher	N	Y	£34,995 (2032/33)	£14.9m (2025/26)	£142.3m (2026/27)	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 at 3.5% in year 2 and 3% in year 3, interest rates reduce in line with Chatham forecasts in years 2-5 & rent increases limited to inflation +1%	N	Y	£34,908 (2033/34)	£15.3m (2031/32)	£146.3m (2026/27)	While reduction in interest rates partially offsets increase in inflation and lower rent increases over the first five years 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, reduction in available grant funding results in a reduction in programme of c1,300 units over years 1-5 and development costs £10m higher	N	Y	£33,172 (2032/33)	£19.4m (2024/25)	£112.9m (2025/26)	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 – reduction is slower with cost inflation at 3.5% in year 2 and 3% in year 3 with no change to assumed rent increase	N	Y	£34,567 (2032/33)	£18.6m (2025/26)	£145.2m (2026/27)	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	£33,803	£19.5m (2024/25)	£152.1m (2026/27)	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 (SONIA) increase to 6% from year 1 on	N	Y	£34,142 (2032/33)	£17.4m (2024/25)	£143.4m (2026/27)	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 is reduced to 3.9% in years 2 and 3 and 3.5% in years 4 and 5	N	Y	£34,653 (2032/33)	£17.3m (2028/29)	£142.2m (2026/27)	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	£34,427 (2032/33)	£16.0m (2024/25)	£142.1m (2026/27)	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	£34,081 (2032/33)	£19.5m (2024/25)	£144.5m (2026/27)	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	£34,639 (2032/33)	£14.5m (2024/25)	£140.5m (2026/27)	Significant increase in costs increases debt and reduces operating surplus. Covenants can be met but with lower headroom.

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
Growth							
11	New build programme reduced as insufficient grant available to fund all developments	Y	Y	£32,642 (2032/33)	£19.6m (2024/25)	£94.7m (2025/26)	Reduction in programme of 1450 units over the first 5 years due to insufficient grant availability 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 (c300 units by 9 months)	Y	Y	£33,768 (2032/33)	£19.6m (2024/25)	£153.6m (2026/27)	Delay in development of c300 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	Major contractor (representing 25% of our programme) fails resulting in delay and additional costs	N	Y	£34,013 (2032/33)	£19.4m (2024/25)	£149.6m (2026/27)	Delay in delivery of the units combined with an assumed 20% increase in costs increases debt and funding costs and reduces surplus. Debt per unit increases above golden rule but covenants can 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, reactive repair costs are 10% higher, bad debts 1% higher and interest rates increase to 6% for 3 years. No change to rent increases assumed	N	N	£45,117 (2050/51)	-	£129.0m (2026/27)	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 2030/31. Maximum DPU is also in excess of covenant. Significant mitigating actions will be required.
2	With mitigations	N	Y	£33,552 (2033/34)	£7.7m (2025/26)	£126.8m (2027/28)	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 25/26 and 0.5% in 26/27 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 £2,349m of secured stock is valued on a EUV-SH basis (50% 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.£257m of unallocated assets already charged to the Security Trustee which would provide sufficient security, available to be allocated relatively quickly, to address any moderate fall in the value of funder security pools. The build to secure process has commenced with due diligence work being undertaken, resulting in £132m of assets being readied to support new funding or address any asset value shortfall in existing finding pools. As an additional line of defence, the build to secure process would be further accelerated to complete relevant due diligence to charge the remaining £194m of unsecured assets to the relevant funder(s).

[redacted]

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

Wheatley Homes Glasgow Financial Projections

2024/25

Classified as Internal

1. Headlines

We completed the final phase of our operating model this year with the creation of specialist teams within our repair and frontline services supported by the Customer First Centre. The new My Repairs team, which has been in place since January 2023, extended our collaborative working with City Building Glasgow with specialist teams in place and able to drive improvements in the handing of more complex repairs. Frontline staff are able to access our Centres of Excellence which are now operational across all our communities along with conveniently located touchdown points for staff and customers.

In wider economic terms, inflation remains high and this continues to have a significant impact on the business and our customers. For 2024/25 the economic outlook in the UK remains uncertain with inflation proving to be more resistant to interest rate increases than expected, with a strong labour market and higher wage settlements, both helping to maintain higher prices as a result we are maintaining prudent assumptions for the coming year on inflation and interest rates. While the current CPI rate is 4.0%, the reduction has been slow from a peak of 11.1% in 2022. Our business has been particularly affected by increases in the cost of fuel, utilities, insurance and repairs and maintenance costs. Inflation on repairs and maintenance costs remains at a higher level than general CPI, and our insurance costs have increased by more than 30% in the last year with fuel and utilities costs stabilising to some extent.

In their most recent announcement, the Bank of England indicated that their expectation was that although overall inflation may reduce to 2% by the middle of this year, it would rise again slightly and they would keep interest rates high for long enough to see inflation settle at 2%. This leaves forecasts for interest rate reductions from the current rate of 5.25% not likely until the second half of 2024. A large proportion of our existing funding is at fixed rates which limits our interest rate exposure on these amounts.

Keeping rents affordable remains a key strategic aim and we need to strike an appropriate balance between affordability for our tenants during this continued period of pressure on household budgets. However, we must also ensure the ongoing financial viability of our core operations, while preserving appropriate levels of funding for investment in our homes. Following the low rent increase in 2023 which helped customers with the initial shock of cost of living crisis and the effect of high levels of inflation on our operating costs, most notably repairs, we now need to rebuild financial capacity to ensure we have an appropriate level of funding available to maintain the quality of our homes and meet our legislative obligations.

We recognise economic factors are continuing to put pressure on household incomes and we have retained a prudent provision in our rent arrears assumptions and have also assumed that all working age tenants on benefits will have moved to Universal Credit by end of 2024/25. As part of focus on tackling poverty and the cost-of-living challenges facing our customers, funding has been set aside in the Wheatley

Foundation to support customers, including Welfare Benefits and Fuel Advisors, Home Comforts and we have set aside a provision in 2024/25 for the Helping Hand Fund to assist customers. This fund helps our customers who are facing financial hardship with their rent.

A total of 5,196 new build homes are assumed to be completed by the RSL Borrower Group over the next 5 years with 78% of these for social rent, and we will complete over 8,700 over the next 10 years. WH Glasgow has plans to deliver 1,884 homes in the next 5 years and over the next 10 years, 2,875 properties will be developed in WH Glasgow.

WH Glasgow is forecast to complete 71 mid-market new build properties in 2023/24 at Sighthill and Shawbridge Street MMR sites and projected to invest £55.1m in existing homes this year.

The updated five financial projections from 2024/25 include:

- Provision to deliver 1,819 additional new build homes for social and mid-market, plus an allowance for the acquisition of 65 units in the first 5 years of the plan. An increase in WH Glasgow's Loan to Lowther of £15m is assumed to allow delivery of a further 317 MMR properties by Lowther.
- £304.2m of investment in our existing housing stock in the first 5 years of the projections, including the retention of a total provision of £5.0m for our Customer Voice and Think Yes for Investment over the same period. Our 2021-26 strategy committed to delivering £250m capital expenditure in our existing homes and we remain on track to deliver this substantial investment.
- Provision of £28.7m for investment in our digital transformation and centres of excellence strategies.
- £3.6m of funding for Initiatives, including the Wheatley Foundation, across the first 5 years of the plan.
- Efficiency savings in our management costs, in real terms, delivered through the achievement of operational efficiencies. Higher levels of inflation on our operating costs, most notably repairs, impacts our interest cover however through the achievement of the operational efficiencies, there is an improving operating surplus in the first 5 years of the projections and contributes towards interest cover moving to a ratio of >1 by year 2.

During the development period, our financial forecasts are driven by the profile and relative size of our development programme and the value of grant income and valuation adjustments on completion of new build properties. The forecast bottom line total comprehensive income, net assets, cashflow and ratios reflect the higher level of borrowing to support our new build programme. WH Glasgow's peak net debt of £1,787.7m is forecast to be reached in year 27 before reducing thereafter.

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

2. Key assumptions

The key assumptions in the 2024/25 Business Plan are highlighted below. All figures include VAT and inflation, unless stated otherwise.

a. Stock

a) Opening stock numbers

Opening stock numbers in the plan reflect the actual stock reported in the statutory accounts as at 31 March 2023, updated for forecast new build completions, market acquisitions and demolition handovers in 2023/24. Demolition handovers in 2023/24 relate to 4 multi storey blocks.

Table 1 – Split of stock by type

Unit Type	Units 31.3.2023	Forecast Completions 2023/24	Forecast Acquisitions 2023/24	Sales 2023/24	Demolitions 2023/24	Units 31.3.2024
General Needs and Supported	42,746	-	10	(2)	(600)	42,154
Shared Ownership	11	-	-	-	-	11
Total (Social)	**42,757**	**-**	**10**	**(2)**	**-**	**42,165**
Mid-Market Rent	813	71	-	-	-	884
Total	**43,570**	**71**	**10**	**(2)**	**-**	**43,049**

In 2023/24, 71 mid-market rent properties have completed, or are forecast to complete by the end of the year, at Sighthill and Shawbridge Street. Funding for 10 individual asset purchases, “acquisitions”, is included in 2023/24. These primarily relate to former Right to Buy properties bought back to facilitate majority ownership of a block.

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

b) Projected new build completions and closing stock numbers

The 2024/25 projections assume a further 1,200 social rent units and 619 mid-market rent new build units can be delivered over the first five years of the plan. This will provide growth in stock number of 4.2% over the 5 years.

The WH Glasgow new build pipeline is shaped by our understanding of the regeneration and housing development opportunities that are currently agreed, or may emerge, in our operational local authority area of Glasgow City. Our strategic agreement with Glasgow City Council sets out a shared ambition to deliver 4,000 new homes in the city over the next 10 years.

Table 2 shows the planned profile for both social rent property and mid-market rent properties over the period of the projections.

Table 2 – Housing Stock Numbers

Stock Numbers	2024/25	2025/26	2026/27	2027/28	2028/29
Opening Units – Social Rent	42,165	42,277	42,349	42,566	43,016
New build	47	72	283	450	348
Acquisitions	65	0	0	0	0
Demolitions	0	0	(66)	0	0
Closing Units – Social Rent	42,277	42,349	42,566	43,016	43,364
Opening Units – MMR	884	1,007	1,147	1,208	1,364
New build - MMR	123	140	61	156	139
Closing Units – MMR	1,007	1,147	1,208	1,364	1,503

Planned demolitions over the five-year period relate to Livingwell stock. These demolitions will allow for the development of 50 new build social rent units in year 8 and 12 MMR units in year 7.

2.2 Income

a) Rents and Service Charge Income

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

The plan assumes an average weekly rent based on the current average rent and, subject to Board approval, a 7.5% rent increase in April 2024. Note, the Cube transfer agreement undertook to hold rent increased at 1.0% for 3 years, with 2023/24 being the final year.

Table 3 – [redacted]

Our future rent increase assumptions create financial capacity with our plan which will be reinvested into our core programme of capital work in our existing homes helping to maintain the quality of our properties.

b) Other Income

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

A further £11.2m is expected to be generated by WH Glasgow in 2024/25 from other income streams, rising to £16.1m by year 5 of the projections (2028/29), an increase of 43.8% in annual income. This is driven, in the main, by the completion of 619 new build MMR units which will be leased to Lowther Homes and increases income by £3.9m over the five years.

Table 4 – Other income summary

Source	Other Income £'000	2024/25	2025/26	2026/27	2027/28	2028/29
External	Commercial – Properties (net of voids)	1,490	1,603	1,650	1,700	1,750
	Commercial - Radio Masts	403	403	403	403	403
	District heating	596	618	630	643	656
	Furnished Lets	315	323	331	-	-
	Garage income (net of voids)	427	446	466	484	503
	Heat with rent (net of voids)	410	745	937	1,139	1,183
	HCI	330	330	330	330	330
	Solar PVs	389	398	408	418	429
	Wayleave Income (Virgin)	10	-	-	-	-
	Sub-total	**4,370**	**4,866**	**5,155**	**5,117**	**5,254**
Internal	MMR lease income	5,042	5,707	6,624	7,241	8,920
	Commercial - Wheatley House & Lipton	1,740	1,776	1,835	1,860	1,878
	Sub-total	**6,782**	**7,483**	**8,459**	**9,101**	**10,798**
	Total Other Income	**11,152**	**12,349**	**13,614**	**14,218**	**16,052**

The financial projections also include provision for owners' capital works as outlined below:

Owners' Capital Works £'000	2024/25	2025/26	2026/27	2027/28	2028/29
Income from Owners	600	600	600	600	600
Cost of Owners' capital works	(600)	(600)	(600)	(600)	(600)
Net Income in WH Glasgow	**0**	**0**	**0**	**0**	**0**

2.3 Cost inflation assumptions

Inflation has proved to be more resistant to interest rate increases than expected, with a strong labour market and higher wage settlements helping to maintain higher prices. While the current CPI rate is 4.0% it has taken longer to reduce from its peak of 11.1% in October 2022. According to most recent market expectations, the unwinding of inflation to the long-term Bank of England's target of 2% is now not likely to be achieved until the first half of 2025. Increases in the cost of fuel, utilities, insurance and repairs and maintenance costs have had notable impact on our cost base. Fuel and utilities costs have stabilised to some extent; however, insurance and repairs and maintenance costs are still subject to notable price increases.

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

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

Table 5 – [redacted]

2.4 Operating performance

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

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

Performance Assumptions	Current Year	2024/25	2025/26	2026/27	2027/28	2028/29
Routine voids (%)	1.15	1.2	1.2	1.0	1.0	1.0
Bad debts (%)	0.97	2.0	2.0	2.0	2.0	2.0
Arrears (£'000) - gross	12,335	14,014	14,014	14,014	14,014	14,014

The plan assumes a small increase in voids to 1.2% in years 1 and 2, before dropping down to the previous rate of 1.0%. Current void performance to December 2023 is 1.15% and, in the year ended 31 March 2023 was 1.02%, therefore our assumptions in the business plan are comparable to historical rates.

The business plan assumptions on the movement in arrears continue to recognise the economic challenges facing our customers, together with our experience to date with Universal Credit. The 2024/25 business plan prudently assumes that all working age tenants on benefits move to UC by end of 2024/25, which is reflected in the increase in arrears from the current year to 2024/25, linked to the 5 week initial waiting period.

2.5 Management costs

WH Glasgow's employee cost assumptions reflect the current direct staff structure. Additionally, WH Glasgow pays an appropriate share of the salaries of the Compliance and Investment, New Build, Environmental Service (NETs).

Running costs include day to day expenditure and a proportionate share of the NETs. Running costs also include an additional cost allowance to provide for the management costs of 1,200 new social rent units delivered through the development programme and 65 new social rent units from acquisitions. Running costs report an increase of 1.54% in real terms over the period, linked to the completion of new build; however, the average running cost per unit decreases by 1.23% over the five year period before inflation.

The plan assumes recharges from Group includes employee and running costs for central services such as the MyRepairs team, Customer First Centre, Employee Relations, IT, Finance and the Transactional Hub. The recharges reflect the strengthening of our specialist teams and the efficiency savings resulting from continued investment in back office services, particularly through the use of technology and improved working practices. Over the five year period, in real terms, group recharges are expected to decrease by 1.49%. Table 7 sets out the overall management costs that are assumed in the plan.

Table 7 – Management cost assumptions (including inflation)

Management Costs £'000	2024/25	2025/26	2026/27	2027/28	2028/29
Employee costs	32,119	32,733	33,685	34,658	34,871
Running costs	10,312	10,332	10,885	11,056	11,542
Recharges from Group	25,575	26,097	26,988	27,333	27,558
Total Management Costs	**68,006**	**69,162**	**71,558**	**73,047**	**73,971**
Average Cost per Unit £	1,609	1,633	1,681	1,698	1,706

Overall, in real terms, management costs are expected to fall by £0.3m between 2024/25 and 2028/29; a 1.23% reduction. Keeping costs within these limits is required to be able to re-invest in our business and grow our asset base.

2.6 Asset management and growth

a) Repair Costs

Repair costs remain a central part of our projections with our customer satisfaction surveys consistently showing a direct link between the repairs service tenants receive and their satisfaction levels. The provision for repairs recognises the continued increase in demand that we have experienced in 2023/24 and growth from the additional stock. We work closely with city Building Glasgow and have a number of operational and specialist staff co-located with City Building teams. We are also working together on digital and system changes which will see improvements to communications with customers following on from the launch of Book it, Track it Rate it in 2023/24.

Repairs and maintenance costs increase from £48,731k in the 2023/24 budget (stated in 2024/25 prices) to the projection of £58,468k for 2024/25 to ensure we have sufficient provision to meet higher customer demand and inflationary cost increases. Table 8 summarises the revenue repairs and maintenance assumptions.

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

Repair Costs £'000	2024/25	2025/26	2026/27	2027/28	2028/29
Routine Maintenance	38,487	39,359	40,423	41,571	42,762
Planned Maintenance	19,981	19,917	22,683	21,172	21,814
Total repair costs	**58,468**	**59,276**	**63,106**	**62,743**	**64,576**

A significant proportion of the planned maintenance budget is to enable us to comply with legislative requirements as a landlord (e.g. gas servicing, electrical inspections, emergency lighting, window safety catches, TMVs, HIU inspections).

b) Capital Investment

As part of our financial and asset investment planning, we have aligned the level of financial capacity within our financial projections for investment in existing homes with the stock condition information we hold in our asset management system and our rolling programme of stock condition surveys. This includes the delivery of energy efficiency projects including those that will go towards delivering the standards outlined in the Scottish Government consultation on the Social Housing Net Zero standard.

Investment in existing stock in 2023/24 is forecast to be £55.1m. Over the next five years this investment will continue with a further £304.2m, including inflation, of planned investment in existing stock. This is possible due to operational efficiencies in management costs as well as generating operation cashflows from rental income.

Table 9 summarises the capital investment programme for the next five years. Within the core programme, £5.0m has been allocated to “Customer Voice” and “Think Yes for Investment” - spending decisions made in consultation with, and led by our customers, to address local priorities. This equates to 4.3% of the core programme budget. Capitalised void costs include the costs of carrying out the programme of void works as well as £5.2m of costs for clearing the properties with works carried out by a specific voids team in our Group Environmental service. The in-house service gives us greater control over the void turnaround process.

The Plan over the next five years includes costs of £53.0m in improving the energy efficiency of our homes. These measures will include heating renewals, window lifecycle replacements and wall insulation, which will contribute to achieving the Social Housing Net Zero Standard that is replacing the EESSH2 standard.

Table 9 – Capital investment programme (including inflation)

Capital Investment £’000	2024/25	2025/26	2026/27	2027/28	2028/29
Core Investment Programme	18,113	19,992	23,926	26,354	28,825
Capitalised Void Costs	11,621	11,912	12,215	12,516	12,717
Capitalised Repairs	6,919	7,092	7,270	7,451	7,638
Disabled Adaptations	2,857	2,928	3,001	3,076	3,153
Capitalised Fixed Overhead	8,174	8,379	8,588	8,803	9,023
Sub-total	**47,684**	**50,303**	**55,000**	**58,200**	**61,356**
Capitalised Employee Costs	5,846	5,961	6,460	6,667	6,772
Total Capital Investment	**53,530**	**56,264**	**61,460**	**64,867**	**68,128**

Over the life of the plan, the provision is in line with the core investment needed to maintain the quality standard of our existing homes and meet the component replacement cycles. This also provides sufficient capacity in the plan when compared with the level of investment JLL, the Group's valuation experts, have estimated when undertaking the most recent valuation of housing properties.

c) New Build Programme

The new build programme as outlined in Section 1.1 reports 2,875 new units (2,234 for social rent (inclusive of 65 acquisitions) and 641 for mid-market rent), of which 1,884 are anticipated to be delivered within the next five years. Table 10 outlines the investment in new build homes over the next five years. Note that in-year development costs and unit completions do not necessarily correlate, with costs being incurred over more than one year for many sites.

Table 10 – New build funding profile (including inflation)

New Build Programme £'000	2024/25 Year 1	2025/26 Year 2	2026/27 Year 3	2027/28 Year 4	2028/29 Year 5	Total Yrs 1-5
Development Costs	59,074	86,668	121,863	101,729	50,886	420,220
Grant Income	(43,188)	(56,051)	(66,930)	(54,253)	(20,306)	(240,728)
Net Development Cost	**15,886**	**30,617**	**54,933**	**47,476**	**30,580**	**179,492**
Capitalised Employee Costs	3,289	3,349	3,397	3,488	3,502	17,025
Capitalised Demolition Costs	7,717	1,934	697	0	0	10,348
Capitalised Interest Costs	995	1,446	2,091	3,111	1,872	9,515
Net Cost	**27,887**	**37,346**	**61,118**	**54,075**	**35,954**	**216,380**
Unit Completions (Social and MMR)	170	212	344	606	487	1,819
Acquisitions	65	0	0	0	0	65

In 2024/25, a further £4.8m spend (development cost of £10.9m net of assumed grant of £6.1m) is included in respect of strategic acquisitions of 65 units and a provision of £0.2m has been included for a development fund. The development fund can go towards projects of particular strategic importance to help where there is a small funding gap. It has not be assigned to any particular project at the present time and if unused will be rolled forward.

In addition to the 1,819 properties WH Glasgow will directly deliver over the five year period, the financial projections reflect an increase in WH Glasgow's loan to Lowther of £15m. This additional funding will enable Lowther to fund the development of 317 properties for mid-market rent in Glasgow and the East. Of these units, 160 are assumed to be directly funded using the additional on lend with the remaining properties funded through additional private finance.

d) Demolition costs

The financial projections include a provision of £10.9m in respect of our demolition programme over the five year period, which includes provision for service disconnections, home loss and disturbance payments to tenants, in addition to the cost of the physical demolition. The majority of this funding relates to 4 multi storey blocks, with the balance relating to several sites including two livingwell projects. It has been assumed that most of these costs, £10.3m, can be capitalised as we have plans to redevelop the site, with £0.6m home loss and disturbance payments expensed. The costs of demolition are wholly funded by WH Glasgow, with the revenue component reducing the operating surplus in the year incurred.

2.7 Initiatives and Other Provisions

a) Initiatives

The projections also include provision for initiatives which are available to tenants. The initiatives are delivered directly by either WH Glasgow or by The Wheatley Foundation. The services delivered directly by WH Glasgow include support though the Helping Hand Fund (livingwell)and Starter Packs. Provision of £1.3m is included within the 5 year projections.

WH Glasgow's main contribution of over the next 5 years is indirectly to Wheatley Foundation. Interest receivable by WH Glasgow on the convertible debt instrument owed by Lowther Homes is passed directly from Lowther to Wheatley Foundation from WH Glasgow, totalling £9m over the five year period. Additional interest of £3.6m, assumed to be received in relation to the £15m increase in on lend to Lowther, will also be redirected to the Foundation in lieu of additional contributions. On top of this, there is provision in the plan for a direct donation to Wheatley Foundation of £2.3m over the five year period.

The Wheatley Foundation is a charitable trust established with the aim of delivering community benefits. The majority of the Foundation's income is received from the other subsidiaries within the Group in the form of donations from the RSLs and through gift aid contributions from Lowther Homes. Over the five year financial projections 80% of forecast income in the Foundation is from Group entities. The income recognised in the Foundation will be used to fund several projects and initiatives that will benefit customers and communities across the Group. These initiatives include projects such as the Helping Hand Fund, Wheatley Works, educational bursaries, Home Comforts service as well as the provision of Welfare Benefit Advisers. These projects are considered an investment in creating strong and sustainable communities and providing better opportunities for our tenants. It is anticipated that this will contribute to the sustainability of the income stream for WH Glasgow over the long term. WH Glasgow's contribution, to these initiatives over the next five years is summarised (including inflation) in the table below.

WH Glasgow's contribution to these initiatives over the next five years is summarised in the below table. The projections assume sufficient funding will be available from existing financial capacity in the Foundation to deliver their initiatives in years 1 to 3.

Table 11 – Initiatives (including inflation)

Initiatives £'000	2024/25	2025/26	2026/27	2027/28	2028/29
	Year 1	Year 2	Year 3	Year 4	Year 5
Donation to Wheatley Foundation	-	-	-	1,119	1,220
Other Initiatives	241	246	250	255	261

b) IT Capital Investment

In total, across the Group the financial projections provide for a five year IT capital investment programme of £38.5m. This investment is in recognition of the key role technology has in supporting the delivery of the key strategic aims in the Group's 2021-26 strategy. Alongside the digital aspirations for Group services to customers and staff, the funding also provides for a safe, secure and reliable technology service. WH Glasgow makes a capital contribution towards the overall Group IT capital costs. The table below details WH Glasgow's contribution of £28.7m including inflation, over the next 5 years.

Table 12 – IT Capital Contribution (excluding inflation)

IT Capital Programme £'000	2024/25	2025/26	2026/27	2027/28	2028/29
	Year 1	Year 2	Year 3	Year 4	Year 5
IT Capital Contribution	6,431	6,158	5,873	5,427	4,767

The 5-year IT Capital Investment programme is aligned to 6 workstreams, delivering key business strategy outcomes and ongoing investment across staff and customer digital services and platforms. Workstreams and associated projects are reviewed annually and aligned with business strategy reviews.

The workstreams are:

- Digital Workplace, workflows and Automation
- Customer Digital and Self Service
- Housing and Care
- Digital Repairs
- Core Architecture and CyberSecurity
- Data, AI and Innovation

The investment will support a range of projects, changes to Group operating model and the delivery of service improvements across our digital, voice and face-face channels of delivery.

- **Digital Workplace, workflows and Automation** – an ongoing programme of technology and facility upgrades and improvements in support of Group office and hybrid working. Improvements to complex back-office processes and workflows through exploring RPA (robotic process automation) and data integration and automation services.

- **Customer Digital Self Service** – Ongoing service improvements and alignment of our online service portfolio with end to end customer journey maps and customer outcomes. Review and replacement of our current customer self-service platforms for tenants and owners; a programme of CFC improvements provided by the implementation of STORM call centre multi-channel platform. Ongoing service improvements aligned with Stronger Voices and wider customer engagement programmes.

- **Housing and Care** – Supporting the vision for future housing operating models and delivery approaches, through ongoing investment in staff mobile applications and services (e.g. devices, software, improved access to data and information), housing platform upgrades and process improvements. Key projects include improvements to Group Housing Management System; development and improvements to platforms and services supporting Anti-Social Behaviour, Tenancy Support Services, Welfare Benefits and Environmental service delivery.

- **Digital repairs** – An ongoing programme of delivery aligning City Building service delivery models and systems to improved Repairs approaches across platforms, reporting, customer communications and CFC support. Evolution of Group Book-it, Track-it, Rate-it services and improvements to Trade and Inspector field and mobile working through improved devices, system and data access across core delivery, compliance and asset management.

- **[redacted]**.

- **Data, AI and Innovation** – A programme of projects ensuring delivery of Group Data Strategy and wider delivery roadmap including improved analytics, data warehousing and Group-wide platform reporting improvements, including City Building repairs and compliance analytics. Establishing a Group AI strategy, governance and delivery roadmap across staff, manager and platform.

2.8 Operating Cost per Unit

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

Table 13 – Operating cost per unit (including inflation)

Operating Costs £'000	2024/25	2025/26	2026/27	2027/28	2028/29
Operating Costs	131,661	138,032	144,187	147,490	149,461
Average no. of social rent units	42,223	42,315	42,460	42,793	43,192
Average operating cost per unit £	**3,118**	**3,262**	**3,396**	**3,447**	**3,460**

The underlying operating cost per unit, in real terms, is assumed to decrease by 0.4% over the first five years, a saving of £12 per unit. Operating costs include the increased provision for repairs reflecting the increase in demand that we have experienced in 2023/24 and growth from the additional stock. The costs in 2025/26 include the ERVR provision to deliver savings through operating model changes to further improve efficiency and service provision. In addition, costs in 2024/25 to 2026/27 reflect the reduced employer contributions for the Strathclyde Pension Fund with the employer pension contributions reducing from 19.3% to 6.5% in 2024/25 and 2025/26 and 17.5% in 2026/27 before assuming to return to 19.3% in 2027/28.

2.9 Interest Rate Assumptions

The new build programme planned requires debt finance to be drawn down over time. In line with the wider Group funding strategy, borrowing is advanced from Wheatley Funding No 1 Limited ("WFL1") at an assumed blended average funding rate. The blended funding rate reflects a combination of existing bank, bond, and private placement funding and prudent assumptions on the cost of future funding, taking into account the proportion of funding at fixed and variable rates, and any monitoring or commitment fees payable by WFL1 to external funders. This is consistent across all Group subsidiaries.

Table 14 – [redacted]

3. Financial projections – next 5 years

3.1 Statement of Comprehensive Income

Table 15 – Statement of Comprehensive Income

Statement of Comprehensive Income	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Net Rental Income	220,725	231,184	243,150	255,284	267,226
Other Income (including MMR lease income)	11,303	12,504	13,774	14,382	16,219
Grant Income	28,316	33,523	40,087	66,548	54,458
Total Income	**260,344**	**277,211**	**297,011**	**336,214**	**337,903**
Service Costs	(6,682)	(6,761)	(6,942)	(6,782)	(6,959)
Management Costs	(68,006)	(69,162)	(71,558)	(73,047)	(73,971)
Repair and Maintenance Costs	(51,303)	(52,111)	(59,146)	(58,783)	(60,616)
Demo and ER/VR Costs	(840)	(4,951)	(1,269)	(2,262)	(1,005)
Wider Role and Strategic Initiatives	(241)	(246)	(250)	(1,374)	(1,481)
Bad Debt	(4,589)	(4,801)	(5,022)	(5,242)	(5,429)
Depreciation	(84,281)	(87,766)	(88,062)	(92,108)	(98,739)
Operating Expenditure	**(215,942)**	**(225,798)**	**(232,249)**	**(239,598)**	**(248,200)**
Investment Property Valuation Movement	(28,063)	(30,078)	15,955	(31,344)	(39,833)
Operating Surplus	**16,339**	**21,335**	**80,717**	**65,272**	**49,870**
Operating Margin (%)	6%	8%	27%	19%	15%
Finance Costs	(54,332)	(57,731)	(59,926)	(62,879)	(66,554)
Housing Property Valuation Movement	37,228	47,350	(11,241)	6,250	29,506
Total Comprehensive Income	**(765)**	**10,954**	**9,550**	**8,643**	**12,822**

Rental income

Investment in the new build programme and assumed rental increases will generate 21% growth in rental income over the next 5 years ensuring the preservation of appropriate levels of investment in our homes and services to customers while keeping rents affordable.

Other income

Other income relates to income from our service charge offerings to tenants (e.g. heat with rent, home contents insurance, and rental income for our garage lock ups), as well as commercial property income (i.e. our offices and shops, radio mast charges and lease income from Lowther Homes for our MMR properties). Other income is assumed to increase by £4.9m over the first 5 years of the projections, of which £3.9m relates to increased lease income.

Grant income

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

Operating Expenditure

Management costs across the period assume efficiency savings as detailed in section 2.5 of this paper. In real terms, efficiency savings are expected to be achieved in employee costs incurred by WH Glasgow directly and those recharged from Wheatley Solutions.

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

As noted in section 2.7, wider role and strategic initiative spend refers to revenue funding for our wider role activities in the communities that we serve. Funding of £3.6m has been included in the first 5 years of the projections.

Investment Property Valuation Movement

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

Finance Costs

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

Housing Property Valuation Movement

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

Total Comprehensive Income

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

Over the five year period total comprehensive income is £41.2m.

3.2 Statement of Financial Position (including inflation)

Table 16 – Statement of Financial Position

Statement of Financial Position	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Housing Properties	1,700,644	1,783,170	1,867,593	1,932,335	1,968,801
Other Fixed Assets	62,291	62,762	63,870	63,296	59,739
Investment Properties	122,393	126,890	155,798	154,335	142,480
Lowther Investment	12,073	12,073	12,073	12,073	12,073
Total Fixed Assets	**1,897,401**	**1,984,895**	**2,099,334**	**2,162,039**	**2,183,093**
Pension Asset	**2,505**	**2,505**	**2,505**	**2,505**	**2,505**
Current Assets	56,156	64,146	64,134	64,121	64,121
Current Liabilities	(116,938)	(126,704)	(159,308)	(150,215)	(142,480)
Net Current Liabilities	**(60,782)**	**(62,558)**	**(95,174)**	**(86,094)**	**(78,359)**
Long-Term Liabilities	(1,163,926)	(1,238,690)	(1,310,963)	(1,374,105)	(1,390,072)
Net Assets	**675,198**	**686,152**	**695,702**	**704,345**	**717,167**
Retained Earnings	675,198	686,152	695,702	704,345	717,167
Total Reserves	**675,198**	**686,152**	**695,702**	**704,345**	**717,167**

Housing Assets

The plan assumes Housing Property assets to increase £332.5m over five years from 1 April 2024 due to the construction and delivery of new properties and an assumed increase in the value of our existing stock as a result of investment.

Other Fixed Assets

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

Investment Properties

Investment properties include our commercial properties (i.e. shops and offices) and our mid-market rent properties. The plan assumes Investment Property assets to increase £23.7m over five years from 1 April 2024 due to the construction and delivery of new properties and an assumed increase in the value of our existing stock as a result of investment.

Net Current Liabilities

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

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

Long Term Liabilities

Long term liabilities relate to the loan due to Wheatley Funding Limited 1 (WFL1) and the contingent efficiencies grant. Net debt steadily increases before slowing between years 6-17, and then increasing again in year 17 due to the repayment of the £100m contingent efficiencies grant. This pushes net debt to a peak of £1,787.7m in year 27 (2050/51).

Retained Earnings

During the five year period from 1 April 2024, retained earnings are projected to increase by the reported total comprehensive income of £41.2m. The increase to reserves reflect the performance over the five year period, as well as property valuation movements, which offset losses linked to our borrowing costs.

3.3 Statement of Cash Flow

Table 17 - Statement of Cash Flow

Cash Flow	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Net Rental and Other Income	228,514	241,127	254,169	266,733	280,355
Operating Expenditure	(132,256)	(133,830)	(136,560)	(142,848)	(144,631)
Net Cash from Operating Activities	**96,258**	**107,297**	**117,609**	**123,885**	**135,724**
Core & Other Capital Expenditure	(62,476)	(64,590)	(69,740)	(71,580)	(73,860)
New Build Expenditure	(81,129)	(91,951)	(125,956)	(105,217)	(54,388)
Grant Income	49,362	56,051	66,930	54,253	20,306
Loan to Lowther Homes	(3,781)	(8,014)	0	0	0
Net Cash used in Investing Activities	**(98,024)**	**(108,504)**	**(128,766)**	**(122,544)**	**(107,942)**
Finance Costs	(49,528)	(53,216)	(55,855)	(59,672)	(61,973)
Net Movement in Cash	**(51,294)**	**(54,423)**	**(67,012)**	**(58,331)**	**(34,191)**

Net Cash from Operating Activities

The plan assumes cash from operating activities to increase by 41% in five years. Rent increases and the completion and handover of new build properties, creates additional rental and lease income; the positive movement being further assisted by the operating cost per unit decreasing 0.4% over the same period.

Net Cash used in Investing Activities

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

Finance Costs

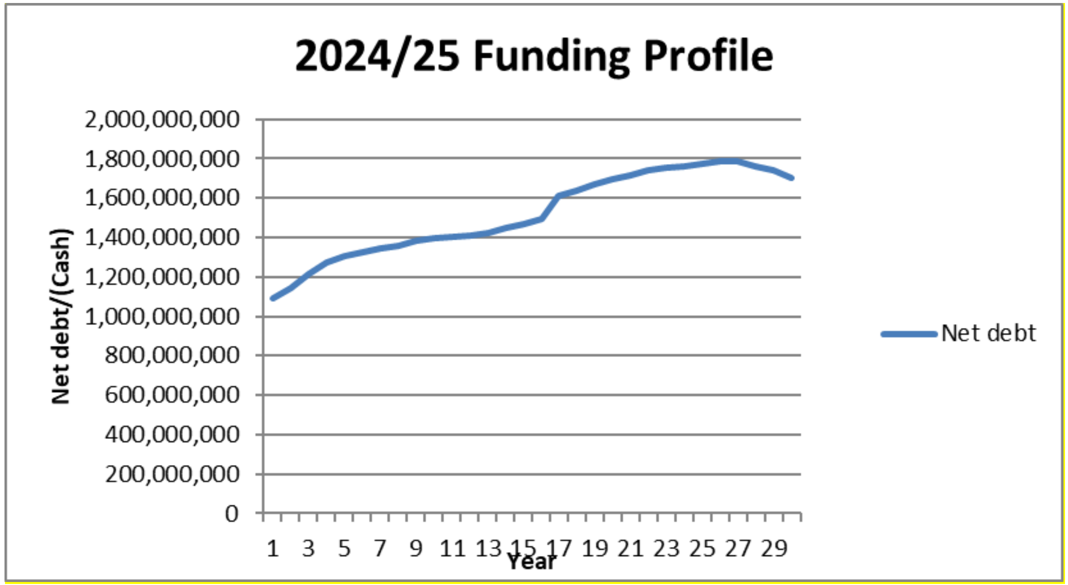
This reflects the interest due on our loan with WFL1. As expenditure is incurred to pay for our new build programme, WH Glasgow will use existing cash resources, followed by drawing down money from Group. The projections assume the new build programme is completed in 2033/34, while core programme expenditure continues. Peak net debt is reached in year 27 of the plan. Beyond peak net debt year, as no further debt is expected to be drawn, debt levels gradually decrease. Annual finance costs are therefore strongly linked to any increase or decrease in debt.

Net Movement in Cash

In the first five years of the plan we anticipate a £265.3m net cash outflow. This is due to significant investment in our existing properties, and the new build programme, in line with our strategic objectives.

4. Funding and Debt Profile

The resulting debt profile for WH Glasgow is as follows:



5. Key Parameters

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

5.2 Operating margin generation

In the long term, underlying operating surplus (excluding grant income and property valuation movements) needs to be sufficient to service debt, i.e. meet interest and capital payments on debt balances and achieve overall financial surplus every year. The business plan assumes that WH Glasgow will generate the following operating margins over the next 5 years:

Adjusted Operating Margin	**Year 1 2024/25**	**Year 2 2025/26**	**Year 3 2026/27**	**Year 4 2027/28**	**Year 5 2028/29**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Income (excluding grant income and property valuation movement)	233,643	245,302	258,579	271,362	285,184
Adjusted Operating Surplus	17,701	19,504	26,330	31,764	36,984
Operating Margin	**7.58%**	**7.95%**	**10.18%**	**11.71%**	**12.97%**

The adjusted operating margin, which excludes grant income and valuation movements, is the measure used to test covenant compliance. It is lower than the operating margin reported in the Statement of Comprehensive income at 3.1, illustrating the significant impact that the recognition of grant income on completion of new build has on the results. The margin increases over the five years due to additional rental income generated from completed new build units, as well as efficiency savings.

5.3 Cash flow strength

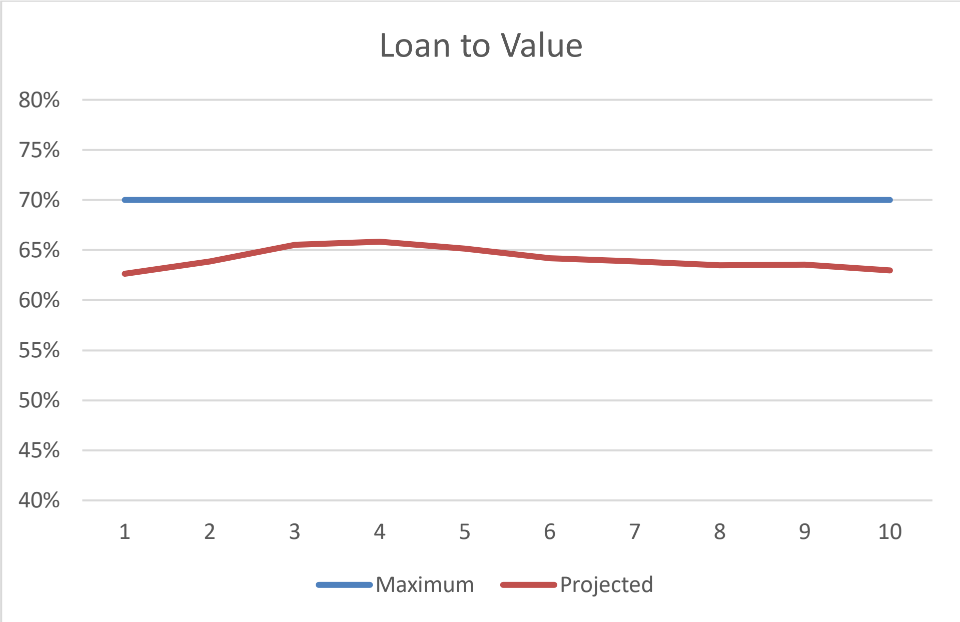
Cash flows need to be sufficient to demonstrate that there is enough cash available to service intra-group debt each year and to repay funding within 30 years**. Revenue surplus** removes items that are non-cash and/or unrelated to underlying operations, such as grant income and property valuation movements,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

Revenue Surplus	**Year 1 2024/25**	**Year 2 2025/26**	**Year 3 2026/27**	**Year 4 2027/28**	**Year 5 2028/29**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Revenue Surplus less Capital Investment	50,577	53,484	54,512	60,372	68,153
Interest Expense	50,897	52,154	53,988	57,721	62,409
Interest Cover	0.99	1.03	1.01	1.05	1.09

The ratio gradually increases over the five-year period as new build developments are completed. As units are completed, more rental income is generated which, along with efficiency savings, offsets the higher interest costs. In year 3 there is a reduction in interest cover due to a return to the higher rate of employers pension contributions after the benefit of the reduced rate in 2024/25 and 2025/26.

5.4 Asset cover

One of the metrics which governs overall borrowing limits is the value of the owned asset base. The WH Glasgow investment and development programme is supported by intra-group borrowing from WFL1 which operates on a Group wide borrowing and asset security basis. It is however important that each subsidiary within the group have sufficient asset cover to support their debt requirement. The measure used to assess this is loan to value, defined as net debt as a percentage of the value of housing and investment properties (excluding housing under construction). The graph below shows the projected loan to value for WH Glasgow over the first 10 years.



Although loan to value increases from [redacted] in years 2026/27 and 2027/28, it remains below our 70% golden rule maximum level. This demonstrates that WH Glasgow will have sufficient asset cover to support loans.

6. Risk analysis

We have performed sensitivity analysis showing the potential impact on the plan of key risk factors. As well as general risks relating to inflation and the cost base.

No.	Risk Description	Revenue Surplus less Capital Investment - Interest Cover					Debt		Mitigation
		Yr1	Yr2	Yr3	Yr4	Yr5	Peak debt £m Yrs 1-10	Max Loan to Value Yrs 1-10	
Base Case		0.99	1.03	1.01	1.05	1.09	**£1,394.4**	**66%**	
Risks									
1	Cost inflation remains at 5% in year 2	0.99	0.93	0.92	0.95	1.00	£1,456.9	67%	Seek operational efficiencies and review service and repairs levels to offset the impact of inflation on costs.
2	Rent increase reduced to inflation in years 2-3	0.99	0.92	0.83	0.86	0.91	£1,503.1	68%	Rent setting policy review, operational efficiencies and review service and repair levels.
3	Bad debts increased by 1% in years 1-5	0.89	0.91	0.89	0.93	0.98	£1,412.7	66%	Review of rent setting policy, operational efficiencies and service and repair levels to mitigate the financial impact of the additional bad debt costs.
4	Employee costs planned savings not achieved	1.01	1.10	0.99	1.04	1.06	£1,401.6	66%	Review of procurement, contract negotiation and operational efficiencies as well as service and repairs levels to offset the impact of the additional staff costs.
5	Repair and maintenance costs are 10% higher from years 1-5	0.89	0.90	0.88	0.92	0.97	£1,435.3	67%	Seek operation efficiencies and review service and repairs levels to mitigate the financial impact of the additional repair costs.

No.	Risk Description	Revenue Surplus less Capital Investment - Interest Cover					Debt		Mitigation
		Yr1	Yr2	Yr3	Yr4	Yr5	Peak debt £m Yrs 1-10	Max Loan to Value Yrs 1-10	
Base Case		0.99	1.03	1.01	1.05	1.09	**£1,394.4**	**66%**	
6	Additional investment spend of £12m over the first two years	0.87	0.88	0.99	1.02	1.08	£1,413.9	67%	In mitigation any non-essential works would be delayed in order to accommodate investment priorities, and cost efficiencies would be sought within the operational cost base and new build programme.
7	2 new build schemes are delayed by 6 months	0.99	1.01	1.00	1.03	1.09	£1,395.0	66%	The development team would endeavour to reduce the impact of this through contract negotiation and planning forward for known issues.
8	New build contractor goes into administration with costs increasing by 15% and completion delayed at 3 sites	0.99	1.01	1.00	1.03	1.09	£1,407.4	66%	In mitigation we would expect that this would be picked up by our monthly monitoring of contract exposure, allowing time for resolution before the contractor fell into administration. We would seek to absorb any impact from this within the investment programme funding allocation, and by reducing non-essential work within the capital investment programme.
9	In years 2 inflation stays at 5% and rent increases unchanged, Bad debts increased by 1% in years 1-5 and repair and maintenance costs are 10% higher in year 1-5	0.99	1.00	0.99	1.02	1.08	£1,407.0	66%	In mitigation cost efficiencies would be sought elsewhere in the event of reduced income and increased costs.

No.	Risk Description	Revenue Surplus less Capital Investment - Interest Cover					Debt		Mitigation
		Yr1	Yr2	Yr3	Yr4	Yr5	Peak debt £m Yrs 1-10	Max Loan to Value Yrs 1-10	
Base Case		0.99	1.03	1.01	1.05	1.09	**£1,394.4**	**66%**	
10	Grant funding is not received for approx. 50% of uncommitted new build developments planned in years 1-3 and these sites do not go ahead	0.99	1.00	0.99	1.04	1.08	£1,331.3	64%	We will continue to work with GCC and Scottish Government to maximise development funding and opportunities. In mitigation of the lost rental income, cost efficiencies would be sought.
11	The blended interest rate on borrowing increases to between 5.15% and 5.10% in years 1-5	0.94	0.97	0.97	1.01	1.06	£1,407.3	66%	In mitigation cost efficiencies would be sought elsewhere in the event of reduced income and increased costs.

Loretto Housing

Better homes, better lives
www.lorettoha.co.uk

Loretto Housing Financial Projections
2024/25

Wheatley Group

Classified as Internal

1. Headlines

In 2023/24 we completed the implementation of the final phase of our operating model with the creation of specialist teams within our frontline services supported by the My Repairs teams and the Customer First Centre. The My Repairs team has been in place since January 2023 and extends our collaborative working with City Building Glasgow with dedicated teams in place who are able to drive improvements in the handing of more complex repairs. Our Centres of Excellence are now operational across all our communities along with conveniently located touchdown points for staff and customers.

In wider economic terms, inflation remains high and this continues to have a significant impact on the business and our customers. In the shorter term the economic outlook in the UK remains uncertain with inflation proving to be more resistant to interest rate increases than expected, with a strong labour market and higher wage settlements, both helping to maintain higher prices. While the current CPI rate is 4.0%, the reduction has been slow from a peak of 11.1% in 2022, and according to most recent market expectations, the unwinding of inflation to the long-term Bank of England target of 2% is now not likely to be achieved until the first half of 2025. Our business has been particularly affected by increases in the cost of fuel, utilities, insurance and repairs and maintenance costs. Inflation on repairs and maintenance costs remains at a higher level than general CPI, and our insurance costs have increased by more than 30% in the last year with fuel and utilities costs stabilising to some extent. Interest rates have been subject to 14 consecutive increases with rates currently at 5.25%. Forecasts are that rates will remain at 5.25% before falling in the second half of 2024. A large proportion of our existing funding is at fixed rates which limits our interest rate exposure.

Keeping rents affordable remains a key strategic aim and we need to strike an appropriate balance between affordability for our tenants during this continued period of pressure on household budgets. However, we must also ensure the ongoing financial viability of our operations, while preserving appropriate levels of current and future investment in our homes. Following the low rent increase in 2023 which helped customers with the initial shock of cost of living crisis and the effect of high levels of inflation on our operating costs, most notably repairs, we now need to rebuild financial capacity to ensure we have an appropriate level of funding available to maintain the quality of our homes and meet our legislative obligations.

We recognise that economic factors are continuing to put pressure on household incomes, and we have retained a prudent provision in our rent arrears assumptions and have also assumed that all working age tenants on benefits will have moved to Universal Credit by end of 2024/25.

As part of focus on tackling poverty and the cost-of-living challenges facing our customers, funding has been set aside in the Wheatley Foundation to support customers. This includes Welfare Benefits and Fuel Advice, Home Comforts (our furniture upcycling service) and a provision in 2024/25 for the Helping Hand Fund. This fund helps our customers who are facing financial hardship manage their rent accounts.

A total of 5,196 new build homes are assumed to be completed by the RSL Borrower Group over the next 5 years with 78% of these for social rent, and we will complete over 8,700 over the next 10 years.

Loretto has plans to deliver almost 600 homes in the next 5 years and over the next 10 years, 853 properties will be developed in Loretto. In addition we will deliver the renovation of 18 existing units into 19 homes.

We forecast to complete 24 new build properties in 2023/24 at Maddiston and projected to invest £1.7m in existing homes this year.

The updated financial projections for 2024/25 and beyond include:

- Provision to deliver 597 additional new build homes for social rent in the first 5 years of the plan and the renovation of 18 existing units into 19 homes.
- £16.7m of investment in our existing housing stock in the first 5 years of the projections, including a provision of £1.1m for our customer directed investment funds, Customer Voice and Think Yes for Investment.
- Provision of £1.5m for investment in our digital transformation and centres of excellence strategies.
- £0.5m of funding for Initiatives, including the Wheatley Foundation, across the first 5 years of the plan.
- Efficiency savings in our management costs, in real terms, delivered through the achievement of operational efficiencies. This will result in an improving operating surplus in the first 5 years of the projections and contributes towards interest cover moving to a ratio of 1.02 at year 1 to 1.18 at year 5.

During the development period, our financial forecasts are driven by the profile and relative size of our development programme and the value of grant income and valuation adjustments on completion of new build properties. The forecast bottom line total comprehensive income, net assets, cashflow and ratios reflect the higher level of borrowing to support our new build programme. Loretto’s peak net debt of £158.4m is forecast to be reached in 2033/24 (year 10).

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

2. Key assumptions

The key financial assumptions in the 2024/25 Business Plan are highlighted below. All figures include VAT, where applicable, but not inflation (unless stated otherwise).

2.1 Stock

a) Opening stock numbers

Opening stock numbers in the plan reflect the actual stock reported in the statutory accounts as at 31 March 2023, updated for developments completed in 2023/24. The stock number includes 48 units which are managed by Loretto HA on behalf of other providers.

Table 1 – Split of stock by type

Unit Type	Units 31.3.2023	Forecast to complete 2023/24	Units 31.3.2024
General Needs and Supported	2,720	24	2,744
Shared Ownership	17	0	17
Total (Social)	**2,737**	**24**	**2,761**
Mid-Market Rent	17	0	17
Total	**2,754**	**24**	**2,778**

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

b) Units completed

In the previous five years, including the 2023/24 forecast completions, Loretto has completed 315 new build units. Table 2 outlines Loretto's developments in the previous five years.

Table 2 – Units completed

Year	Developments	Units
2019/20	Muiryhall, Buckley St	56
2020/21	No developments completed	-
2021/22	Cobblebrae, Dargavel	30
2022/23	Dargavel, Hallrule, Queens Quay, Sawmill Field, Vellore Road	205
2023/24	Maddiston	24
At 31.03.2024		**315**

c) Projected new build completions and closing stock numbers

The 2024/25 projections assume a provision to deliver 598 additional new build homes for social rent in the first 5 years of the plan which includes the renovation of 18 existing units into 19 homes. This will provide significant organic growth, increasing stock numbers to 3,375 and growth of over 20%.

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

Table 3 below shows the planned profile of social housing stock over the period of the projections. Note that the sites included in the development plan are exclusively for social rent.

Table 3 – Housing Stock Numbers (social rent only)

	2024/25	2025/26	2026/27	2027/28	2028/29
Opening Stock	2,761	2,809	2,936	3,033	3,120
New Build and renovation	48	127	97	87	239
Closing Stock	**2,809**	**2,936**	**3,033**	**3,120**	**3,359**

2.2 Income

a) Rent and Service Charge Income

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

The plan assumes an average weekly rent based on the current average rent and, subject to Board approval, a 7.5% rent increase in April 2024. Note, the Cube transfer agreement undertook to hold rent increased at 1.0% for 3 years, with 2023/24 being the final year. In addition to rental income, Loretto receives income from service charges. Based on current charges, forecast income is £1,374k per annum (net of amounts transferred to Wheatley Care), with supported accommodation which includes service charges being significantly higher than general needs. Table 4 shows the rent and service charge growth assumptions over the next five years.

Table 4 – [redacted]

b) Other Income

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

Income Type	Service Description
MMR Lease Income	Lease income from Lowther Homes for the development at Barclay Street is £89k per annum.

2.3 Cost Inflation Assumptions

Inflation has proved to be more resistant to interest rate increases than expected, with a strong labour market and higher wage settlements helping to maintain higher prices. While the current CPI rate is 4.0% it has taken longer to reduce from its peak of 11.1% in October 2022. According to most recent market expectations, the unwinding of inflation to the long-term Bank of England's target of 2% is now not likely to be achieved until the first half of 2025. Increases in the cost of fuel, utilities, insurance and repairs and maintenance costs have had notable impact on our cost base. Fuel and utilities costs have stabilised to some extent; however, insurance and repairs and maintenance costs are still subject to notable price increases.

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

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

Table 5 – [redacted]

2.4 Operating performance

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

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

Performance Assumptions	Current year	2024/25	2025/26	2026/27	2027/28	2028/29
Routine voids (%)*	2.2	3.6	3.0	2.9	2.8	2.7
Bad debts (%) – General Needs	3.0	3.0	3.0	3.0	3.0	3.0
Bad debts (%) – Supported	2.0	2.0	2.0	2.0	2.0	2.0
Arrears (£'000) – net of bad debt provision	270	314	314	314	314	314

*Blended rate for general and supported

Voids for each category of rental income remains at a constant % of rental income although the blended rate notes an overall reduction due to the additional new builds in general needs increasing the level of rental income which attracts a lower void rate. The combined current year void performance to December 2023 is 1.85%. The assumptions in the business plan are therefore prudent compared to historical rates. Bad debts remain at a constant % of rental income.

The business plan assumptions on the movement in arrears continue to recognise the economic challenges facing our customers, together with our experience to date with Universal Credit. The 2024/25 business plan prudently assumes that all working age tenants on benefits move to UC by end of 2024/25, which is reflected in the increase in arrears from the current year to 2024/25, linked to the 5 week initial waiting period.

2.5 Management costs

Loretto's employee cost assumptions reflect the direct staff structure. Additionally, Loretto pays an appropriate share of the salaries of the Compliance and Investment, New Build, Environmental Service (NETs) and Wheatley 360 staff teams.

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

The plan assumes recharges from Group, which includes employee and running costs for central services such as the MyRepairs team, Customer First Centre, Employee Relations, IT, Finance and the Transactional Hub, to reduce by 2.16% over the five year period. This reflects the strengthening of our specialist teams and the efficiency savings resulting from continued investment in back office services, particularly through the use of technology and improved working practices. Table 7 sets out the overall management costs that are assumed in the plan.

Table 7 – Management cost assumptions (excluding inflation)

Management Costs	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Employee costs	1,239	1,332	1,227	1,235	1,235
Running costs	960	993	1,057	1,081	1,127
Recharges from Group	1,388	1,381	1,394	1,379	1,358
Total	**3,587**	**3,706**	**3,678**	**3,695**	**3,720**
Average Cost per Unit £	1,288	1,290	1,232	1,201	1,148

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

2.6 Asset management and growth

a) Repair Costs

Repair costs remain a central part of our projections with our customer satisfaction surveys consistently showing a direct link between the repairs service tenants receive and their satisfaction levels. The provision for repairs recognises the continued increase in demand that we have experienced in 2023/24 and growth from the additional stock, whilst also assuming a continuation of our close collaboration with City Building Glasgow. This results in repairs and maintenance increasing from £2,737k, excluding inflation, from the 2023/24 budget (stated in 24/25 prices) to the projection for 2024/25. Table 8 summarises the revenue repairs and maintenance assumptions.

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

Repairs	2024/25	2025/26	2026/27	2027/28	2028/29
Responsive Repairs £000	2,040	2,073	2,130	2,167	2,215
Planned Maintenance £000	1,647	1,690	1,728	1,753	1,785
Total	**3,687**	**3,763**	**3,858**	**3,920**	**4,000**

A significant proportion of the planned maintenance budget is to enable us to comply with legislative requirements as a landlord (e.g. gas servicing, electrical inspections, emergency lighting, window safety catches, TMVs, HIU inspections).

b) Capital Investment

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

Investment in existing stock in 2023/24 is forecast to be £1.7m. Over the next five years this investment will continue with a further £18.7m, stated before inflation, or £19.6m including inflation, of planned investment in existing stock. On average, this provides an annual uplift of £1.9m (before inflation) investment in existing stock from 2023/24. This increase in our core programme investment over the five year plan is possible due to operational efficiencies in management costs, and access to borrowing via the Group as well as generating operational cashflows from rental income.

Table 9 summarises the capital investment programme for the next five years. Within the core programme, £1.1m (£1.2m including inflation) has been allocated to both "Customer Voice" and "Think Yes for Investment"- spending decisions made in consultation with, and led by our customers, to address local priorities. This equates to 8.5% of the core programme budget.

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

Table 9 – Capital investment programme (excluding inflation)

Capital Investment	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Core Programme	2,394	3,020	1,981	2,407	3,188	12,990
Void Repairs	336	336	337	337	337	1,683
Capitalised Repairs	287	287	287	287	287	1,435
Medical Adaptations	117	117	117	117	117	585
Sub-total	**3,134**	**3,760**	**2,722**	**3,148**	**3,929**	**16,693**
Capitalised Staff	362	361	388	392	392	1,895
Office Conversion	80	0	0	0	0	80
Total	**3,576**	**4,121**	**3,110**	**3,540**	**4,321**	**18,668**
Total (including inflation)	**3,576**	**4,223**	**3,264**	**3,807**	**4,758**	**19,628**

c) New Build Programme

The new build programme is set out in Section 1.1 to deliver 598 additional new homes for social rent in the first 5 years of the plan. Table 10 outlines the investment in new build homes over the next five years.

Table 10 – New build funding profile (including inflation)

New Build Programme	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Development Costs	19,591	22,234	27,764	37,435	21,097	128,121
Grant Income (cash received)	14,816	13,268	17,871	21,158	9,963	77,076
Net Development Cost	**4,775**	**8,966**	**9,893**	**16,277**	**11,134**	**51,045**
Renovation of Duke Street	3,813	511	-	-	-	4,324
Development fund	100	-	-	-	-	100
Capitalised Employee Costs	634	649	685	702	716	3,386
Capitalised Interest	114	221	212	422	684	1,653
Net Cost	**9,436**	**10,347**	**10,790**	**17,401**	**12,534**	**60,508**
Completions	48	127	97	87	239	598

A provision of £100k has been included for a development fund. This can go towards projects of particular strategic importance to help where there is a small funding gap. It has not be assigned to any particular project at the present time and if unused will be rolled.

2.7 Initiatives and Other Provisions

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

The main one is our contribution to the Wheatley Foundation of £0.5m over the next 5 years. The Wheatley Foundation is a charitable trust established with the aim of delivering community benefits. The majority of the Foundation's income is received from the other subsidiaries within the Group in the form of donations from the RSLs and through gift aid contributions from Lowther Homes. Over the five year financial projections 80% of forecast income in the Foundation is from Group entities. The income recognised in the Foundation will be used to fund several projects and initiatives that will benefit customers and communities across the Group. These initiatives include projects such as the Helping Hand Fund, Wheatley Works, educational bursaries, Home Comforts service as well as the provision of Welfare Benefit Advisers. These projects are considered an investment in creating strong and sustainable communities and providing better opportunities for our tenants. It is anticipated that this will contribute to the sustainability of the income stream for Loretto over the long term.

Loretto's contribution to these initiatives over the next five years is summarised in the below table. The projections assume funding for the share of Group initiatives in 2024/25, 2025/26 and 2026/27 donations is met through use of Foundation cash reserves.

Table 11 – Initiatives (excluding inflation)

Other Group Recharges	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Share of Group Initiatives	5	2	24	248	255

b) IT Capital Investment

In total, across the Group the financial projections provide for a 5 year IT capital investment programme of £38.5m. This investment is in recognition of the key role technology has in supporting the delivery of the key strategic aims in the Group's 2021-26 strategy. Alongside the digital aspirations for Group services to customers and staff, the funding also provides for a safe, secure and reliable technology service. Loretto makes a capital contribution towards the overall Group IT capital costs. The table below details Loretto's contribution over the next 5 years.

Table 12 – IT Capital Contribution (excluding inflation)

IT Capital Programme	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000
IT Capital Contribution	307	333	316	291	253	1,500

The 5 year IT Capital Investment programme is aligned to 6workstreams, delivering key business strategy outcomes and ongoing investment across staff and customer digital services and platforms.

The workstreams are:

- Digital Workplace, workflows and Automation
- Customer Digital and Self Service
- Housing and Care
- Digital Repairs
- Core Architecture and CyberSecurity
- Data, AI and Innovation

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

- **Digital Workplace, Workflows and Automation** – an ongoing programme of technology and facility upgrades and improvements in support of Group office and hybrid working. Improvements to complex back-office processes and workflows through exploring RPA (robotic process automation) and data integration and automation services.

- **Customer Digital and Self Service** – Ongoing service improvements and alignment of our online service portfolio with end to end customer journey maps and customer outcomes. Review and replacement of our current customer self-service platforms for tenants and owners; a programme of CFC improvements provided by the implementation of STORM call centre multi-channel platform. Ongoing customer and community engagement and feedback service improvements aligned with Stronger Voices and wider customer engagement programmes.

- **Housing and Care** – Supporting the vision for future housing operating models and delivery approaches, through ongoing investment in staff mobile applications and services (e.g. devices, software, improved access to data and information), housing platform upgrades and process improvements. Key projects include improvements to Group Housing Management System; ongoing development and improvements to platforms and services supporting Anti-Social Behaviour, Tenancy Support Services, Welfare Benefits and Environmental service delivery.

- **Digital Repairs** – Following consolidation of platforms and service delivery models across Wheatley Homes East and Wheatley Homes South, an ongoing programme of delivery aligning City Building service delivery models and systems to improved Repairs approaches across platforms, reporting, customer communications and CFC support. Evolution of Group Book-it, Track-it, Rate-it services and improvements to Trade and Inspector field and mobile working through improved devices, system and data access across core delivery, compliance and asset management.

- **[redacted]**

- **Data, AI and Innovation** – A programme of projects ensuring delivery of Group Data Strategy and wider delivery roadmap including improved analytics, data warehousing and Group-wide platform reporting improvements, including City Building repairs and compliance analytics. Establishing a Group AI strategy, governance and delivery roadmap across staff, manager and platform.

2.8 Operating Cost per Unit

As a result of the assumed efficiencies in management costs, our operating costs per unit, excluding depreciation and finance costs, decrease over the five year period, with a marginal increase noted in year 4 to reflect support to Wheatley Foundation and are set out in Table 13 below.

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

Operating Costs	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Operating Costs	8,178	8,329	8,380	8,687	8,801
Average No. of Units in year	2,785	2,873	2,985	3,077	3,240
Operating Cost per Unit (£)	**2,936**	**2,899**	**2,808**	**2,824**	**2,717**

This represents a 7.46% decrease in the operating cost per unit over the five year period, which includes the efficiency savings gained through the service transformation and investment in technology.

2.9 Interest Rate assumptions

The new build programme planned requires debt finance to be drawn down over time. In line with the wider Group funding strategy, borrowing is advanced from Wheatley Funding No 1 Limited ("WFL1") at an assumed blended average funding rate. The blended funding rate reflects a combination of existing bank, bond, and private placement funding and prudent assumptions on the cost of future funding, taking into account the proportion of funding at fixed and variable rates, and any monitoring or commitment fees payable by WFL1 to external funders. This is consistent across all Group subsidiaries.

Table 14 – [redacted]

3. Financial projections – next 5 years

a) Statement of Comprehensive Income

Table 15 – Statement of Comprehensive Income

Statement of Comprehensive Income	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Net Rental Income	15,700	16,903	18,503	19,827	21,285
Other Income (including MMR lease income)	89	91	92	94	96
Grant Income	5,883	15,621	11,230	10,253	28,607
	21,672	**32,615**	**29,825**	**30,174**	**49,988**
Service Costs	(388)	(397)	(407)	(417)	(428)
Management Costs	(3,676)	(3,843)	(3,877)	(4,205)	(4,327)
Repair and Maintenance Costs	(3,676)	(3,848)	(4,044)	(4,211)	(4,404)
Bad Debt	(436)	(457)	(483)	(506)	(528)
Depreciation	(7,156)	(7,758)	(8,620)	(9,212)	(9,941)
Operating Expenditure	**(15,332)**	**(16,303)**	**(17,431)**	**(18,551)**	**(19,628)**
Investment Property Valuation Movement	13	13	13	13	14
Operating Surplus	**6,353**	**16,325**	**12,407**	**11,636**	**30,374**
Operating Margin (%)	29%	50%	42%	39%	61%
Finance Costs	(4,157)	(4,625)	(5,122)	(5,522)	(6,031)
Housing Property Valuation Movement	175	(13,550)	(4,766)	(3,509)	(24,054)
Gain on Sale Properties	238	0	0	0	0
Total Comprehensive Income	**2,609**	**(1,850)**	**2,519**	**2,605**	**289**

Rental income
Investment in the new build programme and assumed rental increases will generate 36% growth in rental income over the next 5 years ensuring the preservation of appropriate levels of investment in our homes and services to customers while keeping rents affordable.

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

Expenditure
The planned asset growth, improved working practices and closer collaboration with our service providers over the next 5 years will result in efficiency savings that achieve a 7.5% reduction in operating cost per unit.

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

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

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

Gain On Sale
The business plan assumes the disposal of one social rent property with a conservative sales value.

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

Over the five year period total comprehensive income is £6.2m.

b) Statement of Financial Position

Table 16 – Statement of Financial Position

Statement of Financial Position	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Housing & Investment Properties	177,286	183,234	201,826	231,552	224,485
Other Fixed Assets	1,599	2,527	2,804	3,027	3,623
Total Fixed Assets	**178,885**	**185,761**	**204,630**	**234,579**	**228,108**
Current Assets	2,837	2,837	2,837	2,837	2,837
Current Liabilities	(21,791)	(17,935)	(18,366)	(37,017)	(14,146)
Net Current Liabilities	**(18,954)**	**(15,098)**	**(15,529)**	**(34,180)**	**(11,309)**
Long-Term Liabilities	(94,079)	(106,661)	(122,580)	(131,273)	(147,384)
Net Assets	**65,852**	**64,002**	**66,521**	**69,126**	**69,415**
Retained Earnings	65,852	64,002	66,521	69,126	69,415
Total Reserves	**65,852**	**64,002**	**66,521**	**69,126**	**69,415**

Housing Assets
The plan assumes Housing & Investment Property assets to increase £67.9m over five years from 1 April 2024 due to the construction of 598 additional new properties and an assumed increase in the value of our existing stock as a result of investment.

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

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

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

Long-Term Liabilities
Long-term liabilities relate to the loan due from Loretto HA to Wheatley Funding Limited 1 (“WFL1”), pension liability and long term other deferred income. The net balance due to WFL1, after deduction of cash balances, increases from £82.4m at March 2024 to £138.9m at March 2029, funding new build development. Peak net debt of £158.4m occurs in year 10 (2033/34).

Retained Earnings
During the five year period from 1 April 2024, retained earnings are projected to increase by the reported total comprehensive income of £6.2m. The increase to reserves reflect the performance over the five year period, as well as property valuation movements, which offset losses linked to our borrowing costs.

c) Statement of Cash Flow

Table 17 - Statement of Cash Flow

Cash Flow	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Net Rental Income	15,426	16,656	18,235	19,541	20,982
Operating Expenditure	(7,741)	(8,089)	(8,327)	(8,833)	(9,159)
Net Cash from Operating Activities	**7,685**	**8,567**	**9,908**	**10,708**	**11,823**
Core & Other Capital Expenditure	(3,883)	(4,556)	(3,580)	(4,099)	(5,014)
New Build Expenditure	(24,138)	(23,394)	(28,449)	(38,136)	(21,813)
Grant Income	14,816	13,268	17,871	21,158	9,963
Proceeds from sale of properties	500	-	-	-	-
Net Cash used in Investing Activities	**(12,705)**	**(14,682)**	**(14,158)**	**(21,077)**	**(16,864)**
Finance Costs	(4,035)	(4,594)	(5,062)	(5,641)	(6,396)
Net Movement in Cash	**(9,055)**	**(10,709)**	**(9,312)**	**(16,010)**	**(11,437)**

<u>Net Cash from Operating Activities</u>
The plan assumes cash from operating activities to increase by 54% in five years. Rent increases and the completion and handover of new build properties, creates additional rental and lease income; the positive movement being further assisted by the operating cost per unit decreasing 7.5% over the same period.

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

Finance Costs

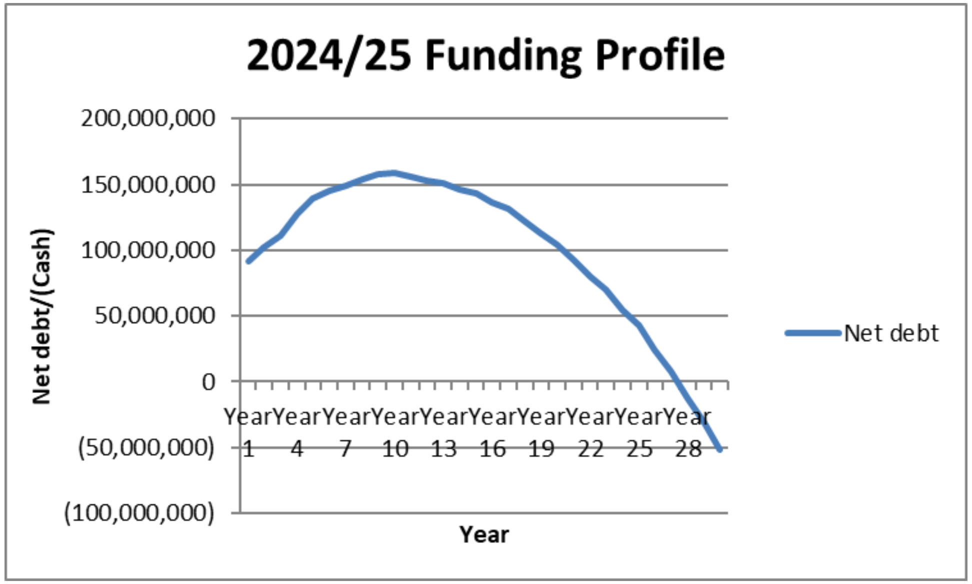
This reflects the interest due on our loan with WFL1. As expenditure is incurred to pay for our new build programme, Loretto will use existing cash resources, followed by drawing down money from Group. The projections assume the new build programme is completed in 2033/34, while core programme expenditure continues. Peak net debt is reached in 2033/34, which is year 10 of the plan. Beyond peak net debt year, as no further debt is expected to be drawn, debt levels gradually decrease. Annual finance costs are therefore strongly linked to any increase or decrease in debt.

Net Movement in Cash

In the first five years of the plan we anticipate a £56.5m net cash outflow. This is due to significant investment in our existing properties, and the new build programme, in line with our strategic objectives.

4. Funding and debt profile

4.1 The resulting debt profile for Loretto is as follows:



Debt indicator	Value
Peak net debt	£158.4m
Peak net debt year	10
Debt repayment year	28
Cash at Year 30	£52.1m

5. Key Parameters

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

5.2 Operating margin generation
In the long term, underlying operating surplus (excluding grant income and property valuation movements) needs to be sufficient to service debt, i.e. meet interest and capital payments on debt balances and achieve overall financial surplus every year. The business plan assumes that Loretto will generate the following operating margins over the next 5 years:

£’000	2024/25	2025/26	2026/27	2027/28	2028/29
Income (excluding grant income and property valuation movement)	15,906	17,114	18,718	20,047	21,510
Adjusted Operating Surplus/(Deficit)	574	811	1,287	1,496	1,882
Adjusted Operating Margin (%)	**3.61%**	**4.74%**	**6.87%**	**7.46%**	**8.75%**

The adjusted operating margin, which excludes grant income and valuation movements, is the measure used to test covenant compliance. It is lower than the operating margin reported in the Statement of Comprehensive income at 4.1, illustrating the significant impact that the recognition of grant income on completion of new build has on the results. The adjusted operating margin in 2024/25 of 3.61% increases to 8.75% over the five years due to additional rental income generated from completed new build units, as well as efficiency savings.

5.3 Cash flow strength
Cash flows need to be sufficient to demonstrate that there is enough cash available to service intra-group debt each year and to repay funding within 30 years.

Revenue surplus removes items that are non-cash and/or unrelated to underlying operations, such as grant income, depreciation and property valuation movements, to assess the funds available to meet interest payments and pay for all costs related to current stock. A ratio > 1 means that there is sufficient capacity to meet interest payments as they fall due. As the debt principal must also be repaid, long term, the interest cover ratio needs to be comfortably over 1 to demonstrate sufficient capacity to repay capital.

£’000	2024/25	2025/26	2026/27	2027/28	2028/29
Revenue surplus less Capital Investment	4,354	5,252	7,027	7,304	7,898
Interest Expense	4,276	4,854	5,344	5,954	6,725
Interest Cover	**1.02**	**1.08**	**1.32**	**1.23**	**1.18**

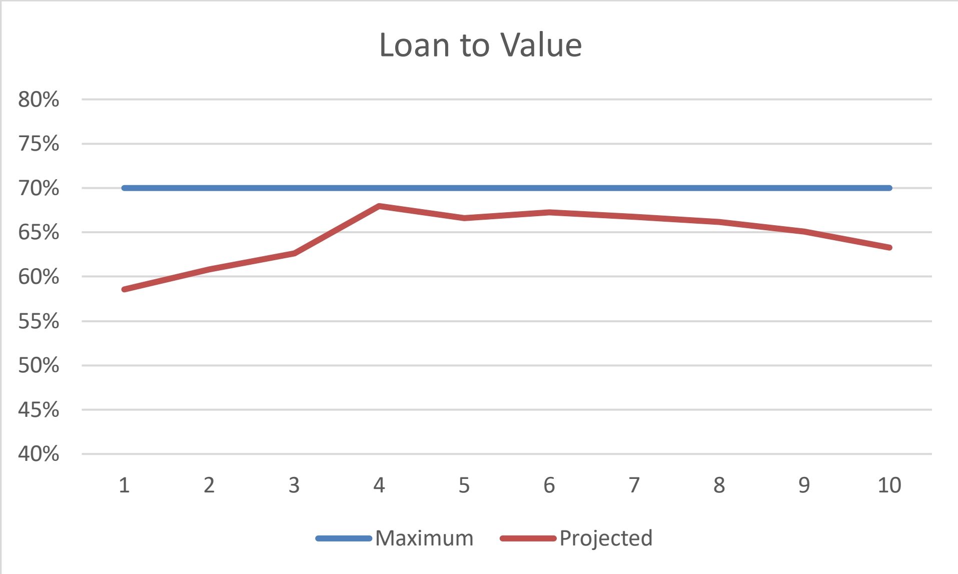
The ratio is > 1 every year and fluctuates between 1.02 and 1.32, linked to higher capital investment in the years where the ratio is lowest. As new build units are completed, and handed over, more rental income is generated which along with efficiency savings more than offsets the higher interest costs.

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

The long-term financial projections show that debt can be repaid in year 28 of the plan with £52.1m of cash generated in year 30.

5.4 Asset cover

One of the metrics which governs overall borrowing limits is the value of the owned asset base. The Loretto investment and development programme is supported by intra-group borrowing from WFL1 which operates on a Group wide borrowing and asset security basis. Assets are typically based on the cash flows associated with these assets, business decisions, e.g. in relation to rent growth, will have an impact on asset values. The loan to value profile for Loretto is as follows:



Although loan to value increases from [redacted] in 2027/28, it remains below our 70% golden rule maximum level. This demonstrates that Loretto will have sufficient asset cover to support loans, noting that 2033/34 is the final year of the current development programme and is the peak net debt year, with debt decreasing thereafter.

6. Risk analysis

We have performed sensitivity analysis showing the potential impact on the plan of key risk factors. As well as general risks relating to inflation and the cost base.

No.	Risk description	Revenue surplus less Capital Investment - Interest Cover					Debt			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £m	Debt repaid	Cash (Year 30)	
Base Case		**1.02**	**1.08**	**1.32**	**1.23**	**1.18**	**158.4m**	**28**	**52.1m**	
1	Cost inflation remains at 5% in year 2	1.02	1.03	1.26	1.17	1.12	164.0m	29	23.1m	As expected this has a negative impact on the Business Plan, in year 2 and beyond, as the compound effect of higher than assumed inflation results in worsening performance and cash flows. The year of debt repayment is delayed by a year and cash at year 30 decreases by £29m.
2	Rent increase reduced to inflation in years 2-3	1.02	1.02	1.18	1.09	1.04	167.2m	31	Net debt 15.5m	Interest cover reduces, though still exceeds 1 in all years. The compound effect of these lower rent increases delays debt repayment period by three years to beyond year 30 and decreases cash at year 30 by £67.6m. In mitigation operational costs, investment and new build would be reviewed in order to reduce the overall cost and cash requirement to within a manageable level.
3	Bad debts increased by 1% in years 1-5	0.98	1.05	1.28	1.19	1.14	159.7m	28	48.6m	Interest cover deteriorates slightly, and falls below 1 in year 1 and exceeds 1 in years 2-5. The increase to bad debt causes debt repayment to be delayed by one year and cash at year 30 decreases by £3.5m. The monthly reporting process would identify any trend towards a deterioration of the bad debt position, allowing for time to understand the reasons and work towards resolution.

No.	Risk description	Revenue surplus less Capital Investment - Interest Cover					Debt			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £m	Debt repaid	Cash (Year 30)	
Base Case		**1.02**	**1.08**	**1.32**	**1.23**	**1.18**	**158.4m**	**28**	**52.1m**	
4	Employee costs planned savings not achieved	1.02	1.11	1.31	1.22	1.17	158.8m	28	48.7m	Interest cover is marginally affected in years 3 to 5, though still exceeds 1 in all years. The increased employee costs results in cash at year 30 decreasing by £3.4m. Operational cost efficiencies would be sought elsewhere in order to mitigate any impact from increased employee costs.
5	Repair and maintenance costs are 10% higher from years 1-5	0.93	1.00	1.23	1.15	1.10	161.3m	28	44.6m	Interest cover deteriorates, with year 1 falling below 1 but years 2 to 5 still exceeds 1 due to the additional repair costs, increased interest costs as a result of additional debt funding. The increase to repair costs results in cash at year 30 decreasing by £7.5m. In mitigation cost efficiencies would be sought elsewhere in the event of increasing repairs costs.
6	Additional investment spend of £1m over the first two years	0.90	0.97	1.31	1.22	1.17	160.0m	28	48.0m	The additional investment has a significant impact on interest cover in years 1 and 2 with the interest cover falling below 1 in both years, due to the effect of additional capex reducing cash surplus, and increased interest costs as a result of additional debt funding. Years 3 to 5 still exceeds 1. The increase to investment spend results in cash at year 30 decreasing by £4.1m In mitigation any non-essential works would be delayed in order to accommodate investment priorities, and cost efficiencies would be sought within the operational cost base and new build programme.

No.	Risk description	Revenue surplus less Capital Investment - Interest Cover					Debt			Mitigation
		Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Peak net debt £m**	**Debt repaid**	**Cash (Year 30)**	
Base Case		**1.02**	**1.08**	**1.32**	**1.23**	**1.18**	**158.4m**	**28**	**52.1m**	
7	2 new build schemes are delayed by 6 months	1.02	1.07	1.30	1.21	1.17	158.8m	28	51.0m	Interest cover is only marginally affected. This has the effect of delaying the net operating surplus generated by new build units; costs of finance increase due to debt being held for longer than anticipated and the organisation is also potentially exposed to inflated costs brought about by the delay. Overall peak debt increases by £0.4m and cash at year 30 decreases by £1.1m. Whilst Loretto can absorb these impacts, the development team would endeavour to reduce the impact of this through contract negotiation and planning forward for known issues.
8	New build contractor goes into administration with costs increasing by 15% and completion delayed at 3 sites	1.02	1.07	1.29	1.20	1.15	164.0m	29	37.7m	Interest cover decreases in years 2 to 5. Due to the delayed handover of completed units, rent is not being generated until later. The additional debt requirement to complete the scheme, increases interest cost also has the effect of reducing the interest cover. Peak debt increases by £5.6m, and closing cash decreases by £14.4m. In mitigation we would expect that this would be picked up by our monthly monitoring of contract exposure, allowing time for resolution before the contractor fell into administration and thereafter through our package of protections via performance bonds and retentions. We would seek to absorb any impact from this within the investment programme funding allocation, and by reducing non-essential work within the capital investment programme.

No.	Risk description	Revenue surplus less Capital Investment - Interest Cover					Debt			Mitigation
		Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Peak net debt £m**	**Debt repaid**	**Cash (Year 30)**	
Base Case		**1.02**	**1.08**	**1.32**	**1.23**	**1.18**	**158.4m**	**28**	**52.1m**	
9	In years 2 inflation stays at 5% and rent increases unchanged, Bad debts increased by 1% in years 1-5 and repair and maintenance costs are 10% higher in year 1-5	0.89	0.90	1.13	1.05	0.99	168.4m	30	10.8m	Interest cover deteriorates, and only exceeds 1 in year 3. Peak debt increases by £10.0m and closing cash decreases by £41.3m, with debt repayment being delayed to year 30. In mitigation cost efficiencies would be sought elsewhere in the event of reduced income and increased costs. The monthly reporting process would identify any trend towards a deterioration of the bad debt position, allowing for time to understand the reasons and work towards resolution.
10	The blended interest rate on borrowing increases to between 5.15% and 5.10% in years 1-5	0.97	1.05	1.27	1.20	1.15	159.5m	28	49.2m	Interest cover deteriorates, with year 1 not exceeding 1. Increased interest cost has the effect of reducing the interest cover. Peak debt increases by £1.1m and closing cash decreases by £2.9m. In mitigation cost efficiencies would be sought elsewhere in the event of increasing loan interest costs.

Wheatley Homes East

Better homes, better lives
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Wheatley Homes East Financial Projections
2024/25

Wheatley Group

1. Headlines

In 2023/24 we completed the final phase of our operating model with the creation of specialist teams within our frontline services supported by the Customer First Centre and our in-house repairs team. Our Centres of Excellence which are now operational across all our communities along with conveniently located touchdown points for staff and customers.

In wider economic terms, inflation remains high and this continues to have a significant impact on the business and our customers. In the shorter term the economic outlook in the UK remains uncertain with inflation proving to be more resistant to interest rate increases than expected, a strong labour market and higher wage settlements have both contributed to maintaining higher prices. While the current CPI rate is 4.0%, the reduction has been slow from a peak of 11.1% in 2022, and according to most recent market expectations the unwinding of inflation to the long-term Bank of England target of 2% is now not likely to be achieved until the first half of 2025. Our business has been particularly affected by increases in the cost of fuel, utilities, insurance and repairs and maintenance costs. Inflation on repairs and maintenance costs remains at a higher level than general CPI, and our insurance costs have increased by more than 30% in the last year with fuel and utilities costs stabilising to some extent. Interest rates have been subject to 14 consecutive increases with rates currently at 5.25%. Forecasts are that rates will remain at 5.25% before falling in the second half of 2024. A large proportion of our existing funding is at fixed rates which limits our interest rate exposure.

Keeping rents affordable remains a key strategic aim and we need to strike an appropriate balance between affordability for our tenants during this continued period of pressure on household budgets. However we must also ensure the ongoing financial viability of our operations, while preserving appropriate levels of current and future investment in our homes. Following the low rent increase in 2023 which helped customers with the initial shock of cost of living crisis and the effect of high levels of inflation on our operating costs, most notably repairs, we now need to rebuilt financial capacity to ensure we have an appropriate level of funding available to maintain the quality of our homes and meet our legislative obligations.

We recognise that economic factors are continuing to put pressure on household incomes and we have retained a prudent provision in our rent arrears assumptions and have also assumed that all working age tenants on benefits will have moved to Universal Credit by end of 2024/25. As part of focus on tackling poverty and the cost-of-living challenges facing our customers, funding has been set aside in the

Wheatley Foundation to support customers, including Welfare Benefits and Fuel Advisors, Home Comforts and we have set aside a provision in 2024/25 for the Helping Hand Fund to assist customers. This fund helps our customers who are facing financial hardship with their rent.

A total of 5,196 new build homes are assumed to be completed by the RSL Borrower Group over the next 5 years with 78% of these for social rent, and we will complete over 8,700 over the next 10 years.

WH East has plans to deliver 1,854 new homes in the next five years and over the next 10 years, 3,685 properties will be developed in WH East.

WH East is on track to complete 168 social and 29 mid-market new build properties in 2023/24 at Roslin Ph1 & 2, Wisp 3C, Penicuik, Wallyford Area 7, MacMerry & Raw Holdings, and projected to invest £7.3m in existing homes this year.

The updated financial projections for 2024/25 and beyond include:

- Provision to deliver 1,852 additional new build homes for social and mid-market plus allowance for the acquisition of 2 units in the first 5 years of the plan.
- £42.9m of investment in our existing housing stock in the first 5 years of the projections, including a provision of £1.1m for our Customer Voice and Think Yes for Investment.
- Provision of £4.7m for investment in our digital transformation and centres of excellence strategies.
- £1.4m of funding for Initiatives, including the Wheatley Foundation, across the first 5 years of the plan.
- Efficiency savings in our management costs, in real terms, delivered through the achievement of operational efficiencies. This will result in an improving operating surplus in the first 5 years of the projections and contributes towards maintaining interest cover >1.7.

During the development period, our financial forecasts are driven by the profile and relative size of our development programme and the value of grant income and valuation adjustments on completion of new build properties. The forecast bottom line total comprehensive income, net assets, cashflow and ratios reflect the higher level of borrowing to support our new build programme. WH East's peak net debt of £527.4m is forecast to be reached in 2032 (year 8).

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

2. Key assumptions

The key financial assumptions in the 2024/25 Business Plan are highlighted below. All figures include VAT and inflation (unless stated otherwise).

2.1 Stock Numbers

Social Housing

Opening stock numbers in the plan reflect the actual stock reported in the WH East statutory accounts as at 31 March 2023, updated for developments at Roslin Ph 1 & 2, Wisp 3C, Penicuik, Wallyford Area 7, MacMerry and Raw Holdings, which completed in 2023/24. There were also 23 disposals across pre-1919 tenements and supported units.

Table 1 – Opening Social Housing Stock

Unit type	Units 31.03.2023	Forecast to complete 2023/24	Forecast disposals 2023/24	Units 31.03.2024
General Need	6,111	168	(6)	6,273
Supported	361	0	(17)	344
Shared Ownership	331	0	0	331
Total (Social)	**6,803**	**168**	**(23)**	**6,948**

Over the next 10 years of the plan, it is anticipated that 2,571 new homes for social rent will be delivered as a result of our development programme, with 1,315 of these units expected to be delivered in the first 5 years, including the 2 acquisitions. It is further assumed that the remaining 11 of the supported housing units which transferred from Barony will be sold in 2024/25. These properties do not allow for tenants residing in the accommodation to live independently and a disposal and re-provisioning strategy had been previously approved by the Barony Board prior to the transfer.

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

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

Stock Numbers	2024/25	2025/26	2026/27	2027/28	2028/29
General & Supported Housing					
Opening Stock	6,617	6,807	7,135	7,402	7,673
New Build	199	328	267	271	248
Acquisitions	2	0	0	0	0
Sales	(11)	0	0	0	0
Closing Stock	**6,807**	**7,135**	**7,402**	**7,673**	**7,921**

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

Opening stock numbers reflect the actual stock as at 31 March 2023, updated for developments completed during 2023/24. The projections include the expected delivery of 1,114 affordable mid-market rent properties over the next 10 years, with 539 of these units expected to be delivered in the next 5 years, as shown in table 3 below.

Table 3 – Mid Market Rent Stock Profile

Mid Market Rent – Stock numbers	2024/25	2025/26	2026/27	2027/28	2028/29
Opening Stock	407	568	668	759	841
New Build	161	100	91	82	105
Closing Stock	**568**	**668**	**759**	**841**	**946**

2.2 Rental and Service Charge income

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

The plan assumes an average weekly rent based on the current average rent and, subject to Board approval, a 7.5% rent increase in April 2024 for ex DC tenants and 2.5% for ex WLHP tenants. The proposed increase of 2.5% maintains the tenant promise given to ex WLHP tenants. In addition to rental income WH East receives income from service charges, which is increased in line with rent increases. Based on current charges, forecast income is £42.0m in year 1. The table below shows the rent and service charge growth assumptions over the next five years.

Table 4 – [redacted]

2.3 Other Income

Other rental income

This income reflects the lease income received from Lowther for MMR properties, as well as commercial property income. As the MMR properties are completed, income from the lease arrangement with Lowther will commence. The value of the lease will be determined on a scheme-by-scheme basis and the annual income for existing developments is c£6,100 per unit within the projections. The value of these leases have been set at a level that ensures WH East receive a sufficient return to cover the funding costs associated with them together with the cost of any capital replacements.

Supporting People Grants

The financial projections assume WHE will receive £394k of grant income from Edinburgh Council to provide support services at WHE Harbour.

Wheatley East Property Services – Net Surplus

Income is assumed to be received from Lowther Homes in respect of repairs and capital works carried out by Wheatley Homes East Property Services ("WHEPS"). This is offset by costs for the provision of the repairs service, namely staffing and materials, and, along with surpluses on external works, is anticipated to result in an estimated margin of £100k in 2024/25. Income is referenced to repairs and investment spend in the financial projections. Staff costs are forecast to increase in line with salary inflation each year and material cost assumptions are linked to general cost inflation assumptions.

Other income

Other income received by WH East includes medical adaptation grant income as well as management fees from Livingwell service and shared owners. This also includes income from district heating sites.

Table 5 below shows the projected other income (including inflation) for the first five years of the 2024/25 Financial Projections. Over the period other rental income is expected to increase substantially primarily as a result of an increase in lease income received from Lowther Homes in respect of the additional mid-market rent properties.

Table 5 – Other Income (including inflation)

Other Income £000's	2024/25	2025/26	2026/27	2027/28	2028/29
Other Rental Income	3,402	4,589	5,286	6,130	6,592
Supporting People Grant	394	394	394	394	394
WHEPS Net Surplus	100	102	105	107	110
Other Income	261	261	261	261	261
Other Grant Income	210	215	221	226	232
Total	**4,367**	**5,561**	**6,267**	**7,118**	**7,589**

2.4 Cost inflation

Inflation has proved to be more resistant to interest rate increases than expected, with a strong labour market and higher wage settlements helping to maintain higher prices. While the current CPI rate is 4.0% (December 2023) it has taken longer to reduce from its peak of 11.1% in October 2022. According to most recent market expectations, the unwinding of inflation to the long-term Bank of England's target of 2% is now not likely to be achieved until the first half of 2025. Increases in the cost of fuel, utilities, insurance and repairs and maintenance costs have had notable impact on our cost base. Fuel and utilities costs have stabilised to some extent; however, insurance and repairs and maintenance costs are still subject to notable price increases.

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

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

Table 6 – [redacted]

2.5 Operating Performance

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

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

	2024/25	2025/26	2026/27	2027/28	2028/29
Routine voids (%)	1.35%	1.10%	1.05%	1.05%	1.00%
Bad debts (%)	1.10%	1.10%	1.10%	1.10%	1.10%
Arrears (£'000)	1,625	1,625	1,625	1,625	1,625

Void losses are assumed at 1.35% in year 1, before reducing to 1.10% in year 2, 1.05% in years 3 and 4 and 1.00% in year 5. Year to date void performance is currently higher in 2023/24 at 1.59% due to extensive fire safety works being carried out at the Harbour and supported properties being sold, resulting in longer term voids. The fire safety works have now been concluded, with the Harbour back to full operating capacity. Following the planned sale of 11 supported properties in 2024/25, the void rate is expected to decrease back to a standard operational level of voids.

The provision for bad debts has been assumed at a constant 1.10% of rental income in 2024/25, which is prudent compared to our performance of 0.80% in the current year to December 2023.Business plan assumptions on the movement in arrears have been updated to take into account the economic challenges facing our customers together with our experience to date with Universal Credit. The 2024/25 Business Plan arrears reflect the assumption that all working age tenants on benefits move to UC by end of 2024/25.

2.6 Management Costs

WH East's employee cost assumptions reflect the direct staff structure. Running costs include day to day expenditure and an additional cost allowance has been made in the projections to provide for the management costs of 1,315 new social rent units delivered through the development programme. Running costs are expected to increase in 2027/28 to reflect support to Wheatley Foundation.

The plan assumes recharges from Group, which includes employee and running costs for central services such as the Customer First Centre, Employee Relations, IT, Finance and the Transactional Hub, to reduce by 4.9% over the next five years. This reflects the strengthening of our specialist teams and the efficiency savings resulting from continued investment in back-office services, particularly through the use of technology and improved working practices. Table 8 sets out the overall management costs are assumed in the plan.

Table 8 – Management cost assumptions (excluding inflation)

Management Costs £000's	2024/25	2025/26	2026/27	2027/28	2028/29
Employee Costs	4,596	4,516	4,354	4,335	4,314
Running Costs	4,910	4,921	5,131	5,740	5,852
Wheatley Solutions Recharges	4,274	4,148	4,189	4,136	4,065
Total	**13,780**	**13,585**	**13,674**	**14,211**	**14,231**
Average Cost per Unit £	**2,053**	**1,949**	**1,881**	**1,885**	**1,825**

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

2.7 Asset Management and Growth

a) Repair & Maintenance Costs

Repair costs remain a central part of our projections with our customer satisfaction surveys consistently showing a direct link between the repairs service tenants receive and their satisfaction levels. The provision for routine repairs recognises the increase in demand and raw material prices that we have experienced in 2023/24 and growth from the additional stock. The average repairs and maintenance cost per unit decreases by 7.2%, excluding inflation over the five year period impacted by the lower repairs costs in newly built properties completed over the same period. The majority of repairs and maintenance services to WH East are carried out in-house by WH East Property Services (”WHEPS”). Table 9 summarises the revenue repairs and maintenance assumptions.

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

Repairs £000’s	2024/25	2025/26	2026/27	2027/28	2028/29
Routine Maintenance	5,186	5,200	5,286	5,407	5,495
Planned Maintenance	1,952	1,997	2,054	2,134	2,193
Total Repairs & Maintenance	**7,138**	**7,197**	**7,340**	**7,541**	**7,689**

b) Capital Investment

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

Investment in 2023/24 is forecast to be £7.3m. Over the next five years this investment will continue with a further £42.9m including inflation, of planned investment in existing stock. This investment is possible due to operational efficiencies in management costs, and access to borrowing via the Group, as well as generating operational cashflows from rental income.

Table 10 summarises the capital investment programme for the next five years. Within the core programme, £1.1m has been allocated over the five years for Stronger Voices and Think Yes investment- spending decisions made in consultation with, and led by our customers, to address local priorities. This equates to 4.8% of the core programme budget.

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

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

Capital Programme £000's	2024/25	2025/26	2026/27	2027/28	2028/29
Core Investment & Compliance	3,322	3,696	3,881	5,511	7,330
Capitalised Repairs	1,070	1,096	1,124	1,152	1,181
Capitalised Voids	1,173	1,202	1,232	1,263	1,295
Medical Adaptations	210	215	221	226	232
Capitalised Employee Costs	1,191	1,222	1,259	1,287	1,312
Total	**6,966**	**7,431**	**7,717**	**9,439**	**11,350**

c) IT Capital Investment

In total, across the Group the financial projections provide for a 5 year IT capital investment programme of £38.5m. This investment is in recognition of the key role technology has in supporting the delivery of the key strategic aims in the Group's 2021-26 strategy. Alongside the digital aspirations for Group services to customers and staff, the funding also provides for a safe, secure and reliable technology service. WH East makes a capital contribution towards the overall Group IT capital costs. The table below details WH East's total contribution over the next 5 years.

Table 11 – IT Capital Contribution (including inflation)

IT Capital Programme	2024/25	2025/26	2026/27	2027/28	2028/29
IT Capital Contribution £000's	1,178	978	929	853	742

The 5 year IT Capital Investment programme is aligned to 6 workstreams, delivering key business strategy outcomes and ongoing investment across staff and customer digital services and platforms. Workstreams and associated projects are reviewed annually and aligned with business strategy reviews.

The workstreams are:

- Digital Workplace, workflows and Automation
- Customer Digital and Self Service
- Housing and Care
- Digital Repairs
- Core Architecture and CyberSecurity
- Data, AI and Innovation

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

- **Digital Workplace, Workflows and Automation** – an ongoing programme of technology and facility upgrades and improvements in support of Group office and hybrid working. Improvements to complex back-office processes and workflows through exploring RPA (robotic process automation) and data integration and automation services.

- **Customer Digital and Self Service** – Ongoing service improvements and alignment of our online service portfolio with end-end customer journey maps and customer outcomes. Review and replacement of our current customer self-service platforms for tenants and owners; a programme of CFC improvements provided by the implementation of STORM call centre multi-channel platform. Ongoing customer and community engagement and feedback service improvements aligned with Stronger Voices and wider customer engagement programmes.

- **Housing and Care** – Supporting the vision for future housing operating models and delivery approaches, through ongoing investment in staff mobile applications and services (e.g. devices, software, improved access to data and information), housing platform upgrades and process improvements. Key projects include the replacement of Group factoring management system; ongoing development and improvements to platforms and services supporting Anti-Social Behaviour, Tenancy Support Services, Welfare Benefits and Environmental service delivery.

- **Digital Repairs** – Improved repairs approaches across the Servitor platform, reporting, customer communications and CFC support. Evolution of Group Book-it, Track-it, Rate-it services and mobile working through improved devices, system and data access across core delivery, compliance and asset management.

- **[redacted]**

- **Data, AI and Innovation** – A programme of projects ensuring delivery of Group Data Strategy and wider delivery roadmap including improved analytics, data warehousing and Group-wide platform reporting improvements, including City Building repairs and compliance analytics. Establishing a Group AI strategy, governance and delivery roadmap across staff, manager and platform.

d) New Build Programme

The new build programme is set out at Section 2.1 and reports 3,685 new units (2,571 for social rent and 1,114 for mid-market rent), of which 1,854 are anticipated to be delivered within the next five years. Table 12 summarises the investment in new build homes over the next five years.

Table 12 – New build funding profile (including inflation)

£000's	2024/25	2025/26	2026/27	2027/28	2028/29
Social Housing					
Development Costs	63,693	68,996	48,195	52,341	82,104
Capitalised Staff Costs	1,780	1,827	1,926	1,973	2,012
Capitalised Interest	1,955	1,549	1,926	1,448	2,114
Development Fund (Acquisitions)	73	0	0	0	0
Grant Income	(28,258)	(40,873)	(21,458)	(29,906)	(55,058)
Net Cost	**39,243**	**31,499**	**30,589**	**25,856**	**31,172**
Units Completed	199	328	267	271	248
Units acquired	2	0	0	0	0
Total	**201**	**328**	**267**	**271**	**248**
Mid Market Rent					
Development Costs	16,095	20,421	12,596	25,689	34,238
Grant Income	(4,276)	(10,992)	(2,532)	(16,140)	(15,650)
Net Cost	**11,818**	**9,429**	**10,064**	**9,549**	**18,588**
Units Completed	161	100	91	82	105

2.8 Initiatives and Other Provisions

a) Initiatives

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

The main one is our contribution to the Wheatley Foundation of £1.4m over the next 5 years. The Wheatley Foundation is a charitable trust established with the aim of delivering community benefits. The vast majority of the Foundation's income is received from the subsidiaries within the Group in the form of donations from the RSLs and through gift aid contributions from Lowther Homes. Over the five year financial projections 80% of forecast income in the Foundation is from Group entities. The income recognised in the Foundation will be used to fund a number of projects and initiatives that will benefit customers and communities across the Group. These initiatives include projects such as the Here For You Fund, Wheatley Works, educational bursaries, Home Comforts service as well as the provision of Welfare Benefit Advisers. These projects are considered to be an investment in creating strong and sustainable communities and providing better opportunities for our tenants. It is anticipated that this will contribute to the sustainability of the income stream for WH East over the long term.

WH East's contribution to these initiatives over the next five years is summarised in the below table. The projections assume sufficient funding will be available in the Foundation to deliver their initiatives in years 1 and 2.

Table 13 – Initiatives (excluding inflation)

Other Group Recharges	2024/25	2025/26	2026/27	2027/28	2028/29
Share of Group Initiatives (£000's)	10	10	68	626	643

2.9 Operating Cost Per Unit

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

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

	2024/25	2025/26	2026/27	2027/28	2028/29
Operating Costs (£'000) (Excl Depreciation)	21,352	21,224	21,472	22,228	22,408
Average No. of Units in Year	6,712	6,971	7,269	7,538	7,797
Operating Cost per Unit (£)	**3,181**	**3,045**	**2,954**	**2,949**	**2,874**

This represents a 9.7% decrease in the operating cost per unit over the five year period, which includes the efficiency savings gained through the service transformation and investment in technology.

2.10 Interest Rate Assumptions

The new build programme planned requires debt finance to be drawn down over time. In line with the wider Group funding strategy, borrowing is advanced from Wheatley Funding Limited 1 (“WFL1”) at an assumed blended “all-in” average funding rate. The blended funding rate reflects a combination of existing bank, bond, and private placement funding and prudent assumptions on the cost of future funding, taking into account the proportion of funding at fixed and variable rates, and any monitoring or commitment fees payable by WFL1 to external funders. This is consistent across all Group subsidiaries.

Table 14: [redacted]

3. Financial projections – next 5 years

a) Statement of Comprehensive Income

Table 16 –Statement of comprehensive income (including inflation)

Statement of comprehensive income	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Net Rental Income	41,444	45,525	49,018	53,184	56,758
Other Income	4,367	5,561	6,267	7,119	7,589
Grant Income	34,745	45,481	38,280	37,668	38,259
Total Income	**80,556**	**96,567**	**93,565**	**97,971**	**102,606**
Management and Service Costs	(13,779)	(14,587)	(14,716)	(15,678)	(16,092)
Repair and Maintenance Costs	(7,138)	(7,557)	(7,900)	(8,319)	(8,694)
Bad Debts	(435)	(465)	(493)	(524)	(551)
Depreciation	(15,231)	(17,732)	(19,241)	(20,912)	(22,357)
Operating Expenditure	**(36,583)**	**(40,341)**	**(42,350)**	**(45,433)**	**(47,694)**
Loss on Investment Properties	(17,980)	(11,096)	(8,791)	(7,884)	(9,625)
Operating Surplus	**25,993**	**45,130**	**42,424**	**44,654**	**45,287**
Operating Margin (%)	***32%***	***47%***	***45%***	***46%***	***44%***
Finance Costs	(9,335)	(11,768)	(13,067)	(14,800)	(15,945)
Valuation Adjustments	(12,246)	(28,110)	(21,997)	(22,802)	(22,335)
Loss on sale of property	(142)	0	0	0	0
Statutory Surplus/(Deficit)	**4,270**	**5,252**	**7,360**	**7,052**	**7,007**

Rental income

Investment in the new build programme and assumed rental increases will generate 37% growth in rental income over the next 5 years ensuring the preservation of appropriate levels of investment in our homes and services to customers while keeping rents affordable. Net rental income includes service charge income which is received in relation to a number of services provided to tenants including heating, stair-lighting, gardening, support services and equipment.

Grant income

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

Expenditure

The planned asset growth, improved working practices and closer collaboration with our service providers over the next 5 years will result in efficiency savings that achieve a 9.7% reduction in operating cost per unit.

Finance Costs

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

Investment Property Valuation Movement

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

Housing Property Valuation Movement

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

Loss on Sale of Property

Loss on Sale of property of £142k in 2024/25 relates to the sale of 11 supported units at Carlyle Road, reflecting the most recent market valuation as well as the associated forecast costs incurred in relation to the sales of these properties.

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

Over the five year period total comprehensive income is £30.9m

b) Statement of Financial Position

Table 17 – Statement of Financial Position

Statement of financial position	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Housing Assets	539,159	574,386	594,274	617,229	670,725
Other Fixed Assets	11,119	10,394	9,448	8,534	7,864
Investment Properties	54,334	64,129	68,482	86,621	112,074
Total Fixed Assets	**604,613**	**648,909**	**672,204**	**712,384**	**790,664**
Current Assets	11,779	11,779	11,779	11,779	11,779
Current Liabilities	(62,482)	(59,881)	(59,969)	(61,336)	(74,866)
Net Current Assets	**(50,703)**	**(48,102)**	**(48,190)**	**(49,557)**	**(63,087)**
Long-Term Liabilities	(295,456)	(337,101)	(352,948)	(384,711)	(442,453)
Net Assets	**258,454**	**263,706**	**271,066**	**278,117**	**285,124**
Retained Earnings	258,454	263,706	271,066	278,117	285,124
Total Reserves	**258,454**	**263,706**	**271,066**	**278,117**	**285,124**

Housing Assets
The plan assumes Housing and Investment Property assets to increase £189.3m over the five years from 1 April 2024 due to construction and delivery of new properties and an assumed increase in the value of our existing stock as a result of investment.

Other Assets
The value of our other assets, which include improvements to our office and environmental equipment purchases, are projected to reduce £3.3m over the course of the five-year plan. This is mainly due to depreciation of the assets.

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

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

Long-Term Liabilities
Long-term liabilities predominantly relate to the loans due from WH East to Wheatley Funding Limited 1 (“WFL1”) and loans to THFC and Allia. The net balance due to WFL1, THFC and Allia, after deduction of cash balances, increases from £225.8m at March 2024 to £393.0m at March 2029, funding new build development. Peak net debt of £527.4m occurs in year 8 (2031/32).

Retained Earnings
During the five year period from 1 April 2024, retained earnings are projected to increase by the reported total comprehensive income of £30.9m. The increase to reserves reflect the performance over the five year period, as well as property valuation movements, which offset losses linked to our borrowing costs.

c) Cashflow

Table 18 – Cashflow Projections

Cashflow	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Net rental income	46,664	52,249	56,460	61,489	65,549
Operating Expenditure	(22,600)	(23,771)	(24,285)	(25,707)	(26,538)
Net Cash from Operating Activities	**24,064**	**28,478**	**32,175**	**35,782**	**39,010**
Core and other Capital Expenditure	(8,176)	(8,442)	(8,680)	(10,327)	(12,128)
New Build Expenditure	(81,641)	(91,244)	(62,717)	(80,003)	(118,355)
Proceeds from sale of property	330	0	0	0	0
Grant income	32,535	51,865	23,990	46,046	70,708
Net cash used in investing activities	**(56,952)**	**(47,821)**	**(47,407)**	**(44,285)**	**(59,775)**
Finance costs	(10,115)	(12,060)	(13,684)	(14,845)	(16,775)
Net movement in cash	**(43,004)**	**(31,403)**	**(28,916)**	**(23,348)**	**(37,539)**

Net Cash from Operating Activities

The plan assumes cash from operating activities to increase by 62.1% in five years. Rent increases and the completion and handover of new build properties, creates additional rental and lease income; the positive movement being further assisted by the operating cost per unit decreasing 9.7% over the same period.

Net Cash used in Investing Activities

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

Finance Costs

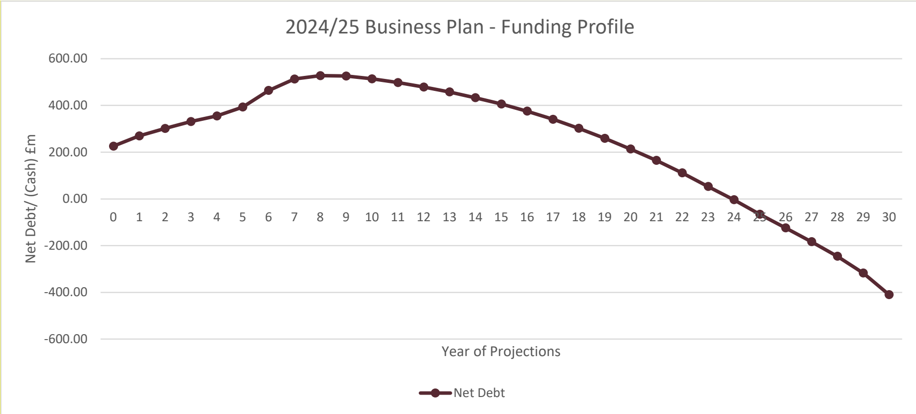
This reflects the interest due on our loans with WFL1, THFC, and Allia. As expenditure is incurred to pay for our new build programme, WH East will use existing cash resources, followed by drawing down money from Group. The projections assume the new build programme is completed in 2032/33, while core programme expenditure continues. Peak net debt is reached in 2031/32, which is year 8 of the plan. Beyond peak net debt year, as no further debt is expected to be drawn, debt levels gradually decrease. Annual finance costs are therefore strongly linked to any increase or decrease in debt.

Net Movement in Cash

Across the five years of the plan we anticipate a £164.2m net cash outflow. This is due to the significant investment in our existing properties and the new build programme, in line with our strategic objectives.

4. Funding and debt profile

4.1 The resulting debt profile for WH East is as follows:



Indicator	Value
Peak debt	£527.4m
Peak year	2031/32
Repayment year	2047/48 (year 24)
Closing cash	£409.9m

5. Key Parameters

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

5.2 <u>Operating margin generation</u>

In the long term, underlying operating surplus (excluding grant income and property valuation movements) needs to be sufficient to service debt, i.e. meet interest and capital payments on debt balances and achieve overall financial surplus every year. The business plan assumes that WH East will generate the following operating margins over the next 5 years:

£'000s	2024/25	2025/26	2026/27	2027/28	2028/29
Total Income (excluding grant income)	45,811	51,086	55,285	60,303	64,347
Adjusted Operating Surplus (excluding grant income and property valuations)	9,228	10,746	12,935	14,870	16,653
Adjusted Operating Margin (%)	**20.1%**	**21.0%**	**23.4%**	**24.7%**	**25.9%**

The adjusted operating margin, which excludes grant income and valuation movements, is the measure used to test covenant compliance. It is lower than operating margin reported in the Statement of Comprehensive Income at 3.1 illustrating the significant impact that the recognition of grant income on completion of new build has on the results. The adjusted operating margin in 2024/25 of 20.1% moves to 25.9% over the five years due to additional rental income generated from completed new build units, as well as efficiency savings.

5.3 Cashflow strength

Cashflows need to be sufficient to demonstrate that there is sufficient cash available to service intra-group debt each year and to repay funding within 30 years. **Revenue surplus** removes items that are non-cash and/or unrelated to operations, such as grant income, depreciation and property valuation movements, to assess the funds available to meet interest payments after deducting spend on capital investment. A ratio >1 means that there is sufficient capacity to meet interest payments as they fall due. As the debt principal must also be repaid, long term, the interest cover ratio needs to be comfortably over 1 to demonstrate sufficient capacity to repay capital.

£000's	2024/25	2025/26	2026/27	2027/28	2028/29
Revenue surplus	**24,317**	**28,478**	**32,175**	**35,782**	**39,010**
Less Capital Investment (Existing Properties)	(6,966)	(7,431)	(7,717)	(9,439)	(11,349)
Revenue surplus less Capital Investment	**17,351**	**21,047**	**24,458**	**26,342**	**27,661**
Net Interest Payable	9,360	11,806	13,117	14,850	15,995
Interest Cover	**1.85**	**1.78**	**1.86**	**1.77**	**1.73**

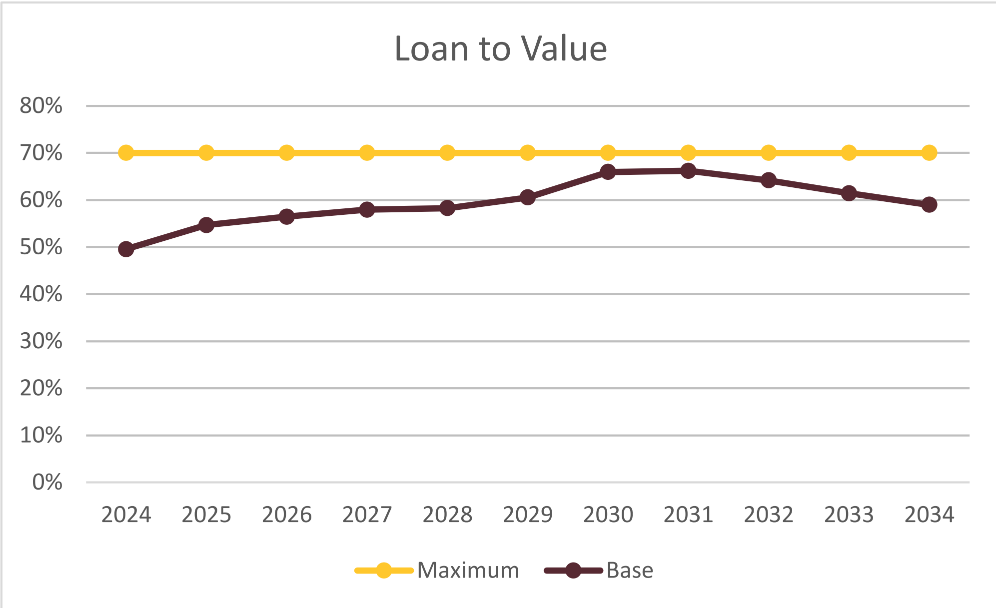
Interest cover is comfortably above 1 in all years of the projections. As new build units are completed, and handed over, more rental income is generated which along with efficiency savings more than offsets the higher interest costs.

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

The long-term financial projections show that debt can be repaid in year 24 of the plan with £409.9m of cash generated by year 30.

5.4 Asset cover

One of the metrics which governs overall borrowing limits is the value of the owned asset base. The WH East investment and development programme is supported by intra-group borrowing from WFL1 which operates on a Group wide borrowing and asset security basis. Assets are typically based on the cash flows associated with these assets, business decisions, e.g. in relation to rent growth, will have an impact on asset values. The loan to value profile for WH East is shown in the chart below:



Although loan to value increases from [redacted] in 2027/28, it remains below our 70% golden rule maximum level. This demonstrates that WH East will have sufficient asset cover to support loans, noting that 2032/33 is the final year of the current development programme and is the peak net debt year, with debt decreasing thereafter.

6. Risk analysis

We have performed sensitivity analysis showing the potential impact on the plan of key risk factors such as inflation and the cost base. These scenarios are presented in the below table, and consider changes to multiple Business Planning assumptions, the impacts of these, and mitigating measures.

No.	Risk description	Revenue surplus less Capital Investment - Interest Cover					Debt				Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £m	Debt repaid	Cash (Year 30)	Max LTV	
Base Case		1.85	1.78	1.86	1.77	1.73	527.4	24	409.9	66%	
1	Cost inflation remains at 5% in year 2	1.85	1.71	1.79	1.69	1.64	548.2	26	297.6	68%	As expected this has a negative impact on the Business Plan, in year 2 and beyond, as the compound effect of higher than assumed inflation results in worsening performance and cash flows. Debt repayment is delayed by 2 years and cash at year 30 decreases by £112.3m.
2	Rent increase reduced to inflation levels in years 2 & 3	1.85	1.71	1.72	1.63	1.57	547.6	27	242.1	68%	Interest cover reduces, though still exceeds 1 in all years. The compound effect of these lower rent increases delays debt repayment period by three years and decreases cash at year 30 by £167.8m. In mitigation operational costs, investment and new build would be reviewed to reduce the overall cost and cash requirement to within a manageable level.

No.	Risk description	Revenue surplus less Capital Investment - Interest Cover					Debt				Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £m	Debt repaid	Cash (Year 30)	Max LTV	
Base Case		1.85	1.78	1.86	1.77	1.73	527.4	24	409.9	66%	
3	Bad debts increased by 1% in years 1 - 5	1.81	1.74	1.82	1.73	1.68	533.1	25	401.4	67%	Interest cover deteriorates slightly but still exceeds 1 in all years. The increase to bad debt causes debt repayment to be delayed by one year and cash at year 30 decreases by £8.5m. The monthly reporting process would identify any trend towards a deterioration of the bad debt position, allowing for time to understand the reasons and work towards resolution.
4	Employee costs planned savings are not achieved	1.85	1.81	1.85	1.76	1.72	530.6	25	400.4	66%	Interest cover is marginally affected, though still exceeds 1 in all years. The increased employee costs causes debt repayment to be delayed by one year and results in cash at year 30 decreasing by £9.5m. Operational cost efficiencies would be sought elsewhere in order to mitigate any impact from increased employee costs.

No.	Risk description	Revenue surplus less Capital Investment - Interest Cover					Debt				Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £m	Debt repaid	Cash (Year 30)	Max LTV	
Base Case		**1.85**	**1.78**	**1.86**	**1.77**	**1.73**	**527.4**	**24**	**409.9**	**66%**	
5	Repairs and maintenance costs are 10% higher from years 1 - 5	**1.77**	**1.71**	**1.79**	**1.70**	**1.66**	**538.3**	**25**	**350.6**	**67%**	Interest cover reduces slightly but still exceeds 1. Due to the additional repair costs, increased interest costs as a result of additional debt funding. The increase to repair costs results in cash at year 30 decreasing by £59.3m. In mitigation cost efficiencies would be sought elsewhere in the event of increasing repairs costs.
6	Additional Investment spend of £3m over years 1&2 for new standards and regulations	**1.68**	**1.63**	**1.84**	**1.75**	**1.71**	**534.2**	**25**	**398.5**	**67%**	Interest cover reduces due to the effect of additional capex reducing revenue surplus, and increased interest costs as a result of additional debt funding. The increase to investment spend results in cash at year 30 decreasing by £11.4m In mitigation any non-essential works would be delayed in order to accommodate investment priorities, and cost efficiencies would be sought within the operational cost base and new build programme.

No.	Risk description	Revenue surplus less Capital Investment - Interest Cover					Debt				Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £m	Debt repaid	Cash (Year 30)	Max LTV	
Base Case		**1.85**	**1.78**	**1.86**	**1.77**	**1.73**	**527.4**	**24**	**409.9**	**66%**	
7	New Build, full programme is delayed by 6 months for those not currently on site	**1.86**	**1.78**	**1.90**	**1.80**	**1.74**	**532.7**	**25**	**392.3**	**64%**	Interest cover improves due to the size of the development programme and planned spend. The delay delivers an improvement as financing costs are reduced. Potential to ramp up programme delivery in later part of the plan to be sought, to offset the earlier delay.
8	New build contractor goes into administration. 6 month delay and increased costs across 6 sites	**1.85**	**1.79**	**1.86**	**1.74**	**1.68**	**541.8**	**25**	**378.6**	**68%**	Interest cover decreases in years 4 - 5 due to the delayed handover, impact of higher costs being recognised and rent not being generated until later. The additional debt requirement to complete the schemes and increased interest cost also has the effect of reducing the interest cover in later years. Peak debt increases by £14.4m, and closing cash decreases by £31.3m. In mitigation we would expect that this would be picked up by our monthly monitoring of contract exposure, allowing time for resolution before the contractor fell into administration and thereafter through our package of protections via performance bonds and retentions.

No.	Risk description	Revenue surplus less Capital Investment - Interest Cover					Debt				Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £m	Debt repaid	Cash (Year 30)	Max LTV	
Base Case		**1.85**	**1.78**	**1.86**	**1.77**	**1.73**	**527.4**	**24**	**409.9**	**66%**	
9	In years 2 inflation stays at 5% and rent increases unchanged, Bad debts increased by 1% in years 1-5 and repair and maintenance costs are 10% higher in year 1-5	**1.73**	**1.60**	**1.67**	**1.58**	**1.53**	**556.8**	**26**	**275.5**	**69%**	Interest cover deteriorates. Peak debt increases by £29.4m and closing cash decreases by £134.4m, with debt repayment being delayed by 2 years. In mitigation cost efficiencies would be sought elsewhere in the event of reduced income and increased costs. The monthly reporting process would identify any trend towards a deterioration of the bad debt position, allowing for time to understand the reasons and work towards resolution.
10	Interest rates rise to 5.1% for the duration of the 5 year plan	**1.75**	**1.72**	**1.80**	**1.73**	**1.68**	**532.5**	**25**	**403.0**	**67%**	Interest cover reduces in all years as expected due to additional interest costs to cover. Slight adverse impact on peak debt and cash held at Y30.

Wheatley Homes South

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

Wheatley Homes South Financial Projections
2024/25

Wheatley Group

Classified as Internal

1 Headlines

In 2023/24 we completed the implementation of the final phase of our operating model with the creation of specialist teams within our frontline services supported by our in-house repairs team and the Customer First Centre. Our Centres of Excellence are now operational across all our communities along with conveniently located touchdown points for staff and customers.

In wider economic terms, inflation remains high and this continues to have a significant impact on the business and our customers. In the shorter term the economic outlook in the UK remains uncertain with inflation proving to be more resistant to interest rate increases than expected, with a strong labour market and higher wage settlements, both helping to maintain higher prices. While the current CPI rate is 4.0%, the reduction has been slow from a peak of 11.1% in 2022, and according to most recent market expectations, the unwinding of inflation to the long-term Bank of England target of 2% is now not likely to be achieved until the first half of 2025. Our business has been particularly affected by increases in the cost of fuel, utilities, insurance and repairs and maintenance costs. Inflation on repairs and maintenance costs remains at a higher level than general CPI, and our insurance costs have increased by more than 30% in the last year with fuel and utilities costs stabilising to some extent. Interest rates have been subject to 14 consecutive increases with rates currently at 5.25%. Forecasts are that rates will remain at 5.25% before falling in the second half of 2024. A large proportion of our existing funding is at fixed rates which limits our interest rate exposure.

Keeping rents affordable remains a key strategic aim and we need to strike an appropriate balance between affordability for our tenants during this continued period of pressure on household budgets. However, we must also ensure the ongoing financial viability of our operations, while preserving appropriate levels of current and future investment in our homes. Following the low rent increase in 2023 which helped customers with the initial shock of cost of living crisis and the effect of high levels of inflation on our operating costs, most notably repairs, we now need to rebuild financial capacity to ensure we have an appropriate level of funding available to maintain the quality of our homes and meet our legislative obligations.

We recognise that economic factors are continuing to put pressure on household incomes and we have retained a prudent provision in our rent arrears assumptions and have also assumed that all working age tenants on benefits will have moved to Universal Credit by end of 2024/25. As part of focus on tackling poverty and the cost-of-living challenges facing our customers, funding has been set aside in the Wheatley Foundation to support customers. This includes Welfare Benefits and Fuel Advice, Home Comforts (our furniture upcycling service) and a provision in 2024/25 for the Helping Hand Fund. This fund helps our customers who are facing financial hardship manage their rent accounts.

A total of 5,196 new build homes are assumed to be completed by the RSL Borrower Group over the next 5 years with 78% of these for social rent, and we will complete over 8,700 over the next 10 years.

WH South has plans to deliver 909 homes in the next 5 years and by 2026 will have contributed 309 homes towards the Group's 4,000 new home target. Over the next 10 years, 1,368 properties will be developed in WH South.

WH South is on track to complete 35 new build properties in 2023/24 at Curries Yard and projected to invest £17.7m in existing homes this year.

The updated financial projections for 2024/25 and beyond include:

- Provision to deliver 909 additional new build homes for social and mid-market in the first 5 years of the plan.
- £71.5m of investment in our existing housing stock in the first 5 years of the projections, including a provision of £0.4m for our customer directed investment funds, Customer Voice and Think Yes for Investment.
- Provision of £6.9m for investment in our digital transformation and centres of excellence strategies.
- £1.9m of funding for Initiatives, including the Wheatley Foundation, across the first 5 years of the plan.
- Efficiency savings in our management costs, in real terms, delivered through the achievement of operational efficiencies. This will result in an improving operating surplus in the first 5 years of the projections and contributes towards maintaining interest cover > 1.7.

During the development period, our financial forecasts are driven by the profile and relative size of our development programme and the value of grant income and valuation adjustments on completion of new build properties. The forecast bottom line total comprehensive income, net assets, cashflow and ratios reflect the higher level of borrowing to support our new build programme. WH South's peak net debt of £265.2m is forecast to be reached in 2031/32 (year 8).

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

2 Key assumptions

The key financial assumptions in the 2024/25 Business Plan are highlighted below. All figures include VAT and inflation, unless stated otherwise.

2.1 Cost Inflation

Inflation has proved to be more resistant to interest rate increases than expected, with a strong labour market and higher wage settlements helping to maintain higher prices. While the current CPI rate is 4.0% it has taken longer to reduce from its peak of 11.1% in October 2022. According to most recent market expectations, the unwinding of inflation to the long-term Bank of England's target of 2% is now not likely to be achieved until the first half of 2025. Increases in the cost of fuel, utilities, insurance and repairs and maintenance costs have had notable impact on our cost base. Fuel and utilities costs have stabilised to some extent; however, insurance and repairs and maintenance costs are still subject to notable price increases.

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

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

Table 1 [redacted]

2.2 Stock numbers

At 1 April 2024, WH South is assumed to own a total of 10,368 homes, 10,267 for social rent and 101 mid-market rent properties. This is based on the stock as at 31 March 2023 as reported in the audited statutory accounts, adjusted to reflect 35 new build properties at Curries Yard expected to complete in the current financial year. A total of 15 properties were demolished during 2023/24, with a further 427 properties marked for demolition. It is assumed that 909 new homes will be completed over the five-year period to March 2029. This will bring the total new homes completed since joining the group to 1,020.

Table 2 – Housing Stock Numbers

Stock Numbers		Forecast				
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Social Housing						
Opening Units	10,247	10,267	10,210	10,227	10,420	10,561
New Build	35	101	87	298	190	227
Demolition	(15)	(158)	(70)	(105)	(49)	(45)
Closing Units	**10,267**	**10,210**	**10,227**	**10,420**	**10,561**	**10,743**
Mid-Market Rent	101	101	107	107	107	107
Total Closing	**10,368**	**10,311**	**10,334**	**10,527**	**10,668**	**10,850**

2.3 Rental Income and Service Charges

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

The plan assumes an average weekly rent based on the current average rent and, subject to Board approval, a 7.5% rent increase in April 2024. In addition to rental income, WH South receives income from service charges, which is increased in line with rent increases. Based on current charges, forecast income is £348k in year 1.

The table below shows the rent and service charge growth assumptions over the next five years.

Table 3 [redacted]

2.4 Operating Performance

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

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

	2024/25	2025/26	2026/27	2027/28	2028/29
Voids (Retained Properties)	1.2%	1.2%	1.0%	1.0%	1.0%
Bad Debts	2.0%	2.0%	2.0%	2.0%	2.0%
Arrears (£'000) – net of bad debt provision	2,106	2,118	2,118	2,118	2,118

Void losses are assumed at 1.2% over the years one and two for core rented stock before reducing to 1% from year three on. This is prudent compared to our current year performance to December 2023 of 0.6%. For the 427 properties assumed to be demolished a higher void rate has been assumed. This has been estimated based on current empty and unlettable units and projected clearances.

The provision for bad debts has been assumed at a constant 2.0% of gross rental income in 2024/25, which is also prudent compared to our performance of 0.6% in the current year to December 2023.

Business plan assumptions on the movement in arrears have been updated to take into account the economic challenges facing our customers together with our experience to date with Universal Credit. The 2024/25 Business Plan arrears reflect the assumption that all working age tenants on benefits move to UC by end of 2024/25.

2.5 Other Income

Table 5 – Other income including inflation and other uplifts

Other Income	2024/25	2025/26	2026/27	2027/28	2028/29
Leased Properties	154	154	154	154	154
Garage & Garage Sites	346	361	377	484	502
MMR	447	456	465	475	484
Commercial Properties	65	66	68	69	71
Office lease income	117	119	123	125	126
Total Income	**1,129**	**1,157**	**1,188**	**1,308**	**1,338**

In addition to rental and service charge income, a further £1.1m is expected to be generated by WH South in 2024/25 from other income streams. This is comprised of the following: -

- Leased properties – WH South lease 24 properties across three sites to other organisations generating £154k of income each year. This income is assumed to remain fixed i.e. does not increase with inflation.
- Garage and Garage Site Rents – Income of £346k net of voids is projected to be received from the rental of WH South's garages and garage sites.
- Mid Market Rent Lease Income –WH South receive a lease income from Lowther Homes for the 101 properties of £447k per annum, assumed to increase by 2% each year.
- Commercial Properties – 16 commercial units are managed by Lowther Homes in exchange for a management fee. Income from the commercial properties is expected to be £65k in 2023/24.
- Office lease income - £117k is assumed to be received from Wheatley Solutions for use of the WH South office space.

2.6 Other Grant Income

Table 6 – Other grant income including inflation and other uplifts

Other Income	2024/25	2025/26	2026/27	2027/28	2028/29
Aids & Adaptations Grant	1,000	540	540	540	540
Investment income (SHNZ)	3,364	0	0	0	0
RHI Grants	36	36	27	10	8
Temporary Accommodation Grant	544	0	0	0	0
Young Person Project Grant	215	0	0	0	0
Sheltered Housing Grant	138	0	0	0	0
Total Income	**5,297**	**576**	**567**	**550**	**548**

Other grant income is comprised of the following: -

- Aid and Adaptations – The capital investment spend on aids and adaptation is 100% funded by the Scottish Government. WHS expect to receive £1m in 2024/25 to cover the spend, which is expected to decrease to £540k a year thereafter.
- Investment income (Social Housing Net Zero) – WHS expect to receive £3,364k in 2024/25 to cover the capital investment spend as part of the Net Zero project. This is a one year contract so no grant forecast for 2025/26 onwards.
- RHI grant - £36k of income is projected to be received in 2024/25 reducing to £8k by year 5 in line with grant applications.
- Temporary Accommodation - £544k is projected to be received in 2024/25 only, in line with the current contract. This contract may be extended beyond year 1, however this has not been reflected within the financial projections.
- Young Persons Project - £215k expected to be received in 2024/25 only, in line with the current contract. This contract may be extended beyond year 1, however this has not been reflected within the financial projections.
- Sheltered Housing grant income of £138k to be received in 2024/25. This contract is renewed year to year and assumed for year 1 only.

2.6 Management Costs

WH South's employee cost assumptions reflect the direct staff structure. Additionally, WH South pays an appropriate share of the salaries of the Neighbourhood Environmental Team (NETs), and a share of the Wheatley 360 costs. Total direct staff costs in 2024/25, including on costs are assumed to be £5.2m. Direct employee cost savings of £105k and £108k have been assumed in years 2 and 3 respectively and £110k thereafter. Running costs include day to day expenditure and an appropriate share of the Environmental Service and Wheatley 360 running costs, but exclude Initiatives. Running costs are expected to increase in 2027/28 to reflect support to Wheatley Foundation which in the first three years of these projections is covered by advance funding with the existing cash reserves in the Wheatley Foundation.

The plan assumes recharges from Group, which includes employee and running costs for central services such as the Customer First Centre, Employee Relations, IT, and Finance, to reduce by 2.55% over the five year period. This reflects the strengthening of our specialist teams and the efficiency savings resulting from continued investment in back office services, particularly through the use of technology and improved working practices. Table 7 sets out the overall management costs that are assumed in the plan. Employee costs linked to temporary accommodation and the young persons project of £655k are only included in 2024/25 as the contracts are subject to annual renewal and assumed in the plan to run for 12 months at a time.

Table 7 – Management cost assumptions (excluding inflation)

Management Costs	2024/25	2025/26	2026/27	2027/28	2028/29
Employee Costs	5,225	4,480	4,034	4,038	4,038
Running Costs	2,163	2,161	2,415	3,222	3,288
Wheatley Solutions Recharges	5,796	5,763	5,820	5,747	5,648
Total	**13,184**	**12,404**	**12,268**	**13,007**	**12,973**
Average Cost per Unit £	1,279	1,200	1,165	1,219	1,196

2.7 Asset management and growth

a) Repair & Maintenance Costs

Repair costs remain a central part of our projections with our customer satisfaction surveys consistently showing a direct link between the repairs service tenants receive and their satisfaction levels. The provision for repairs recognises the continued increase in demand that we have experienced in 2023/24 and growth from the additional stock. This results in repairs and maintenance increasing from £9,261k, excluding inflation, from the 2023/24 budget (stated in 2024/25 prices). The average repairs and maintenance cost per unit decreases by 1.03%, excluding inflation over the five year period reflecting the lower repairs costs in new build homes completed over the same period. Table 8 summarises the revenue repairs and maintenance assumptions.

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

Repairs	2024/25	2025/26	2026/27	2027/28	2028/29
Responsive Repairs £000	9,441	9,561	9,487	9,682	9,823
Planned Maintenance £000	3,654	3,371	3,371	3,371	3,371
Total	**13,095**	**12,931**	**12,857**	**13,052**	**13,194**

A significant proportion of the planned maintenance budget is to enable us to comply with legislative requirements as a landlord (e.g. gas servicing, electrical inspections, emergency lighting, window safety catches and TMVs).

2.8 Demolition Costs

The financial projections assume that 427 units will be demolished over the five-year period from April 2024. This includes 269 properties in the Lochside area of Dumfries as part of the regeneration of the area and a further 176 units identified as being unpopular with tenants or requiring substantial investment to meet energy efficiency standards. Costs associated with the demolition, including the physical demolition cost, service disconnections, home loss and disturbance and owner buybacks have been estimated and reflected within the financial projections. Over the period to 2028/29, the total costs in relation to demolition have been assumed at £7.1m. As a number of these sites will be redeveloped a proportion of the demolition costs, £3.7m, have been capitalised.

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

2.9 Operating Cost per Unit

As a result of the assumed efficiencies in management costs, our operating costs per unit, excluding depreciation and finance costs, decrease over the five year period, with an increase noted in year 4 to reflect support to Wheatley Foundation and are set out in the Table 9 below.

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

Operating costs	2024/25	2025/26	2026/27	2027/28	2028/29
Operating Costs (£'000)	28,556	27,950	26,841	27,827	27,578
No. of Units in year	10,311	10,334	10,527	10,668	10,850
Operating Cost per Unit (£)	2,769	2,705	2,550	2,608	2,542

This represents an 8.2% decrease in the operating cost per unit over the five year period, efficiency savings will also arise due to continuing investment in service transformation, including online services for customers.

2.10 Capital Investment

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

Investment in 2023/24 is forecast to be £17.7m. Over the next five years this investment will continue with a further £71.5m including inflation, of planned investment in existing stock. This investment is possible due to operational efficiencies in management costs, and access to borrowing via the Group as well as generating operational cashflows from rental income.

The focus of the investment programme will be on ensuring WH South maintain properties to current regulatory standards such as SHQS and deliver additional works to windows, roofs and external walls to provide improvements in energy efficiency. Further core programme works in 2024/25 includes £3.6m for retrofit of existing homes funded by the Scottish Housing Net Zero grant award.

Table 10 summarises the capital investment programme for the next five years. Within the core programme, £0.4m has been allocated to both "Customer Voice" and "Think Yes for Investment"- spending decisions made in consultation with, and led by our customers, to address local priorities.

Capitalised void costs include the costs of carrying out the programme of void works as well as the costs of clearing the properties carried out by a specific voids team. The in-house service gives us greater control over the void turnaround process, as demonstrated during 2023/24.

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

£000s	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Core Investment & Compliance	8,778	4,821	4,885	8,452	11,735	38,671
Capitalised Repairs	921	944	967	992	1,016	4,840
Medical Adaptations	1,000	540	540	540	540	3,160
Capitalised Voids	3,184	3,263	3,345	3,429	3,514	16,735
Capitalised Employee Costs	1,549	1,582	1,615	1,650	1,683	8,079
Total	**15,432**	**11,150**	**11,351**	**15,062**	**18,489**	**71,484**

2.11 New Build Programme

The new build programme is set out in Section 1.1 to deliver 909 additional new build homes for social rent in the first 5 years of the plan. Table 11 outlines the investment in new build homes over the next five years. Development costs and grant assumptions have been updated to reflect actual amounts, where known, and our latest expectations on delivery.

Table 11 – New build funding profile (including inflation)

£000s	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Development Cost	20,937	51,554	50,010	44,611	40,483	**207,596**
Grant Income	(11,940)	(36,199)	(26,435)	(25,352)	(20,517)	**(120,443)**
Capitalised New Build Staff	1,168	1,185	1,210	1,239	1,264	**6,065**
Capitalised Interest	484	692	1,104	894	957	**4,130**
Net Cost	**10,649**	**17,232**	**25,889**	**21,391**	**22,186**	**97,348**
Units Completed	101	93	298	190	227	909

2.12 Initiatives and Other Provisions

a) Initiatives

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

The key initiative is our contribution to the Wheatley Foundation of £1.9m over the next 5 years. The Wheatley Foundation is a charitable trust established with the aim of delivering community benefits. The majority of the Foundation's income is received from the other subsidiaries within the Group in the form of donations from the RSLs and through gift aid contributions from Lowther Homes. Over the five year financial projections 80% of forecast income in the Foundation is from Group entities. The income recognised in the Foundation will be used to fund a number of projects and initiatives that will benefit customers and communities across the Group. These initiatives include projects such as the Here For You Fund, Wheatley Works, educational bursaries, Home Comforts service as well as the provision of Welfare Benefit Advisers. These projects are considered to be an investment in creating strong and sustainable communities and providing better opportunities for our tenants. It is anticipated that this will contribute to the sustainability of the income stream for WH South over the long term.

WH South's contribution to these initiatives over the next five years is summarised in the below table. The projections assume funding for the share of Group initiatives in 2024/25, 2025/26 and 2026/27 donations is met through use of Foundation cash reserves.

Table 12 – Initiatives (excluding inflation)

Other Group Recharges	2024/25	2025/26	2026/27	2027/28	2028/29
Share of Group Initiatives (£'000)	0	0	86	912	936

b) IT Capital Investment

In total, across the Group the financial projections provide for a five year IT capital investment programme of £38.5m. This investment is in recognition of the key role technology has in supporting the delivery of the key strategic aims in the Group's 2021-26 strategy. Alongside the digital aspirations for Group services to customers and staff, the funding also provides for a safe, secure and reliable technology service. WH South makes a capital contribution towards the overall Group IT capital costs. The table below details WH South's contribution over the next 5 years.

Table 13 – IT Capital Contribution (including inflation)

IT Capital Programme	2024/25	2025/26	2026/27	2027/28	2028/29	Total
IT Capital Contribution (£'000)	1,537	1,146	1,084	931	954	5,653

The 5 year IT Capital Investment programme is aligned to key workstreams, delivering key business strategy outcomes and ongoing investment across staff and customer digital services and platforms. Workstreams and associated projects are reviewed annually and aligned with business strategy reviews.

The workstreams are:

- Digital Workplace, Workflows and Automation
- Customer Digital and Self Service
- Housing and Care
- Digital Repairs
- Core Architecture and CyberSecurity
- Data, AI and Innovation

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

- **Digital Workplace, Workflows and Automation** – an ongoing programme of technology and facility upgrades and improvements in support of Group office and hybrid working. Improvements to complex back-office processes and workflows through exploring RPA (robotic process automation) and data integration and automation services.

- **Customer Digital and Self Service** – Ongoing service improvements and alignment of our online service portfolio with end-end customer journey maps and customer outcomes. Review and replacement of our current customer self-service platforms for tenants and owners; a programme of CFC improvements provided by the implementation of STORM call centre multi-channel platform. Ongoing customer and community engagement and feedback service improvements aligned with Stronger Voices and wider customer engagement programmes.

- **Housing and Care** – Supporting the vision for future housing operating models and delivery approaches, through ongoing investment in staff mobile applications and services (e.g. devices, software, improved access to data and information), housing platform upgrades and process improvements. Key projects include improvements to Group Housing Management System; ongoing development and improvements to platforms and services supporting Anti-Social Behaviour, Tenancy Support Services, Welfare Benefits and Environmental service delivery.

- **Digital Repairs**–Improved repairs approaches across the Servitor platform, reporting, customer communications and CFC support. Evolution of Group Book-it, Track-it, Rate-it services and mobile working through improved devices, system and data access across core delivery, compliance and asset management.

- **[redacted]**

- **Data, AI and Innovation** – A programme of projects ensuring delivery of Group Data Strategy and wider delivery roadmap including improved analytics, data warehousing and Group-wide platform reporting improvements, including repairs and compliance analytics. Establishing a Group AI strategy, governance and delivery roadmap across staff, manager and platform.

2.13 Interest Rate assumptions

The new build programme planned requires debt finance to be drawn down over time. In line with the wider Group funding strategy, borrowing is advanced from Wheatley Funding No 1 Limited ("WFL1") at an assumed blended "all-In" average funding rate. The blended funding rate reflects a combination of existing bank, bond and private placement funding and prudent assumptions on the cost of future funding, taking into account the proportion of funding at fixed and variable rates, and any monitoring or commitment fees payable by WFL1 to external funders. This is consistent across all Group subsidiaries.

Table 14 [redacted]

3. Financial projections – next 5 years

3.1 Statement of Comprehensive Income

Table 15 – Statement of comprehensive income (including inflation)

STATEMENT OF COMPREHENSIVE INCOME	Forecast				
	Year 1 2024/25	Year 2 2025/26	Year 3 2026/27	Year 4 2027/28	Year 5 2028/29
	£'000	£'000	£'000	£'000	£'000
Net Rental Income	50,546	52,469	55,446	59,370	62,838
Grant Income	21,714	13,315	36,172	23,570	28,881
Other Income	1,129	1,157	1,188	1,308	1,338
Total Income	**73,389**	**66,942**	**92,806**	**84,248**	**93,056**
Management Costs	(13,394)	(13,790)	(12,869)	(13,965)	(14,255)
Repairs & Maintenance	(13,095)	(13,255)	(13,508)	(14,056)	(14,563)
Demolition	(523)	(428)	(581)	(591)	(163)
Support Activities	(488)	(65)	(66)	(68)	(70)
Bad Debts	(1,056)	(1,083)	(1,155)	(1,245)	(1,325)
Depreciation	(15,441)	(16,768)	(17,811)	(19,369)	(20,967)
Operating Expenditure	**(43,997)**	**(45,390)**	**(45,990)**	**(49,293)**	**(51,342)**
Gain on Investment Properties	120	121	122	123	124
Operating Surplus	**29,511**	**21,672**	**46,938**	**35,077**	**41,838**
Operating Margin	**40%**	**32%**	**51%**	**42%**	**45%**
Net Finance Costs	(7,387)	(7,593)	(8,003)	(9,082)	(9,925)
Movement in Value of Social Housing	(13,591)	(14,278)	(25,655)	(30,449)	(34,352)
Total comprehensive income	**8,533**	**(198)**	**13,280**	**(4,454)**	**(2,439)**

Rental Income

Investment in the new build program and assumed rental increases will generate 24% growth in rental income over the next 5 years ensuring the preservation of appropriate levels of investment in our homes and services to customers while keeping rents affordable.

Grant income

In line with SORP 2014, the projected Statement of Comprehensive Income shows recognition of grant income upon completion of the properties. The result of this is operating margin increasing or decreasing in line with the level of grant income. Depreciation will increase in line with an increased asset base. Grant income also includes grants and funding received for specific short-term initiatives, including the Social Housing Net Zero programme in 2024/25. The fluctuation over the five years is driven by number of new build units completed.

Other income

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

Housing Property Valuation Movement

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

Operating Expenditure

The planned asset growth, improved working practices and closer collaboration with our service providers over the next 5 years will result in efficiency savings that achieve an 8.2% reduction in operating cost per unit (excluding inflation).

Repairs and Maintenance

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

Investment Property Valuation Movement

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

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

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

Over the five year period total comprehensive income is £14.7m.

3.2 Statement of Financial Position

Table 16 – Statement of Financial Position

STATEMENT OF FINANCIAL POSITION	Forecast				
	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Housing assets	469,738	505,297	527,969	541,461	548,692
Investment Properties	12,622	12,742	12,864	12,987	13,112
Other Fixed Assets	4,380	4,929	4,708	4,688	4,806
Total Fixed Assets	**486,740**	**522,968**	**545,541**	**559,137**	**566,610**
Current Assets	12,760	12,791	12,824	12,857	12,890
Current Liabilities	(23,505)	(47,225)	(39,563)	(49,372)	(41,147)
Net Current Liabilities	**(10,745)**	**(34,433)**	**(26,740)**	**(36,516)**	**(28,257)**
Long term liabilities	(187,003)	(199,740)	(216,728)	(225,001)	(243,172)
Provisions	(88)	(88)	(88)	(88)	(88)
Net Assets	**288,904**	**288,706**	**301,986**	**297,532**	**295,093**
Retained Earnings	288,904	288,706	301,986	297,532	295,093
Total Reserves	**288,904**	**288,706**	**301,986**	**297,532**	**295,093**

Housing Assets

The plan assumes Housing & Investment Property assets to increase £78.9m over five years from 1 April 2024 due to the construction of 909 additional properties and an assumed increase in the value of our existing stock as a result of investment.

Other Assets

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

Current Assets

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

Current Liabilities

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

Long Term Liabilities

Long-term liabilities relate to the loan due from WH South to Wheatley Funding Limited 1 (“WFL1”), pension liability and long term other deferred income. The net balance due to WFL1 increases from £90m at March 2024 to £237m at March 2029, funding new build development. Peak net debt of £265.2m occurs in year 8 (2031/32).

Reserves

During the five year period from 1 April 2024, retained earnings are projected to increase by the reported total comprehensive income of £14.7m. The increase to reserves reflect the performance over the five year period, as well as property valuation movements, which offset losses linked to our borrowing costs.

3.3 Statement of Cashflow

Table 17 – Statement of cashflow

Cash Flow	Forecast				
	Year 1 2024/5	Year 2 2025/6	Year 3 2026/27	Year 4 2027/28	Year 5 2028/29
	£'000	£'000	£'000	£'000	£'000
Operating Activities					
Turnover (excl Grant)	55,871	53,087	56,014	59,949	63,365
Operating Expenditure	(27,336)	(27,371)	(26,854)	(28,505)	(28,873)
Net Cash from Operating Activities	**28,535**	**25,716**	**29,160**	**31,444**	**34,492**
Investing Activities					
Core & Other Capital Expenditure	(17,569)	(12,968)	(12,436)	(15,993)	(19,443)
New Build Expenditure	(22,694)	(53,493)	(52,378)	(46,403)	(42,268)
Grant Income	11,940	36,199	26,435	25,352	20,517
Net Cash used in Investing Activities	**(28,323)**	**(30,262)**	**(38,379)**	**(37,044)**	**(41,194)**
Funding Activities					
Finance Costs (Cash)	(6,475)	(6,821)	(7,656)	(8,661)	(9,784)
Loan Drawdowns	6,263	11,367	23,801	21,454	23,075
Loan Repayments	0	0	(6,926)	(7,193)	(6,589)
Net Cash from Funding Activities	**(212)**	**4,546**	**9,219**	**5,600**	**6,702**
Net Movement in Cash	**0**	**0**	**0**	**0**	**0**

Net Cash from Operating Activities

The plan assumes cash from operating activities to increase by 13% in five years. Rent increases and the completion and handover of 909 new build properties, creates additional rental and lease income; the positive movement being further assisted by operating cost per unit decreasing 8.2% over the same period.

Net Cash used in Investing Activities
This reflects the on-going core programme and other investment works, and the new build programme. The 2024/25 investment spend is higher due to Social Housing Net Zero grant funded works.

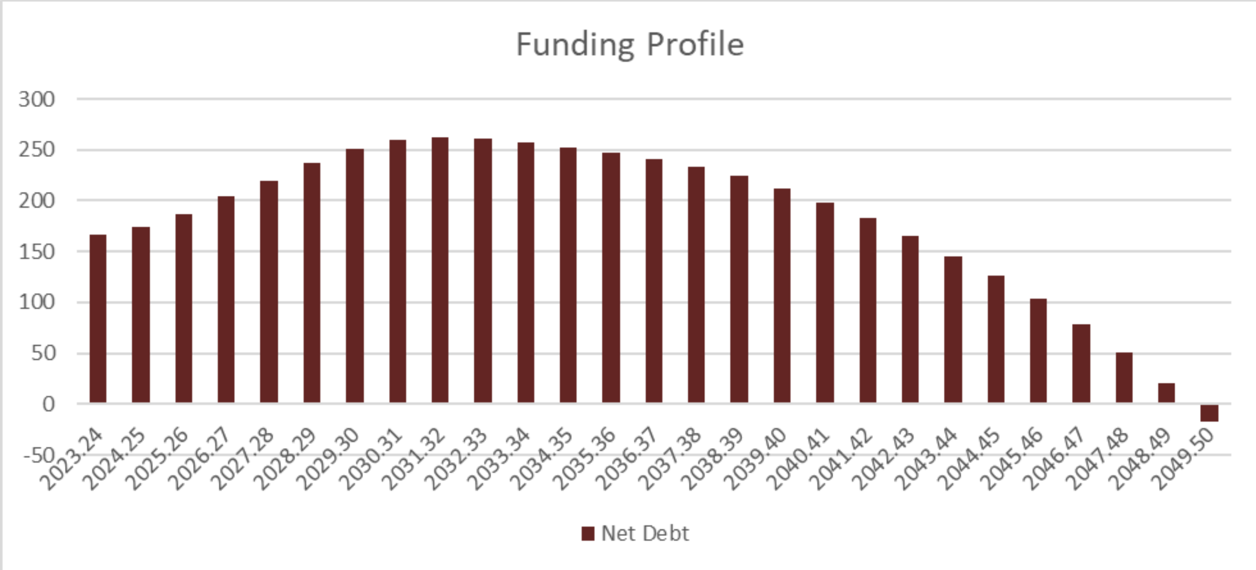
Net Cash from Funding Activities
Finance Costs (Cash) reflects the interest due on our loan with WFL1 and on our existing facilities with THFC and Allia. Interest on the Allia facilities is rolled up onto the outstanding debt and settled at the capital repayment date so are excluded from cash interest costs. The projections assume the new build programme is completed in 2031/32, while core programme expenditure continues. Peak net debt is reached in 2031/32, which is year 8 of the plan. Beyond peak net debt year, as no further debt is expected to be drawn, debt levels gradually decrease. Annual finance costs are therefore strongly linked to any increase or decrease in debt.

The loan repayment reflects the repayment of one of the Allia loans in 2026/27. Drawdowns relate to debt assumed to be drawn from WFL1.

4. Funding and debt profile

WH South can borrow from WFL1 providing it can support the debt levels with its asset base and cash flows. WH South, together with all the other RSLs in the RSL Borrowing Group, needs to ensure that all external funding conditions at WFL1 level are met, including compliance with financial covenants. Whilst there are no specific financial covenants at each RSL level it is the delivery of the approved business plan financials by each RSL that is key to meeting funding conditions at WFL1. The financial projections reflect WH South's current funding arrangements. The table and graph below show the key funding indicators and funding profile by facility for WH South.

Debt indicator	Value
Peak debt (net)	£265.2m
Peak debt year	2031/32
Debt repayment year	2048/49
Closing cash	£163.7m



WH South's debt level increases over the first 8 years as investment continues in both existing and new build homes. Debt reaches a peak of £265.2m in 2031/32, with it starting to be repaid from 2026/27. By 2048/49, there will be sufficient cash to repay debt with an estimated closing cash balance of £163.7m.

5. Key Parameters

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

5.2 Operating margin generation

In the long term, underlying operating surplus (excluding grant income and property valuation movements) needs to be sufficient to service debt, i.e. meet interest and capital payments on debt balances and achieve overall financial surplus every year. The business plan assumes that WH South will generate the following operating margins over the next 5 years:

Table 18 – Operating Margin %

£000s	2024/25	2025/26	2026/27	2027/28	2028/29
Income (excluding grant income)	53,607	54,202	57,201	61,227	64,723
Adjusted Operating Surplus	9,610	8,812	11,211	11,934	13,381
Adjusted Operating Margin (%)	**18%**	**16%**	**20%**	**19%**	**21%**

The adjusted operating margin, which excludes grant income and valuation movements, is the measure used to test covenant compliance. It is lower than the operating margin reported in the Statement of Comprehensive income at 4.1, illustrating the significant impact that the recognition of grant income on completion of new build has on the results. The adjusted operation margin initially drops in year 2, 2025/26 while the new developments are being built, then increases due to additional rental income generated from completed new build units, as well as efficiency savings.

5.3 Cash flow strength

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

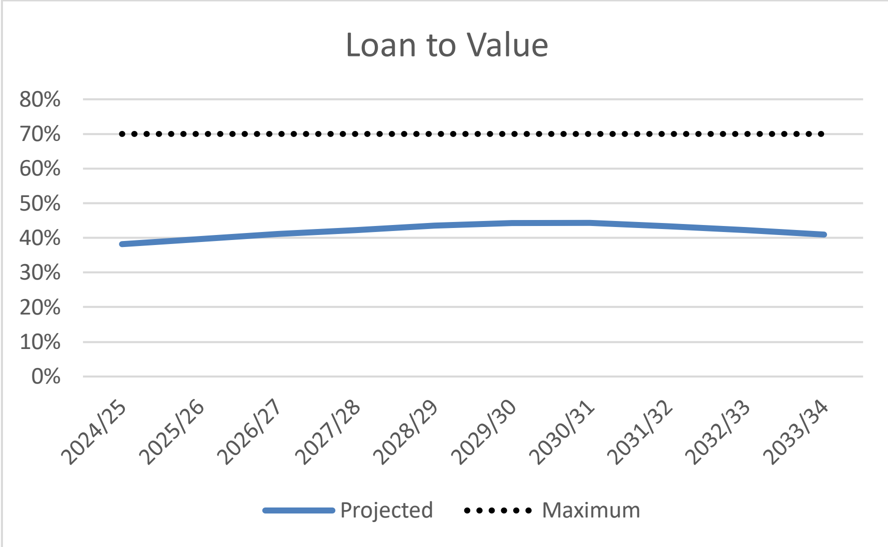
Table 19 – Interest cover ratio

Cash Flow Strength	Forecast				
	Year 1 2024/25	Year 2 2025/26	Year 3 2026/27	Year 4 2027/28	Year 5 2028/29
	£'000	£'000	£'000	£'000	£'000
Revenue Surplus	25,051	25,580	29,022	31,303	34,348
Less Capital Investment (Existing Properties)	(10,695)	(10,227)	(10,509)	(14,125)	(17,563)
Revenue Surplus less Capital Investment	**14,356**	**15,353**	**18,513**	**17,178**	**16,784**
Net Finance Costs	(7,387)	(7,593)	(8,003)	(9,082)	(9,925)
Interest Cover	**6,969**	**7,760**	**10,511**	**8,095**	**6,859**
Interest Cover x	**1.9**	**2.0**	**2.3**	**1.9**	**1.7**

The table above shows we will generate sufficient cash, or revenue surplus, from our underlying business operations to cover the cost of investment in our existing homes and our borrowing costs. This means that our underlying operational surplus when expressed as a proportion of funding costs is >1 from year 1 onwards, a key indicator of the financial strength of the business. Over the longer term it is projected that debt can be repaid in 2048/49 of the plan with £163.7m of cash generated by year 30.

5.4 Asset cover

One of the metrics which governs overall borrowing limits is the value of the owned asset base. Under the RSL borrower group funding arrangements, WH South's investment and development programme will be supported by intra-group borrowing from WFL1 which operates on a Group wide borrowing and asset security basis. Assets are typically based on the cash flows associated with these assets, business decisions, such as in relation to rent growth, will have an impact on asset values. The loan to value profile for WH South is as follows:



Loan to value increases from [redacted] in 2028/29 as a result of the additional debt required to fund our development programme. This remains well below our 70% golden rule maximum level and demonstrates that WH South will have sufficient asset cover to support loans.

6. Risk Analysis

We have performed sensitivity analysis showing the potential impact on the plan of key risk factors. As well as general risks relating to inflation and the cost base. The response and mitigation actions will be considered on a Group-wide basis by the Group Board and Audit Committee.

No.	Risk Description	Interest Cover x					LTV	Cash Flow		Mitigation
		2025	2026	2027	2028	2029	Max value	Peak debt	Debt repaid	
2024/25 Financial Projections		**1.9x**	**2.0x**	**2.3x**	**1.9x**	**1.7x**	**44%**	**£265.2m**	**26**	
1	Cost inflation remains at 5% in year 2	1.9x	1.9x	2.2x	1.8x	1.6x	45%	£276.8m	No repay within 30 years	Costs increasing faster than rent results in reduction in interest cover and increased debt. Additional efficiency savings would be required
2	Rent increase reduced to inflation in years 2-3	1.9x	1.9x	2.1x	1.7x	1.5x	46%	£283.1m	No repay within 30 years	Review operating model and repairs service to seek additional efficiencies.
3	Bad debts are 1% higher	1.9x	2.0x	2.2x	1.8x	1.6x	45%	£270.6m	27	Review of rent setting policy, operational efficiencies and service and repair levels to mitigate the financial impact of the additional bad debt costs.
4	Employee costs planned savings not achieved	1.9x	2.0x	2.2x	1.8x	1.6x	45%	£270.1m	27	Longer term performance monitoring required to identify overspends and areas for efficiencies to be realised
5	Repair and maintenance costs are 10% higher from years 1 - 5	1.8x	1.9x	2.2x	1.8x	1.6x	45%	£274.7m	28	Performance monitoring and service review to identify areas where efficiency savings can be realised.
6	Investment programme accelerated to bring forward spend of £2m in year 1 and 2	1.7x	1.8x	2.3x	1.9x	1.7x	45%	£270.70m	27	Efficiencies sought in other areas to offset the impact in those years.
7	2 new build schemes are delayed by 6 months	1.9x	2.0x	2.2x	1.9x	1.7x	44%	£265.1m	26	Interest cover only marginally affected driven by delaying the income from rent. While South can

										absorb this, the development team should try to reduce any impact.
8	New build contractor goes into administration with costs increasing by 15% and completion delayed at 3 sites	1.9x	2.0x	2.2x	1.9x	1.7x	46%	£268.5m	27	Interest cover marginally affected, LTV increased in years 2-4 and peak debt up £3.3m The development team should try to reduce any impact where possible.
9	Inflation increased to 5% 25/26, rent stays unchanged, bad debts are 1% higher and repair costs increase 10% years 1-5.	1.7x	1.7x	2.0x	1.6x	1.4x	47%	£293.7m	No repay within 30 years	Performance monitoring, operational efficiencies and review service and repair levels to identify areas where savings can be made.
10	The blended interest rate on borrowing increases to 5.10% in years 1-5	1.9x	2.0x	2.3x	1.9x	1.7x	44%	£267.9m	26	Efficiencies sought in other areas to offset the impact of interest rates.

Report

To: **Wheatley Housing Group Board**

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

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

Subject: **Five-year Investment Plan**

Date of Meeting: **21 February 2024**

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1. Purpose

1.1 This report seeks Board approval of the Group's five-year investment plan for 2024-2029. This plan underpins our strategic ambition to make the most of our homes and assets, specifically, our commitment to invest in our existing homes and environments.

2. Authorising and strategic context

2.1 An asset management strategy workshop was held with the Board last month. Discussions at this workshop will shape our strategic asset management context and discussions with each Group subsidiary as part of their annual strategic planning activities.

2.2 Following this, a draft Group asset management strategy will be developed for consideration by the Board in June 2024. Once finalised, the strategy will provide an overarching framework for future asset investment related decision making and planning. Information presented at the recent workshop has informed the five-year investment plan presented here.

2.3 Under the Group Standing Orders, the Group Board is responsible for the approval of the Group five-year capital investment plan.

2.4 Each individual RSL and Lowther Homes' Board has approved their individual five-year capital investment plans, which form the basis of the Group position presented in this report.

3. Background

3.1 Our five-year investment plan details our ambition to deliver improvements in our existing homes and environments over the next five years. The plan is informed through data on our assets from our stock condition survey, which is independently verified by JLL, as well as intelligence from our responsive repairs programme, customer priorities via local engagement activities across our subsidiaries and knowledge of our stock from housing teams and our asset staff. The plan includes our RSL portfolios as well as that of Lowther Homes.

3.2 Whilst there is a consistent approach to our asset investment planning across group subsidiaries, this process allows for different requirements for Lowther assets and the particular requirements of individual RSLs. These requirements are built into each capital investment plan.

3.3 The plan is reviewed and updated annually ensuring it remains agile to reflect changing customer expectations, emerging regulatory requirements, and new strategic investment objectives.

4. Discussion

4.1 We have a well-developed approach to managing our assets. This includes investing to ensure our homes have modern facilities, meet current safety and other regulatory requirements, such as those relating to energy efficiency and meet customer needs.

4.2 Our five-year investment plan across the RSLs and Lowther includes a core capital programme budget of £198m, which will be directed towards major property improvement works. The programme also includes £137m for RSL capitalised repairs and improvement works to void RSL and Lowther properties and £20m for the delivery of major medical adaptations for RSLs.

4.3 Total investment, including relevant costs for staff who are involved in delivering our programmes, over the five years is £444m an increase of £63m from last year's total of £379m. This reflects the assumptions on rent increases in our business plan, and updated stock investment assumption to ensure we deliver required component replacement that was deferred during the covid period and the ‘cost of living’ crisis. Our resources will be supplemented by grant funding in areas such as adaptations and energy efficiency where we can access it successfully.

4.4 Our core capital programme will continue to focus on the delivery of property and environmental improvements, which provide the greatest value to our customers. Our customer engagement and neighbourhood planning activities tell us that customers want modern, energy efficient homes and safe neighbourhoods. Our 5-year plan outlines our commitment to deliver on these priorities with the programme content currently falling within three broad themes:

- Warm, high-quality homes;
- Safe homes; and
- Great neighbourhoods.

<u>Warm homes</u>

4.5 This theme encompasses our energy efficiency and internal modernisation programmes. We plan to invest £87m over the next five years across RSLs and Lowther in improving the energy efficiency of our homes. These measures will focus on fabric efficiency measures in keeping with the focus in the Scottish Government Social Housing Net Zero (SHNZS) standard consultation, and heating renewals where they are approaching the end of their operating lifecycle.

4.6 Our energy efficiency improvements will not only benefit our customers in terms of reducing heat demand and fuel poverty but will also assist in relation to the objectives of our sustainability framework and delivering the regulatory objectives that the Scottish Government is consulting on as part of SHNZS. These requirements are likely to include fabric efficiency targets to meet by 2033 and requirements for net zero heating sources by 2045.

4.7 We are committed to exploring the use of new technological innovations to help us deliver improvements for customers and our sustainability ambitions. We have recently completed the installation phase of a Wheatley Homes Glasgow pilot project at Kelvindale Road to connect flatted properties to a single community solar PV system called the SolShare. This system will allow customers living in flatted properties to benefit from a reduction in their electricity bills through monitoring demand and directing the energy generated to where it is needed. We will assess the impact of this pilot over 2024/25.

Energy Standards for private rented sector

4.8 The Scottish Government has set a target for all private rented sector properties to reach a minimum standard equivalent to EPC band C by 2025 where technically feasible and cost-effective, at change of tenancy, with a backstop of 2028 for all remaining existing properties.

4.9 [redacted].

District Heating Consolidated Control and Management System

4.10 Our core programme also includes the continuation of our £3.5m programme to deliver a new control management system to improve the efficiency of our district heating networks. This project commenced in 2023/24 and includes improvements affecting 1,741 homes in Glasgow and Edinburgh. This includes Biomass systems at Broomhill and Colina Street and our older, less efficient, Heat with Rent homes. Networks which are already under concession contracts to third parties e.g. Wyndford and Commonwealth Games Village are not included. The objective of the control and management system is to improve, in some cases double, the efficiency of these heat networks and reduce fuel consumption. Customers will also see improvement such as being better able to manage and control their heating.

Scottish Housing Net Zero Fund

4.11 We are bidding currently to the Scottish Government for the next tranche of SHNZ (Social Housing Net Zero) Funding. If our three bids are successful, this will enable additional investment of £7million in the energy efficiency of our properties across Group. Previous SHNZ funded projects include retrofit of pre-1919 sandstone tenements, acceleration of our Connected Response programme and refurbishment of homes to reach to net zero standard.

Quality Homes

4.12 Maintaining excellent internal housing quality standards is essential in ensuring that our homes are modern and desirable. Our five-year capital investment plan includes for the installation of around 4,100 new modern kitchens across RSLs and Lowther. This programme will include a combination of reactive replacements in void properties and a planned lifecycle replacement programme within tenanted homes.

Safe Homes

4.13 Our core programme places a strong emphasis on ensuring our homes remain compliant with any regulations and are safe and secure, including secure entrances to our customers' homes and supporting the Group's Fire Prevention and Mitigation Framework. Over the five years of our investment plan, we will deliver a range of Home Safety Compliance related programmes encompassing:

- Installation of emergency lighting in all our core stock MSFs by 2025/26;
- Domestic wiring upgrades where required through our periodic electrical inspection (EICR) regime;
- Lifecycle replacement of LD2 smoke and heat detection across all stock types;
- Thermostatic Mixer Taps maintenance for our most vulnerable customers;
- Provision for planned improvement works as recommended in our Fire Risk Assessments;
- Upgrade of vital Mechanical & Electrical communal infrastructure; and
- Upgrading controlled entry systems where required.

4.14 Our programme also continues to fund additional fire safety measures for some of our most vulnerable customers through supporting our fire safety officers in providing innovative solutions following a person-centred risk assessment to help keep people safe. Measures include enhanced smoke/heat detection, portable fire suppression systems, fire retardant blankets and stove guards.

4.15 More generally, the Scottish Government has recently issued a Technical Advice Note to assist in determining the fire risk posed by external wall systems in multi-storey residential buildings. This include an external wall appraisal to ensure that people are not placed at undue risk of harm from fire spread over or within the external wall system.

4.16 The Technical Advice Note provides a methodology (from a desktop review to more intrusive surveys) to establish the makeup of external wall systems and their fire performance and applies to all buildings of two or more storeys with a greater emphasis on building of greater height.

4.17 We have developed a risk profile and action plan for external wall systems and completed a desktop review for our highest priority buildings - all those above 18m (MSFs) are within Wheatley Homes Glasgow. We also engaged qualified Building Surveyors and / or Fire Engineers to undertake four intrusive surveys to supplement the information we hold for these buildings.

4.18 Using the approach in the Technical Advice Note, all our MSFs were assessed to be of a low / tolerable risk rating. This builds on, and reinforces, the extensive assessment and analysis work that we have undertaken previously on our MSF and provides further assurance on fire safety. As does the use of rockwool and concrete in our external wall system, the non-use of ACM (Aluminium Composite Material) or HPL (High Pressure Laminate) systems, and the various fire safety investments we have made including sprinklers in bin stores, interlinked smoke and heat detectors in homes, minimum 30-minute fire resistant doors on homes and intumescent fire seals on all bin chutes.

4.19 Going forward, the desktop review of buildings between 11m – 18m will commence in April 2024 followed by buildings of a lower height.

4.20 We have also developed PIMSS (the Group Asset Information Management Systems) to allow the recording of desktop reviews and intrusive surveys, in the format recommended by the SG Technical Advice Note

4.21 We will continue to meet with the Scottish Government Cladding and Remediation Team to understand further developments in the Technical Advice Note and associated Single Building Assessment process that is being piloted. It is anticipated that changes to the Technical Advice Note and the proposal of a Housing (Cladding Remediation) Bill could be introduced in late 2024, outlining further advice and guidance to appraisals, assessments and routes for remediation.

Great Neighbourhoods

4.22 We are committed to investing in our wider communities through the improvement of our common areas and environments. Maintaining the physical upkeep and look of our environments is an integral part of our asset management approach to ensure that our neighbourhoods are secure and desirable for both existing and prospective customers.

4.23 Our 5-year Investment Plan will help to support the delivery of our ‘Keep Scotland Beautiful’ environmental quality standard through works to improve controlled entry systems, common areas and backcourts. We will also, as discussed at the recent Board Asset Management Strategy workshop, pilot an approach, as part of our neighbourhood planning, to improving the look and quality of the external environment of tenement blocks through multiple measures such as render and other high-pressure cleaning, close painting, fabric maintenance, gutter cleaning and environmental works.

Mechanical & Electrical infrastructure upgrades

4.24 Our investment plans recognise the importance of our M&E infrastructure in ensuring our assets function correctly. This is particularly important in our Multi Storey properties, where vital services are required such as common ventilation, water supply, CCTV and lifts. Our five-year plan includes for planned improvements to critical M&E components including the lifecycle replacement of pump sets and water storage tanks, ventilation fans/plant and lifts.

Mould and Damp

4.25 We recognise the negative impact that damp and mould can have on our customers' health & quality of life. The causes of damp and mould can be complex and to tackle this, during 2023, we have introduced a sector leading approach, including attending all reported cases within 2 working days and a target of completing all works within 15 working days.

4.26 Our investment plan seeks to further support our approach to mould and damp through the delivery of a targeted mechanical ventilation upgrade programme benefitting over 5,000 customers across our subsidiaries over the next five years. This investment will significantly improve indoor air quality and ensure customers have efficient and effective means of ventilating their home to help mitigate the effects of condensation dampness.

4.27 The programme will be developed using asset intelligence to identify trends in response repair data, which will help to inform and target priority areas, tenancies and stock types.

External Funding Opportunities

4.28 We will continue to explore external funding opportunities to help support and maximise the value of our investment programme for tenants and factored homeowners alike. This is demonstrated by:

- Our Connected Response programme where almost 6,000 Wheatley Homes Glasgow tenants have befitted as a result of the earlier mentioned Scottish Government grant funding;
- £800,000 of ECO (Energy Company Obligation) funding for a retrofit project at Linkwood, Drumchapel (completed in 2023/24 that saw 22 of our most energy inefficient homes improved from an Energy Performance Certificate (EPC) of band E to band B;
- £2m of ECO support for the installation of Solar PV and Air Source Heat Pumps in up to 150 electrically heated Wheatley Homes Glasgow main door homes across; and
- Projects mentioned earlier including the ECO funded programme to improve Lower properties and the Scottish Government funded projects to retrofit pre-1919 Sandstone tenements and poor energy efficiency homes in Dumfries and Galloway.

4.29 We will continue to explore further opportunities in 2024/25 to access any available funding to support energy efficiency and other improvements for eligible stock.

4.30 Grant support of around £200k has also been obtained from Glasgow City Council to support factored homeowners involved in our ongoing major planned repair programme for Wheatley Homes Glasgow's pre-1919 tenement homes in the city centre in 2024/25. This financial support has been vital to enable owners to participate in the programme.

Year 1 programme (20224/25

4.31 Our programme in Year 1 (2024/25) of the five-year plan for RSLs and Lowther has a total value of £80.5m (including capitalised staff costs).

5. Customer Engagement

5.1 Our aim through our neighbourhood planning approach is embed investment delivery alongside other actions to address local priorities, and to increase customer engagement in future investment planning decisions, in relation to the type and timing of investment.

5.2 The allocation of the discretionary elements of the budget i.e. beyond compliance and safety work, has been informed by customer feedback in recent years, such as that gathered through local events, from customer satisfaction surveys, rent consultation feedback and the input of locality housing directors and frontline housing and Lowther teams, reflecting the views coming from customers in local communities.

5.3 Over the next five years, we propose to go further through giving customers greater control of how and where investment is delivered and better choice on the specification of improvement to their homes. We also intend to strengthen yet further the links to our neighbourhood plans through our asset strategy and subsidiary specific investment plans.

Stronger Voices Investment Programme

5.4 Our core programme includes our ‘Stronger Voices’ budget in support of this framework, which will deliver £7.3m of customer driven investment over the next five years. This budget will be used to deliver an enhanced programme of local priority investment work over and above existing planned customer investment commitments. The content of this programme will be informed exclusively by our tenants working with our frontline housing teams and built into our neighbourhood plans. This programme is in addition to over £105m already allocated to deliver current customer priority larger core investment work programmes such as new windows, heating systems, new kitchens and community environmental improvements.

6. Environmental and sustainability implications

6.1 The Scottish Government has set an ambitious target to be net zero by 2045 and is working on specific social housing targets through SHNZS. We have embraced this challenge through the focus in our Sustainability Strategy on reducing emissions from existing homes and planning to deliver £87m of energy efficiency improvements over the life of this five-year investment plan.

6.2 The consultation on SHNZS refocussed energy efficiency improvement from the cost of heating a home to the consequences of building fabric inefficiency on the energy needed to heat a home, and the source of this energy. Our plan, which we will take forward in 2024/25 is to review our priorities in the Sustainability Framework to ensure alignment with SHNZS once finalised.

6.3 In preparation for the SHNZS reporting we are continuing to develop a property-by-property assessment of current energy performance characteristics to determine the exact requirements for each dwelling.

7. Digital transformation alignment

7.1 We will look to align our investment services with our digital transformation strategy. Historically we asked our customers to make a visit – often at a time of our choosing - to an office to view investment plans and make choices on kitchen and bathroom upgrades. While we currently still use our bank of local hubs to deliver a face-to-face personal service, we will look to adopt more interactive and convenient methods for the customer once developed to inform investment in their homes. An example of this would be tools that make kitchen design and colour choices a digital experience.

7.2 We have phased out whitemail customer satisfaction surveys with individual investment project satisfaction surveys now carried out either by text or telephone. The My Voice platform will enhance this further allowing us to gather more insightful information on the service experience.

8. Financial and value for money implications

8.1 The investment plan will deliver value for money in several ways including:

- **Meeting customer aspirations** - Our investment plan supports the delivery of customer investment aspirations with our locality neighbourhood planning process and Stronger Voices approach helping to inform the development and content of our programmes;
- **Quality of life** - Our investment plans help to improve our customers' quality of life and tackle fuel poverty through the provision of warm and affordable homes, which meet SHQS and improve energy efficiency. Our investment planning also recognises the importance that a good quality environment can have on the desirability of our communities and on quality of life, with significant funds committed to deliver improvements in these areas;
- **Environmental maintenance** - Our approach to the delivery of environmental improvements, designed with input from our NETS service, will help to build capacity by reducing the maintenance burden on this service, enabling resources to be focussed on other key service priorities;
- **Factored homeowners** - Our five-year plan demonstrates a commitment to seeking innovative solutions to assist factored homeowners to participate in our investment programme, helping to reduce the financial burden where possible, whilst also benefitting our tenants living in mixed tenure stock;
- **Joint Venture with City Building (Glasgow)** – for our West assets our relationship facilitates a more efficient approach to investment planning and delivery, maximising our buying power with suppliers to drive value for money and deliver wider community benefits and apprenticeships; and
- **Asset sustainability** - By continuing to deliver investment in our existing assets we ensure the long-term sustainability of our assets, helping to drive down the frequency of response repairs, whilst giving assurance to our lenders that we have a robust approach in place to manage and maintain our assets.

8.2 The core investment programme of £198m is contained within the overall £444m five-year capital investment expenditure which includes voids, capitalised major repairs, adaptations and staff to deliver the programme as set out in the 2024/25 financial projections. All amounts include irrecoverable VAT where appropriate.

9. Legal, regulatory and charitable implications

9.1 There are no specific implications arising from the creation of the five year capital investment plan.

10. Risk Appetite and assessment

10.1 Our risk appetite for investing in existing homes and environments is “open”. This level of risk tolerance is defined as “prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level”. The proposals in this report reflect that risk appetite.

11. Equalities implications

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

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

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

12. Key issues and conclusions

12.1 Our core investment programme will deliver £198m of planned improvements in our property portfolio over the next five years. In addition, the programme includes £137m for RSL capitalised repairs and improvement works to void RSL and Lowther properties and £20m for the delivery of major medical adaptations for RSLs. The total investment over the five years is £444m.

12.2 The continuing focus of our programme is on delivering improvements that contribute the greatest value to our tenants and communities, with almost 55% of our core programme geared towards known customer priority investment, with the remainder driven by regulatory and compliance requirements. Customers will continue to shape our investment plans through our neighbourhood plans and our Stronger Voices programme.

12.3 Safety remains a key priority for us with over £12m of our core investment programme earmarked for property compliance, security and fire safety related works over the next five years.

12.4 Our investment programme will support the objectives of our sustainability framework, specifically around improving the fabric energy efficiency of our homes in line with SHNZS. We will continue to explore external funding opportunities such as from Scottish government and ECO to bolster our existing programme and further support the delivery of our sustainability ambitions.

12.5 We recognise the negative impact that mould and dampness can have on the health and wellbeing of our customers. Our investment plan makes provision for proactive investment interventions designed to improve indoor air quality and mitigate the occurrence of mould within our homes.

13. Recommendations

13.1 The Board is asked to approve the Group's Five-Year Investment Plan 2024-29.

LIST OF APPENDICES:

Appendix 1: Five Year Capital Investment Plans by RSL and Lowther

Five-Year Core Investment Plans by RSL and Lowther

Table 1 – Wheatley Homes Glasgow (WH-G) Five-Year Core Programme

PROPOSED WH-G PROGRAMME (INC VAT) - Original					
	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
WorkGroup	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Gas Heating	2730	3134	3226	3251	3400
Net Zero/Low Carbon Heating (ASHP, District Heating etc)	0	0	1300	1370	1360
Electric Heating Renewals	160	460	1637	2380	3900
Low-rise Fabric	1230	870	270	270	270
Pre-1919 Tenements (Major Fabric Repair)	399	360	360	360	360
Kitchen	1630	2328	2884	3000	3000
Bathroom	300	611	636	650	675
Rewire	950	1328	1860	2400	2520
Windows & Doors	150	1280	4823	4783	4800
Environmental	1500	1860	1000	800	0
Common Work	0	0	500	500	500
Mechanical & Electrical	500	1000	1000	1000	1000
High-rise Fabric	1826	400	760	500	500
EESSH/Archetype Specific Energy Measures	200	140	220	395	500
Lift Replacements	960	1660	720	1195	1140
Fire Safety	830	480	480	480	480
Stronger Voices	1000	1000	1000	1000	1000
Central Contracts (Non-JV)	50	50	50	50	50
District Heating Component Replacements (Non-JV)	150	93	80	600	1500
Capital Contingency	0	0	500	500	500
Minibems District Heating Control Management	1497	0	0	0	0
Core Programme Total	16062	1375	23306	25484	27455
Emergency Lighting Installations	1542	1020	0	0	0
Smoke/Heat Detector Installs	142	170	470	720	1220
TMV Taps	150	150	150	150	150
Solar PV's - Replacement Inverters	217	223	0	0	0
Core Programme & Capital Compliance Total (inc VAT)	18113	2938	23926	26354	28825

Table 2 – Loretto Five-Year Core Investment Programme

Loretto Investment Programme 2024-29	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
WorkGroup	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Gas Heating	200	200	200	200	250
Net Zero/Low Carbon Heating (ASHP, District Heating etc)	0	0	150	200	435
Low-rise Fabric	980	398	66	180	0
Kitchen	205	317	370	96	380
Bathroom	32	32	36	142	50
Rewire	30	96	102	108	285
Windows & Doors	750	583	35	210	425
Environmental	0	722	330	500	650
Common Work	0	326	50	0	0
Mechanical & Electrical	0	60	60	60	60
EESSH/Archetype Specific Energy Measures	0	45	246	457	500
Fire Safety	42	42	42	42	42
Stronger Voices	120	184	304	304	303
Capital Contingency	0	50	50	50	50
Office Conversion	80	0	0	0	0
Core Programme Total	2439	3055	2041	2549	3430
Smoke/Heat Detector Installs	25	30	30	30	75
TMV Taps	10	10	10	10	10
Core Programme & Capital Compliance Total (inc VAT)	2474	3095	2081	2589	3515

Table 3 – Wheatley Homes East Five-Year Core Investment Programme

PROPOSED WH East PROGRAMME (INC VAT)					
WHE Investment 5 year	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
WorkGroup	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Gas Heating	190	200	226	200	500
Net Zero/Low Carbon Heating (ASHP, District Heating etc)	0	0	0	0	0
Electric Heating Renewals	177	150	100	282	400
Low-rise Fabric	150	200	150	400	481
Pre-1919 Tenements (Major Fabric Repair)	600	750	950	1200	1200
Kitchen	250	300	300	400	500
Bathroom	300	370	405	400	500
Rewire	0	0	0	300	450
Windows & Doors	350	400	400	400	500
Environmental	90	150	150	200	500
Common Work	180	271	200	400	500
Mechanical & Electrical	0	150	200	300	400
EESSH/Archetype Specific Energy Measures	100	100	100	180	200
Lift Replacements	80	100	150	200	300
Fire Safety	110	355	250	250	250
Stronger Voices	100	100	200	200	300
Think Yes for Investment	49	49	49	49	49
Minibems	425	0	0	0	0
Core Programme Total	3151	3645	3830	5361	7030
Emergency Lighting Installations	0	0	0	0	100
Smoke/Heat Detector Installs	50	50	51	150	200
TMV Taps	121	0	0	0	0
Core Programme & Capital Compliance Total (inc VAT)	3322	3695	3881	5511	7330

Table 4 – Wheatley Homes South Five-Year Core Investment Programme

WHS CORE INVESTMENT PROGRAMME (INCL VAT) 2024-2029					
PROGRAMMES	2024/25	2025/26	2026/27	2027/28	2028/29
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	Year 5
Gas Heating	£ 180,000	£ 120,000	£ 180,000	£ 180,000	£ 600,000
Low Carbon Heating (ASHP)	£ 787,208	£ 600,000	£ 600,000	£ 1,196,696	£ 1,800,000
Low-rise Fabric	£ 1,100,400	£ 849,600	£ 915,106	£ 2,134,933	£ 2,757,056
SHNZ	£ 3,364,000	£ -	£ -	£ -	£ -
Sturctural	£ 300,000	£ 106,800	£ 120,000	£ 300,000	£ 300,000
Kitchen	£ 500,400	£ 480,000	£ 385,596	£ 1,200,000	£ 2,100,000
Bathroom	£ 650,400	£ 168,000	£ 180,000	£ 180,000	£ 720,000
Windows & Doors	£ 749,592	£ 845,680	£ 1,095,106	£ 1,534,933	£ 2,157,056
Environmental	£ 231,600	£ 264,000	£ 219,600	£ 264,000	£ 264,000
Common Work	£ 300,000	£ 432,000	£ 375,600	£ 433,200	£ 432,000
Mechanical & Electrical	£ 60,000	£ 320,400	£ 316,800	£ 320,400	£ 140,405
Environmental Sensors	£ 60,000	£ 340,320	£ 300,000	£ 339,600	£ 108,000
EESSH/Archetype Specific Energy Measures	£ 57,600	£ 57,600	£ 56,400	£ 120,000	£ 120,000
Fire Safety	£ 64,800	£ 67,200	£ 33,600	£ 64,800	£ 64,920
Living Well	£ 50,400	£ 50,400	£ 24,000	£ 50,400	£ 50,400
Stronger Voices	£ 39,600	£ 39,600	£ 33,600	£ 39,600	£ 39,600
Think Yes for Investment	£ 39,600	£ 39,600	£ 28,800	£ 39,600	£ 39,600
Garages	£ 62,400	£ 39,600	£ 20,400	£ 54,000	£ 42,000
Core Programme Total	**£ 8,598,000**	**£ 4,820,800**	**£ 4,884,608**	**£ 8,452,163**	**£11,735,037**
TMV Taps	£ 180,000	£ -	£ -	£ -	£ -
Capital Compliance Total	**£ 180,000**	**£ -**	**£ -**	**£ -**	**£ -**
Core Programme & Capital Compliance Total (INCL VAT)	**£ 8,778,000**	**£ 4,820,800**	**£ 4,884,608**	**£ 8,452,163**	**£11,735,037**

Table 5 – [redacted]

Wheatley Group

Report

To: Wheatley Housing Group Board

By: Frank McCafferty, Group Director of Repairs and Assets

Approved by: Steven Henderson, Group Chief Executive

Subject: Repairs Update

Date of Meeting: 21 February 2024

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1. Purpose

1.1 To provide the Board with an update on:
- Progress with repairs service enhancements;
- Ongoing customer engagement to inform future service enhancements; and
- The revised repairs budget forecast for 2023/24

2. Authorising and strategic context

2.1 Under the Group Standing Orders, the Board is responsible for the oversight and scrutiny of service delivery and monitoring of performance. Repairs are a key driver for our overall tenant satisfaction and a key priority for our tenants.

3. Background

3.1 As part of the Group wide strategy workshops that took place over March and May 2023, Boards discussed the work underway to evolve our repairs service based on a wide range of customer insights.

3.2 It was agreed at the workshops that the refined approach and focus responded clearly to the views of tenants. We subsequently reflected this in the updates to our five-year strategy and agreed there would be strong Board oversight of the delivery of the improvements during this year.

4. Discussion

Service enhancements

4.1 Tenant feedback in all areas of the Group has consistently indicated that communication and improving the management of complex repair works (reducing the number of visits to complete a repair) are key priorities and impact tenant satisfaction with the service. Our response to this focused on three areas:
- Introducing a new digital communication tool, “Book It, Track It, Rate It” to all Group RSLs, to improve communication;
- Better monitoring of customer experience, to identify areas for improvement;

- The role of our MyRepairs team in Glasgow to help monitor and manage more complex repairs, to improve first time fix and give the customer a dedicated contact team for information on their repair; and
- Reducing repair timescales.

Customer communication and satisfaction

4.2 We have now introduced "Book It, Track It, Rate It" to all appointed repairs undertaken within Wheatley Homes Glasgow, Loretto Housing, Wheatley Homes East, and Wheatley Homes South. The feedback to date on the 'Track It' functionality has been extremely positive, with customers indicating that the text message reminders and updates are a positive improvement in communication.

4.3 The 'Rate it' element seeks customer feedback on a scale of 1-5 and includes the option for customers to receive a call back. Following this going live on 30 May 2023 in Wheatley Homes Glasgow and Loretto Housing we have received over c14,400 customer ratings with an average score of 4.5/5, the equivalent of 90%. This level of satisfaction has been consistent since 'Rate It' was introduced. The response rate has also risen from 17.6% initially to 19.47% overall year to date.

4.4 Book It, Track It, Rate It went live in Wheatley Homes East on 1 June 2023, and we have received 2,412 feedback responses with an average score of 4.3/5, the equivalent of 86% satisfaction with a response rate of 16.22%

4.5 For Wheatley Homes South, Book It, Track It, Rate It went live on 06 November 2023, and we have received 1,124 customer ratings with an average score of 4.6/5, the equivalent of 92%. The response rate to 'Rate It' is 15.6%

4.6 While at an early stage, this represents strong satisfaction levels since the introduction of Book It, Track It, Rate It. We are now considering how we can promote this with customers to drive up the response rate to provide us with a wider sample size.

4.7 As we embedded in Book It, Track It, Rate It, we have continued in parallel to undertake call backs on a random sample of completed repairs via our MyRepairs team and CFC (Customer First Centre) through April 2023 to January 2024.

- For the West we completed 1,826 surveys over this period and achieved an average satisfaction level of 94%;
- For the East we completed 528 surveys over this period and achieved an average satisfaction level of 94%; and
- For the South we completed 644 surveys over this period and achieved an average satisfaction level of 95%.

4.8 Customer feedback on completed repairs tends to be higher than general customer satisfaction on repairs, as the latter includes customers waiting for repairs to be completed. However, the results so far from our Book It, Track It, Rate It model are encouraging.

4.9 Our Annual Return on the Charter repairs satisfaction levels remain high at 90.90% average across the Group for the rolling 12-month period, from 6,815 responses.

Service Improvement Activities

4.10 The MyRepairs operating structure for Glasgow launched just over a year ago. This has assisted front-line services, particularly the CFC and Housing Officers allowing them more time with customers on non-repairs related services.

4.11 The MyRepairs service is now handling call transfers and emails in relation to existing repairs and so far has handled 23,000 calls from the CFC and 65,000 emails.

4.12 The service has also been overseeing the delivery of complex repairs referred by Locality Housing Directors, Housing Officers and CFC colleagues, and is liaising with the customers on these to provide a single point of contact. To date, the Specialist Team have case managed over 6,900 more complex repairs.

4.13 Insights being gathered from the MyRepairs teams' interactions with customers, City Building and our in-house teams are helping to inform service improvement actions, some of which are set out in more detail below.

4.14 The role of City Building in the delivery of our repairs service is key to improving tenant satisfaction. Having recently reviewed our service delivery arrangements we are implementing a joint improvement plan focussed on the following workstreams.

- *Performance management* – review and further development of the existing performance management reporting arrangements to ensure these are focussed on driving improvements in performance levels and informing service improvement activities;
- *Process and procedure development* – existing working arrangements are being reviewed so that these are streamlined and efficient and are focussed on improving interactions with our customers and satisfaction with the service;
- *Structure/Utilisation of resource* – review of structures and resources within operational teams to ensure these matches current service demands and assist the timeous completion of repairs;
- *Systems* – reviewing the use of existing IT systems to maximise their benefit in the planning and delivery of repairs; and
- *Sub-contractors* – review the appointment, management and monitoring of sub-contractors to reduce reliance on this resource – where tenant feedback indicates consistency in service standards can be more variable - and maximise the use of the in-house resource.

4.15 In Wheatley Homes South the new Repairs, Investment & Compliance service delivery model is now fully embedded. This has brought local employment opportunities and the void work is now being carried out in-house thereby gaining greater control over the delivery of this workstream and help improve efficiency and reduce costs.

4.16 Wheatley Homes East is continuing with the preparation work needed in advance of bringing in a new job management system (Servitor) by the end of the financial year. As well as improving the management and delivery of the repairs service this brings the East onto the same platform as the other parts of Group which will assist performance reporting. The transition to the Servitor system is a major project for WHE and will has involved close liaison with the Repairs Service in WHS as processes will become aligned.

Customer engagement and insight

4.17 Our refreshed Group Scrutiny Panel selected repairs for its first thematic review which recently concluded. Members from the Panel formed a thematic review group. The thematic group welcomed the service improvement and agreed that communications would be a specific focus of their review; the customers then scrutinised the end-to-end customer repairs journey, from the initial report through to completion.

4.18 As part of their fieldwork the members of the Panel visited the CFC and had the opportunity to meet with call handlers and managers, as well as meeting the MyRepairs team to be updated on improvements that were being made. They also met with an operative from City Building to discuss operational practice.

4.19 Since they presented to the Board in December, the thematic review group have recently presented its recommendations to RSL Boards, along with the solutions it cocreated, which are being taken forward. We will continue to work with the Panel over the first half of 2024 to deliver these.

Demand and budget position

4.20 Levels of customer demand for repairs remain high throughout 2023/24. Job numbers increased by 28% in 2022/23 and while they have continued to increase, the rate has slowed to an average of 3.7% increase for the year to 31 December 2023, compared to the same period in 2022. The current indications are that demand has started to stabilise, with job numbers in the quarter to December 2023, broadly in line with the previous year.

4.21 Spend on repairs for the year to December 2023 is £5.8m higher than budget. The full financial out-turn for repairs spend was reviewed during the preparation of the Q2 forecast, this review took into account the drivers for higher levels of demand for repairs which had been expected to be one-off in nature when the budget was originally prepared. This resulted in an increase of £9m in the forecast for the full year spend on repairs. The actual spend in December 2023 remains in line with forecast full year out-turn.

4.22 The positive impact following the implementation of the additional measures taken in relation to the repair/renewal principle can be seen in Q3 of 2023/24 with the stabilisation of repairs demand and a reduction in the average cost per job as the measures were fully embedded. The repair/renewal principle has started to generate savings with an approach of renewal of the full component only where a repair is not possible. This has been carried out in combination with the training recently provided to repairs teams across all of the group RSLs.

4.23 To accommodate the higher repair costs in 2023/24 some items in our core capital programme have been deferred, as well as utilising forecast underspends in other budget lines to ensure we remain within our overall budgetary position.

4.24 We have analysed the repairs data from recent years which shows a growth in the proportion of larger, more complex and replacement/renewal works, such as replacing internal pass doors, renewing kitchen worktops and external environmental works.

4.25 Some of the more complex works could be dealt with as part of our capital programme or through repair rather than complete replacement. This has had an impact both on our financial position, and the average timescales to complete non-emergency repairs, which remains over our 7-day target at 8.05 days.

4.26 We are working across the Group to deal with replacement and upgrade works through our capital programmes or through aiming to carry out repairs rather than replacement. We have also been working with City Building to analyse the work allocations between 'Programmed' and 'Appointed' repairs and realign the diagnostic and delivery resources to enable a higher proportion of repairs to be instructed within the shorter timescale 'Appointed' category We expect this to lead to:

- a reduction in the number of visits, and timescales, needed to complete repairs as the Inspector Stage is eliminated for a number of jobs;
- improvements in communication with customers around repair works, reducing the volume of repairs related complaints; and
- an increase in customer satisfaction

4.27 New working arrangements structured around trade rather than work category in City Building, commenced in early February 2024 and will be fully implemented by early August 2024. This is being carried out in conjunction with senior planners being assigned to each trades team to optimise the availability of resources. Incremental improvements will be achieved through the stages of the implementation plan and the impact of these will be carefully monitored through our regular performance management reporting arrangements and customer feedback.

4.28 To further support our drive to repair rather than replace and reducing repair timescales and inconvenience to customers, six City Building operatives have undergone cosmetic repair training at the end of January 2024.

4.29 This will now enable these operatives to carry out cosmetic repair works, rather than replacement, to the majority of hard surfaces around the home to remedy holes, chips, scratches, splits, dents, and scuffs as well as discolouration and resurfacing. Effective repairs can be carried out on worktops and kitchen units, window frames and doors, baths and shower trays, tiles, flooring, radiators and sanitary ware.

4.30 We will monitor the effectiveness of this approach in the West with a view to rolling this out further across Group in 2024/25

4.31 Efficiencies in City Building also influence our financial position, as we receive a share of its surplus. Measures to improve operative utilisation and productivity, reduce fleet numbers (e.g. through sharing of vans) and reducing subcontractors have all been put in place.

4.32 The 2024/25 Business Planning process has taken into account the current demand profile for responsive repairs. The forecast financial outturn for responsive repairs for 2023/24 has been used as the base cost for the budgets. An increase in inflation has also been provided in the 2024/25 financial projections to ensure there is adequate financial provision to meet the repairs demand.

Damp and Mould

4.33 Responding promptly to reported issues in relation to damp, mould and condensation in our homes remains a priority. In response to the tragic death of Awaab Ishak, in Rochdale on 21 December 2020, as a result of a severe respiratory condition due to the prolonged exposure to mould in his home, a campaign was launched for Awaab's Law which would require landlords to investigate and fix hazards, including damp and mould, in their properties within strict new time limits.

4.34 On 9 January 2024 a consultation was issued by the UK Government seeking views on the proposals for the implementation of Awaab's Law. Although these will apply to England only, there is merit in benchmarking our existing processes and procedures against the recommendations in these proposals and to consider whether there are any areas of best practice that we would wish to implement.

4.35 There are seven proposals within Awaab's Law and having assessed our processes against the proposals we would comply and, in most cases, exceed upon the requirements. For example, under Awaab's Law the provider has 14 days to investigate a potential hazard. If we are notified of the presence of mould in a customer's home we will offer an inspection visit within two working days, or if it is deemed an emergency, within three hours. We also aim to complete repairs required within 15 working days.

4.36 There is one area of improvement we plan to undertake, drawn from these proposals, which is the provision of a written summary of the findings from any initial visit pertaining to damp and mould. To address this, work is already underway to develop and implement a written report to be issued to customers, for all reports of damp and mould. This will explore a range of options to ensure it takes into account customer preference, capacity to automate reports and adaptability to different languages.

5. Customer Engagement

5.1 We carried out focus groups with customers to understand what kind of communication they would like to see from us in terms of repairs. Their feedback helped to shape the development of the Book It, Track It, Rate It app.

5.2 Following the roll out of this app to customers we have been able to develop our customer insight through direct feedback from customers in rating their experience.

5.3 The Group Scrutiny Panel has recently concluded a thematic review into our repairs communication and has presented this to our RSL Boards as detailed at paragraphs 4.17-4.19.

5.4 In implementing our Group Repairs Policy Framework we have undertaken an Equality Impact Assessment on our repairs reporting process. We developed an MS Forms survey for Customer Voices to gain specific insight into equality-related issues customers may face reporting repairs; 50 customers responded to this and we also followed up with focus groups and some individual calls. We used the insight from this to inform the Equality Impact Assessment.

6. Environmental and sustainability implications

6.1 Using the Dynamic Route Scheduler (DRS) ensures trade operatives are not travelling unnecessarily thereby reducing and limiting CO2 emissions. This reduction will be supported further through the service improvement actions being taken to reduce the number of visits needed to complete each repair.

6.2 CBG have implemented the “Lightfoot” vehicle management system which provides valuable information on vehicle usage allowing more efficient planning for journeys and reduced fuel usage and carbon emissions. This type of system is already deployed within our fleet in WHE and WHS.

6.3 All waste related to repair activities is managed by CBG who have a contract with an organisation that utilises an energy centre, where a significant element of waste is turned into energy.

7. Digital transformation alignment

7.1 Repairs are a key element of our digital transformation programme, ranging from Book It, Track It, Rate It, to our online services and the wider platforms we use to manage and deliver the service.

7.2 Our digital transformation programme is fully aligned and prioritised towards supporting the evolution and improvement of our repairs service across all areas of the Group.

8. Financial and value for money implications

8.1 The repairs improvement plan includes action to increase the efficiency of the repairs service which in turn will increase value for money across the delivery of repairs to customers.

8.2 The additional £9m provision for repairs included the 2023/24 forecast financial out-turn makes provision for the higher level of demand we are now experiencing. This can be contained within the context of the overall Group 2023/24 budget following the implementation of a number of mitigating measures including the deferral of core investment projects.

9. Legal, regulatory and charitable implications

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

10. Risk Appetite and assessment

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

11. Equalities implications

11.1 Equality impact assessments will be undertaken on repairs-related policies and service approaches as required.

12. Key issues and conclusions

12.1 The repairs service is a key priority for our customers and a key driver of satisfaction.

12.2 We will continue to focus on continually improving our repairs service, considering customer feedback, insight, and direct engagement with our Group Scrutiny Panel.

12.2 The demand for repairs, consistent with the wider sector across the UK, remains higher post pandemic.

13. Recommendations

13.1 The Board is asked to:

1) Note the progress with repairs service enhancements;
2) Note ongoing customer engagement to inform future service enhancements; and
3) Note the updated repairs budget position for 2023/24.

LIST OF APPENDICES:

None

Report

To: **Wheatley Housing Group Board**

By: **Hazel Young, Group Director of Housing and Property**

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

Subject: **Customer Engagement Framework**

Date of meeting: **21 February 2024**

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1. Purpose

1.1 This report provides the Board with an overview of the Group's first review of the *Stronger Voices, Stronger Communities* Customer Engagement Framework.

2. Authorising and strategic context

2.1 Under the Group Standing Orders, the Board has a strategic role in determining the overall direction and objectives of the Group. It has a role in approving, and scrutinising, Group policies and frameworks, including the Group's Customer Engagement Framework.

2.2 Our 2021-2026 Group Strategy, *Your Home, Your Community, Your Future,* committed to co-creation with our customers. It specifies that we will provide customers with increased control and choice, empowering them to self-direct their services.

2.3 Our approach to customer engagement is Group-wide. The Customer Engagement Framework focuses on the strategic themes of *delivering exceptional customer experience; making the most of our homes and assets; and changing lives and communities.*

3. Background

3.1 Our *Stronger Voices, Stronger Communities* Customer Engagement Framework ("the Framework") was approved by the Board in December 2020 and implemented across the Group during 2021, albeit with some limitations due to the Covid environment during that year. Our new approach to engagement was endorsed by 89% of our customers in 2021 as part of our consultation on the new operating model at that time.

3.2 The Framework aimed to widen the scope of customer engagement by creating a model of engagement that is accessible, flexible, and diverse. In essence, we set out to shift the balance of power and control towards the customer.

3.3 Our approach to customer engagement is supported by four key pillars:

- **We listen, You are heard –** customers can give their views through focus groups, panel meetings, surveys, and complaints, and we will respond and take action;
- **We consult and co-create, You influence and design with us** – customers can influence service delivery and strategic direction through focus groups, surveys, panels, and conferences;
- **We give power to, You decide –** customers are empowered to make decisions about their environment. For example, through the You Choose Challenge in communities; and
- **We support, Your voice is stronger, and people listen –** we support individuals to develop their potential and widen the opportunities available to them.

3.4 Our Framework has been reviewed in accordance with our 3-year policy review cycle and the key findings of the review are discussed below.

4. Discussion

4.1 Our customers were at the heart of our extensive review. A key achievement of the Framework implementation is that we have recruited over 2,000 customers to our Customer Voice programme – against a target of 1,550. We asked our Customer Voices for their feedback on the Customer Voice programme, and the engagement activities that they have experienced. We facilitated several in-person and online focus groups with approximately 63 participants, in addition to an online survey, in which the response rate was 16%, to gather their views on our refreshed approach to customer engagement. We then carried out subsequent engagement with Customer Voices which focused on the barriers faced by customers with protected characteristics to inform our Equalities Impact Assessment (EIA).

4.2 Our review also included input from staff members from a wide cross-section of the business. The review was driven by our *Stronger Voices* Community of Excellence, and informed by staff members from our RSLs, Wheatley Care, Wheatley Foundation, Customer First Centre, Governance and Development.

4.3 Our review found that the Framework has been, and continues to be, extremely successful at delivering a flexible and diverse engagement model that is more accessible to our customers. It highlighted that our customers strongly value our approach to engagement. Since the approval of the Framework in 2020, we have achieved the following:

- Our 2023 tenant satisfaction survey carried out in each RSL showed that 97-99% of our customers across the Group were satisfied with the opportunities given to participate in decision-making processes. This is a significant improvement from the results prior to the Framework introduction which ranged from 64% - 94%;

- The high satisfaction with engagement has contributed to overall satisfaction levels of 87-96% across the RSLs in the same survey;
- Our approach to engagement received a CIH award for 'Excellence in Customer Service' in 2023;
- 70% of Customer Voices would recommend the programme to others;
- We held over 1,200 engagement events over the course of 2022/23;
- Over 2,600 customers have been engaged in research, testing and co-design;
- We developed the 'My Academy' learning platform which was tested with Customer Voices
- We introduced *My Voice,* an instant feedback tool, across a variety of service areas
- We collected Equality, Diversity and Inclusion data for Customer Voices, to ensure diversity of engagement. The analysis of this showed the diversity of Customer Voices was broadly comparable with our tenant base
- We continue to learn from customer feedback and complaints resulting in changes in service delivery. For example, the introduction of *Book it, Track it, Rate it* in our repairs service.

4.4 The Framework has provided the basis for a number of new developments where customers have been at the heart of shaping outcomes. We carried out a comprehensive review of our Housing Information, Advice and Letting Policy, in which we engaged with customers on our housing lists, on the ways in which we could improve how we allocate homes. Customer feedback resulted in key changes being made to the Policy, including creating a new band for Livingwell properties, and moving towards a bespoke matching service for applicants experiencing homelessness in Band B.

4.5 We have also carried out significant customer engagement with our customers who have families. We worked with an independent consultant, Neil Morland & Co, to understand the satisfaction of families with our services. We gathered feedback from approximately 1,800 customers who responded to our survey, and a further 44 customers who participated in a focus group, or individual interview.

4.6 Customer feedback shaped the recommendations from the families' research, which included improving repairs and communication around repairs work, and improving satisfaction with antisocial behaviour processes. We have already addressed many of these recommendations. For example, we have introduced *Book it, Track it, Rate it,* which is an app that will enable customers to track their repairs operative and give feedback on the work. The 'Track it' functionality has resulted in a positive improvement in communication, with customers receiving text message reminders and updates about repairs. In feedback through the 'Rate it' functionality, customers have rated our service highly, from 4.5/5 in Wheatley Homes Glasgow and Loretto, and 4.2/5 in Wheatley Homes East. The engagement continues to influence our direction, including the change to our development programme to develop a higher percentage of larger homes – a key priority for our customers. The first large-scale development of bigger homes is due in Wheatley Homes South this year, while the customer input has changed the size profile for many of our future developments.

4.7 We continue to develop and refine our approach to antisocial behaviour (ASB). We have a 'preventions and solutions' approach to ASB, which is focused on achieving prompt and sustainable solutions for customers. We also continue to deploy our Community Improvement Partnership (CIP) in communities where there are significant levels of ASB.

4.8 We also carried out customer engagement to develop our Hate Crime Policy, in which we used our Equality, Diversity and Inclusion (EDI) data to host a female-only ethnic minority focus group. The outcome of these groups has helped us to simplify our Anti-Social Behaviour Framework and improve our communications approach.

4.9 Our approach to engaging customers on the rent setting consultation has been refined during the implementation of the Framework. We have developed a co-creation approach with our customers, with our Customer Voices working with us as part of focus groups to develop our messaging to all customers around rent setting, options for wider consultation, clear tenant priorities and explanation of how the rent pound is spent. The final part of the consultation is the invitation to all customers to express their views by making a choice on the rent level option and providing qualitative feedback if desired. The outcome of the consultation is the subject of an earlier report on this agenda – and has reaffirmed tenant views (already expressed in the Customer Voice focus groups) that investment, repairs and NETs are critical service priorities, with an understanding that in the current economic climate a higher level of rent is required to maintain service levels and carry out desired levels of investment in homes.

4.10 Our approach to scrutiny has been enhanced and expanded over 2023. There are over 30 members of the Group Scrutiny Panel from all RSLs who attend quarterly performance meetings and spotlight meetings on key service areas. As the Board are aware, members of our Group Scrutiny Panel chose to carry out a thematic review of repairs communication to identify areas for improvement; the review was carried out from July to November 2023. As part of their review, members of the thematic group met with key staff members and had a tour of the Customer First Centre. They assessed key documents such as customer journey maps, complaint case studies, national performance, and CFC call transcripts.

4.11 Members of the thematic group developed a report on their review. This had 18 recommendations and customers have met with key staff to discuss this and to proactively co-create solutions. Following attendance at this Board in December 2023, representatives from the group attended RSL Boards earlier this month to discuss their experience of the review. The review will be promoted with customers and progress with the recommendations will be monitored by the group at their meeting in June 2024. The next thematic review by the Panel will be on the environment, as chosen by Panel members, and work has already started on this.

4.12 Our review has concluded that our approach to engagement, and the key pillars to customer engagement referenced above, have, and continue to be, extremely successful in driving up customer satisfaction and creating positive changes both within the organisation and in our communities. It is therefore proposed that we retain our approach to customer engagement, and our Customer Voice programme, which continues to flourish.

4.13 Our customers strongly value our approach to engagement, and feedback indicates that we should continue with our approach. They welcomed the accessibility of our approach which provides a range of methods, times, and locations for participation. Customer Voices suggested some operational improvements could be made to further enhance our already-high levels of satisfaction with the programme. These include:

- Ensuring feedback is consistently provided on the outcome of engagement events – this was already in development at the time of the review and a consistent framework for feedback has now been rolled out;
- Providing customers with an agenda, or discussion points, in advance of a Customer Voice Panel or Focus Group – this has now been rolled out across our engagement events;
- Providing customers with a regular newsletter or magazine, detailing information on services and engagement opportunities. Community newsletters were distributed in most areas towards the end of last year, with a specific newsletter for Customer Voice participants issued in November/December 2023. Further newsletters will be issued throughout 2024; and
- Ensure people are aware of events in smaller, harder-to-reach areas, bringing engagement opportunities to these communities (mostly relevant to Wheatley Homes South) - and of other options to participate in larger events. WHS has held events in a range of communities throughout the year and ensures that transport and digital options are available for those who wish to attend larger events in major towns.

4.14 We carried out additional engagement which explored the impact of our engagement on protected characteristics. These Customer Voices were again supportive of our approach to customer engagement and recognised the actions we already take to remove barriers for customers taking part in engagement. For example, we provide customers with a range of options to engage, including a mixture of online and in-person opportunities at various times and dates to accommodate different circumstances.

4.15 Our customers involved in the focus groups made the following suggestions to improve the experiences of those with protected characteristics:

- Improve acoustics for in-person meetings for customers who are hard of hearing or are affected by deafness;
- Include the options of one-to-one calls or visits for customers who want to engage with us, but who are prevented from doing so in a group setting;
- Ensuring that we are mindful of the space or room we choose for engagement events (for example, we should be mindful that accessible toilets are nearby); and
- As above, continue to provide a range of times and dates for customers to engage with us.

4.16 Based on the feedback and the success of the Framework to date, the review does not propose any substantive changes. However, some minor items have been updated to reflect the current context, particularly in relation to digital services. For example, we have included reference to our new real time feedback options such as *MyVoice* and *Book it, Track it, Rate it* which did not exist when the Framework was first established

5. Customer Engagement

5.1 This report outlines our review of our Group Customer Engagement Framework. We carried out extensive customer engagement to inform the review of the Framework. Our customer engagement consisted of:

- **Online survey to all Customer Voices** in which 16% of all Customer Voices responded;
- **Ten Focus Groups** with 63 participants involving customers from all RSLs. These took place both in person and online; and
- Wider customer engagement through our **2023 tenant satisfaction survey** in each RSL.

5.2 We subsequently carried out customer engagement to inform our Equalities Impact Assessment for the Framework. This focused on identifying any barriers for our customers with protected characteristics that could prevent them from participating in in-person, or online, engagement events. This consisted of:

- **Online survey to sample of Customer Voices** with an 11% return rate;
- **Two customer focus groups** with 9 participants, which took place in person and online; and
- **Individual phone calls** with a small number of customers who requested a conversation about the EIA with members of staff in a private setting.

6. Environmental and sustainability implications

6.1 Customer engagement will seek to deliver sustainable outcomes for communities. You Choose Challenge is a key tool to empower customers to affect change in their local new-build community, and this is now aligned to our 'Greener Homes, Greener Lives' Sustainability Framework.

7. Digital transformation alignment

7.1 Customer engagement will inform key areas of digital transformation. The engagement may indicate other areas of digital change or transformation, and these will be incorporated into project proposals and reported as appropriate.

8. Financial and value for money implications

8.1 There are no financial or value for money implications from this report. Implementation of the Framework is contained within existing budget resources. Our engagement with customers may result in proposals which require further resources, but these will be incorporated within the appropriate project proposals.

9. Legal, regulatory, and charitable implications

9.1 There are no legal or regulatory implications arising from this report.

10. Risk Appetite and assessment

10.1 The Wheatley Group's risk appetite level for operational delivery in the strategic outcome Delivering Exceptional Customer Service is open. This means we are keen to pursue opportunities to use digital services and platforms to improve the customer experience.

10.2 Customer engagement and control is at the heart of our strategic approach. This is likely to result in new and innovative approaches to service delivery which will fit with our open risk appetite level.

11. Equalities implications

11.1 We continue to obtain equalities information during the process of registering, and re-registering, Customer Voices, where they are willing to share this. This will be used to try to ensure appropriate representation, particularly at project and RSL level. Where specific gaps are identified we will work with customers and appropriate organisations to seek to address these.

11.2 An Equalities Impact Assessment (EIA) has been carried out on our Customer Engagement Framework. The actions arising have been captured and will be monitored. In relation to engagement events, it is particularly important that we fully consider EDI issues when arranging meetings, for example by providing a range of date options, accessible venues, online and in-person meetings, and translations where required.

12. Key issues and conclusions

12.1 This paper sets out the findings from our review of the 'Stronger Voices, Stronger Communities' Customer Engagement Framework. It demonstrates that the Framework has considerably improved the organisation's approach to customer engagement, and that this has positively impacted customer satisfaction across our RSLs. We have shifted the balance of power and control towards the customer through co-creating services and products with them and adapting our strategies in response to their feedback and involvement.

12.2 The review suggests that minor changes are required to modernise the Framework, and some practical changes could improve the already high customer satisfaction levels with the Customer Voice programme.

13. Recommendations

13.1 The Board is asked to approve the updated Customer Engagement Framework attached at Appendix 1.

LIST OF APPENDICES:

Appendix 1: [redacted]. Available here

Wheatley Group

Report

To:	**Wheatley Housing Group Board**
By:	**Anthony Allison, Group Director of Governance and Business Solutions**
Approved by:	**Steven Henderson, Group Chief Executive**
Subject:	**Performance Report**
Date of Meeting:	**21 February 2024**

1. Purpose

1.1 This report presents an update on performance delivery against targets and strategic projects for 2023/24 to the end of Q3.

2. Authorising and strategic context

2.1 The Board agreed an updated programme of strategic projects and performance measures and targets for 2023/24 at its meeting in April 2023. Under the Group Standing Orders the Board also has an ongoing role in monitoring the performance of subsidiaries across the Group against the agreed measures. It is also responsible for overseeing the delivery of Board level strategic projects.

3. Background

3.1 This report outlines our performance against our strategic projects and performance measures for 2023/24. Unless specified otherwise, results for all measures are based on year-to-date figures.

3.2 This includes progress with those measures that will be reportable to the Scottish Housing Regulator (”SHR”) as part of the Annual Return on the Charter (“Charter”) 2023/24.

4. Discussion

4.1 The following sections present a summary of key measures and strategic projects. Strategic measures can be found in Appendix 1, other KPIs, including compliance measures, in Appendix 2 and strategic projects in Appendix 3.

Delivering Exceptional Customer Experience

<u>Customer First Centre</u>

4.2 The new cloud-based telephone system was successfully implemented and launched across the CFC in November. It is now, ahead of schedule, fully operational across all RSLs. As we develop reporting, this will enable us to better understand customer demand and the key areas for improvement. We are already actively exploring how we can harness the potential of the system now that we have completed the first phase of implementation.

4.3 In addition to the ongoing process improvements underway, we are exploring how a geographic approach between CFC Advisors, Specialists and our Housing Teams could work in practice. A new approach is being tested in Wheatley Homes East to assess the impact and benefits it could deliver.

4.4 Year-to-date results as at the end of quarter 3 including Customer Satisfaction ("CSAT"), Webchat and other performance measures still monitored for the CFC are below:

Table 1

Measure (Group wide)	2023/24		
	Value	Target	Status
CSAT score (customer satisfaction)	4.24	4.5	⚠
% calls answered <30 seconds (Grade of Service)	69.17%	Contextual	
Average waiting time (seconds)	59.63	Contextual	
Call abandonment rate	5.43%	5%	⚠
% first contact resolution at CFC (Customer Service Advisors)	85.94%	90%	⚠
% of CFC customer interactions that are passed to Housing and Lowther staff for resolution	7.01%	<10%	✔
Email % responded to within 48 hours	100%	100%	✔
Webchat % first contact resolution	100%	Contextual	

4.5 Our overall CFC CSAT score was 4.24 at the end of quarter 3, the same as quarter 2. For the largest RSLs, Wheatley Homes Glasgow and Wheatley Homes South, the scores are 4.3 and 4.4 respectively. The CFC has been refining the framework for analysing feedback and implementing initiatives to address any areas that may require improvement, informing progress towards the CSAT target of 4.5/5.

4.6 In quarter 3, there has been an improvement in the Grade of Service; almost 69% of our customers still wait less than 30 seconds to have their call answered. Call abandonment and average wait time have both improved since quarter 2. For the YTD the abandonment rate has improved from 5.86% to 5.43%, just above the 5% target, with quarter 3 at 4.59%. The YTD average wait time improved from 66.38 seconds to 59.63 seconds, with quarter 3 being 46.65 seconds.

4.7 The CFC aim is to provide quality solutions for our customers, negating the need for them to call again or for enquiries to have to be dealt with elsewhere. We are mindful that a balance has to be struck between our ability to provide a first contact resolution through an appropriate length of call and the time customers are waiting for their call to be answered.

4.8 We resolved over 85% of calls handled at first contact for the year to date, with performance at over 86% for December. The My Repairs Team continues to deal with more complex repair calls and, while this means we do not resolve these at first contact, customers experience an improved end-to-end service. In addition, the CFC continue to support housing and Lowther staff with only 7.01% of customer interactions passed to them for resolution.

4.9 Key areas of focus remain ensuring our call handling times balance resolution and efficiency and increasing the amount of 'call handling' hours available.

Complaints Handling

4.10 Performance on the Charter measures of average time for a full response to complaints, at Stage 1 and Stage 2, is achieving our 5-day and 20-day respective targets. This has been achieved despite an increase in the volume of complaints, consistent across our RSLs and with information from the Scottish Public Services Ombudsman ("SPSO") across all sectors.

Table 2

Charter - average time for a full response to complaints (working days)				
Subsidiary	**2022/23**		**2023/24 – YTD**	
	Stage 1 (5 day)	**Stage 2** (20 day)	**Stage 1** (5 day)	**Stage 2** (20 day)
WHS	3.84	17.96	3.62	12.95
WHE	3.89	18.27	3.74	16.78
WHG	4.23	18.24	4.07	16.24
Loretto	3.51	17.72	3.46	16.18
[redacted]				

4.11 The SPSO measure in Table 3 below, shows the percentage of complaints responded to within timescale. For stage 1, our performance ranges from 89.05% to 95.93% year to date, against the target of 95%. This is an improvement from quarter 2 when performance ranged from 84.19% to 95.81%.

4.12 As shown in Table 3, the SPSO requires that the measure of complaints responded to fully within the timescale is split between complaints that went directly to stage 2 and those that had a stage 1 response first. There are a relatively small number of complaints that are dealt with immediately at stage 2 (normally as a result of the complexity or severity of the complaint) and this means the percentage is affected more significantly by small numbers. Complaints that went directly to stage 2 were fully closed within the 20-day timescale for all subsidiaries other than WHG and WHE, at 90.6% and 78% respectively. Over the year, WHG missed the target for 3 out of 32 direct stage 2 complaints, and WHE 2 out of 9. Q3 performance for both is an improvement from Q2 when 88.5% for WHG and 60% for WHE.

4.13 For complaints escalated to stage 2, subsidiaries range from 95% to 100%.

Table 3

SPSO Indicator 2 - number and % of complaints at each stage that were fully closed within timescales – YTD 2023/24			
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	94.40%	100.00%	100.00%
WHG	91.32%	90.63%	97.95%
Loretto	95.93%	100.00%	95.00%
WHE	95.35%	77.78%	100.00%
[redacted]			

4.14 A range of work has been undertaken to ensure that timescale performance is improved. This includes earlier reminder triggers and quicker resolution timescales for stage 2 complaints along with more regular, structured staff discussions on live complaints. We also have regular meetings to discuss any complex cases and daily checks are undertaken on all incoming and outstanding stage-one complaints. As a result, the year-to-date performance has been significantly improved by quarter 3. In quarter 3, all partners achieved 100% of stage 2 responses within the timescale and Loretto did not have any stage 2 complaints.

4.15 Additional written and verbal communication training is being piloted in February with a view to full roll out in March and April. This will support Housing Officers, CFC staff and others responding to stage 1 complaints to ensure responses are comprehensive and have a consistent tone.

4.16 All organisations have shown an improvement in stage 1 responses in quarter 3, except Loretto which reduced minimally to 96.2% from 98.1%. This reduction can be explained by the small number of complaints received by Loretto. Improvements ranged from 1.1% in WHS to 8.8% in Lowther and performance is better than last year for all partners.

Tenancy Sustainment

4.17 Tenancy Sustainment is a measure of new tenancies commenced in the previous reporting year where the customer remains in their home for more than a year. As well as new customers benefiting from remaining in their tenancy for longer, improvement in this measure reduces lost rent and resources required for re-letting.

4.18 Group RSL tenancy sustainment for the Charter and the revised measure (excluding deaths and transfers to homes within the Group) have shown an improving trend for the last 7 months. Both are better than their respective targets and, at 91.13%, the Charter measure is now better than the 91% target set for the revised indicator.

4.19 All targets at RSL level are being surpassed except for WHS for the Charter measure. WHS has however shown improvement from 85.90% last quarter to 86.90% this quarter. WHS continues to work closely with key teams in Dumfries and Galloway Council to improve sustainment for customers they refer.

Chart 1

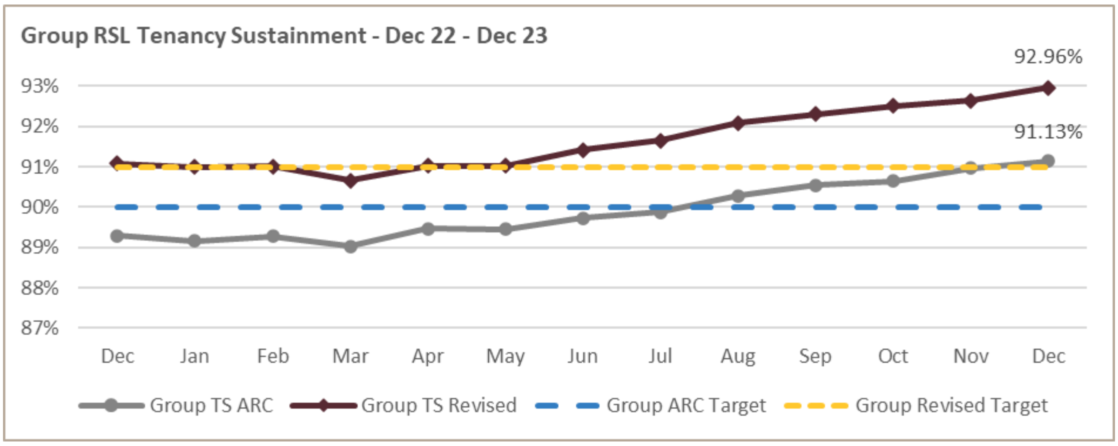

Table 4

Tenancy Sustainment	Charter	2023/24 Target		Revised	2023/24 Target	
WHE	91.81%	90%		94.38%	91%	
WHS	86.90%	88%		89.78%	89%	
WHG	91.74%	90%		93.21%	91%	
Loretto	94.61%	90%		95.32%	91%	
Group	**91.13%**	**90%**		**92.96%**	**91%**	

Making the Most of Our Homes and Assets

New Build Programme

4.20 Our revised target in 2023/24 is to deliver a total of 338 new homes. Of these new homes, 211 are social rent and 127 Mid-Market Rent ("MMR"). The table below shows the completions and targets to the end of quarter 3 where 218 homes have been handed over against a year-to-date target of 186. The following table shows the positive variance overall.

Table 5

All New Builds		Social					MMR			
		All	WHG	LH	WHE	WHS	All	WHG	WHE	Lowther
Target	**186**	**151**	**0**	**0**	151	**0**	**35**	**20**	**15**	**0**
Actual	**218**	**153**	**0**	24	129	**0**	**65**	**36**	**29**	**0**
Variance	**32**	**2**	**0**	**24**	**-22**	**0**	**30**	16	14	0

4.21 Handovers in the quarter comprised of a mixture of social units for Loretto (5) and WHE (25). Handovers and delays to the end of quarter 3 are shown in the below table.

Table 6

Sites	Handovers (YTD)	Target (YTD)	Difference in programmed handovers to 31st December
WHG	36	20	+16
Sighthill (MMR)	36	20	+16
Shawbridge Street (MMR)	0	0	0
Loretto Housing	24	0	+24
Main Street, Maddiston	24	0	+24
WHE	158	166	-8
The Wisp Phase 3C (Social)	12	35	-23
Roslin Ph1 (Social)	12	12	0
Roslin Ph 2 (Social)	6	0	+6
Roslin Ph2 (MMR)	14	0	+14
Penicuik (Social)	35	35	0
Wallyford Area 7 (MMR)	15	15	0
Wallyford Area 7 (Social)	22	33	-11
Raw Holdings (Social)	34	0	+34
Raw Holdings (MMR)	0	0	0
MacMerry	8	36	-28
WHS	0	0	0
Curries Yard	0	0	0
Totals	**218**	**186**	**+32**

Wheatley Homes Glasgow

4.22 Grant approval has been received for South Annadale Street (12 units for MMR with Morris and Spottiswood). 35 MMR Units will be handed over through February and March at Shawbridge Street.

Wheatley Homes East

4.23 All units at Doctor's Field in Rosewell have achieved golden brick. The final six units at Victory Lane have also reached the golden brick stage.

4.24 Missives have been concluded for the development at Sibbalds Brae in Bathgate with Taylor Wimpey. Golden brick applies to this development, with the first tranche of golden brick works expected to be achieved in June 2024. As we are in a concluded contract with grant approval in place and with construction work underway, we have moved this project to on site.

4.25 The legal agreement at Blindwells has been delayed due to the late running of upgrade works to the A1 Road, which is required by the planning approval to be undertaken by the site-wide landowner, Hargreaves. Preparations for commencement of these works are now underway and we are continuing to review options that would allow the legals to progress.

4.26 28 Social Rent units will be handed over at MacMerry through to March.

4.27 The final 11 Social Rent units at Wallyford Area 7 will be handed over in January.

Loretto Housing

4.28 Glasgow City Council has confirmed our grant approval for Forfar Avenue is satisfactory, with a funding offer expected to follow shortly. Forfar Avenue is expected to be Loretto's last new build project in Glasgow and is expected to start on site in February 2024.

4.29 Contracts are expected to be finalised for Constarry Gardens and South Crosshill Road in February 2024, subject to offers of grant which are expected imminently.

Wheatley Homes South

4.30 Despite a recommendation for approval from the Planning Officer, the Dumfries and Galloway Council Planning Committee refused the planning application for the Leswalt development on 13 December 2023. We are considering options for new steps, including a further review of the suitability of the existing permission and the potential to raise an appeal against the decision.

4.31 35 Social Rent units will be handed over at Curries Yard, 18 were handed over in January and 17 will be handed over in March.

Lowther

4.32 [redacted].

Volume of Emergency Repairs

4.33 The table below shows our position against the strategic result to reduce the volume of emergency repairs by 10% by 2026 compared to the updated baseline year of 2022/23. The target for 2023/24 is a reduction of 3.34%.

4.34 Emergency repair numbers are 5,582 less than the same point in 2022/23, a variance of -7.64%. This is on target and an improvement on +3.1% in 2022/23 as measured against the previous 2021/22 baseline year.

Table 7

Area	Completed Emergency Repairs		
	YTD Dec 2022/23	YTD Dec 2023/24	Variance
WHG	52,246	48,560	-7.06%
Loretto	3,331	2,926	-12.16%
WHE	6,553	6,454	-1.51%
WHS	10,944	9,552	-12.72%
Total	**73,074**	**67,492**	**-7.64%**

4.35 While customer demand continues to have an impact on this measure, work is ongoing with the CFC to ensure emergency repairs are diagnosed appropriately. It is useful to also note that complete emergency repairs YTD 2023/24 are 31.25% of all completed repairs (emergency and non-emergency). This is an improvement on 36.12% at the same point last year.

Repairs Timescales

4.36 Our average time taken for emergency repairs is 2.67 hours at the end of Q3, well within the 3-hour target. This is a small increase on the last quarter (2.5 hours) but compares favourably to an average of 3.26 hours in 2022/23.

4.37 The table below also shows the average time taken for non-emergency repairs for Group RSLs is 8.05 days. While over the 7 day target, this is an improvement on 8.39 days at Q2 and on our 2022/23 average of 8.47 days.

4.38 A more detailed update on repairs performance, continuous improvement actions we are taking and the expected impact are set out in more detail in a separate paper.

Table 8

Repair completion timescale (Charter)		Emergency (hours)		Non-emergency (days)	
		Target	Q3 YTD Value	Target	Q3 YTD Value
West	WHG	3.00	2.59	7	8.01
	Loretto	3.00	2.98	7	8.50
East	WHE	3.00	3.13	7	7.89
South	WHS	3.00	2.67	7	8.37
Group		**3.00**	**2.67**	**7**	**8.05**

Repairs Right First Time

4.39 Right first time performance to the end of quarter 3 is at 91.6%. WHG and WHE are above the 90% target. Loretto has improved to 91.17% at Q3, from 90.26% at Q2, following improvement actions noted last quarter, however, remains below the 93% target.

Table 9

Percentage of repairs right first time (Charter)		2022/23	2023/24 Q3 YTD	Target	
West	WHG	91.47%	92.07%	90%	
	Loretto	92.58%	91.17%	93%	
East	WHE	94.59%	92.21%	90%	
South	WHS	91.09%	88.30%	90%	
Group		**91.86%**	**91.60%**		

<u>Repairs Satisfaction</u>

4.40 To the end of December, group-wide repairs satisfaction performance is achieving our 90% target as shown in the table below. This measure covers a rolling twelve-month period.

Table 10

RSL		2023/24 Target	Current Value
West	WHG	90%	92.10%
	Loretto	90%	84.02%
East	WHE	90%	94.79%
South	WHS	90%	88.37%
Group		**90%**	**90.90%**

4.41 While WHS is just below target, Loretto has fell to under 85% to the end December. This is a reduction compared to the end September when the figure was 89.18%. To the end of December, satisfaction is based on 242 returns. It is therefore important to acknowledge that the percentage is affected more significantly by small numbers. Of these 242 returns 208 are satisfied and 19 dissatisfied (the remainder neither/nor satisfied). Given the improvement actions for Loretto noted as underway last quarter, it is encouraging that only 3 dissatisfied returns were recorded between October to December and that satisfaction in-month in January was recorded as 100%.

4.42 Our repairs service enhancements (being considered as part of a separate agenda item) will help us to further improve satisfaction and we will continue to actively monitor satisfaction.

<u>Rate It</u>

4.43 'Book It, Track It, Rate It' aims to improve visibility and communication during the repair journey. The Rate It element was launched in the West on 1 June, 7 June in the East and 6 November in the South, providing an opportunity for customer feedback on appointed repairs.

4.44 Performance for the West for the year to date is 4.5/5 (90%) from 15.5k ratings, representing 21.2% of all the feedback links generated to all customers with contact information. For the East, the year to date position is 4.3/5 (from over 2.5k ratings, representing a 16.2% return rate). For the South, the year to date position since launch in early November is 4.7/5, with just over 900 responses (a 15.65% return rate).

Mould repairs

4.45 We continue to monitor repairs related to mould, with updates provided to help facilitate greater scrutiny over these types of repairs. The CFC is now raising every job related to damp, mould, condensation or rot as a mould inspection line. The number of live cases across the Group is set out below:

Table 11

Subsidiary	Total live cases	Awaiting inspection	Category		
			3 (mild)	2 (moderate)	1 (severe)
WHG	118	85	28	5	0
Loretto	5	5	0	0	0
East	33	0	33	0	0
South	32	32	0	0	0
Group	**188**	**122**	**61**	**5**	**0**

4.46 Our strategic measure is to complete mould repairs in 15 days. Across the Group, 97.73% of completed mould repairs year to date have been completed in 15 days, against a target of 90%.

Table 12

Subsidiary	% of mould repairs completed in 15 days year to date
WHG	98.25%
Loretto	100%
[redacted]	
WHE	89.24%
WHS	97.94%
Group	**97.73%**

Medical Adaptations

4.47 Between April and December, we have completed 1,749 adaptations in total, an increase from 1,698 by the same quarter of 2022/23. There are now just 79 households waiting (less than at the same point last year when there were 108 waiting).

4.48 Time to complete adaptations has further improved, with the average days to complete year to date at 19.17 days and within target. This compares to 24.9 days reported year end 2022/23 and 25.71 days to quarter 3 2022/23.

4.49 The table below shows the number of households waiting, completions and the average time to complete adaptations by RSL. All RSLs are within the target of 25 days.

Table 13

Medical Adaptations	Households Waiting 2022/23	Current Households Waiting	Number Completed YTD	Average Days to Complete	Target
WHG	81	68	1,055	17.80	25
Loretto	13	1	63	19.67	25
WHE	9	9	184	13.99	25
WHS	32	1	447	24.48	25
Group	**135**	**79**	**1,749**	**19.17**	**25**

Gas Safety

4.50 We continue to be 100% compliant with gas safety, with no expired gas certificates.

Health and Safety

4.51 There was one accidental workplace fire in quarter 3 (YTD - 1). The incident in December was in Wheatley Care and was caused by an electrical heater overheating.

4.52 Other health and safety measures are summarised in the below table.

Table 14

Measure	2022/23	2023/24	Notes
Number of new employee liability claims received	5	2	One new claim in 2023/24 for W360 One new claim that is not H&S related
Number of open employee liability claims	13	12	Includes a previous claim re-opened from 2021
Number of days lost due to work-related accidents	464	488.5	
Number of RIDDOR incidents reported	15	15	Q1 – 6 Q2 – 4 Q3 – 5
Number of HSE or local authority environmental team interventions	2	0	

4.53 YTD there have been 15 Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ("RIDDORs") compared to 12 for the same period in 2022/23.

4.54 We are on course to more RIDDOR Incidents that were forecast at the start of 2023/24. The increase in the number of RIDDOR incidents can be attributed to a greater awareness of Incident Reporting as Managers Health and Safety Training is rolled out. Furthermore, there is now a monthly cross reference of incidents and HR Lost Time Incidents that are highlighting anomalies associated with under reporting e.g. Over 7 Day absences.

4.55 We investigate all RIDDOR incidents to identify relevant causation factors and highlight corrective actions where necessary, to prevent a recurrence. Reports and Safety Flashes are issued to respective Managers for their action and where necessary, a review of our Operational Safety Manuals Risk Assessments and Safe Systems of Work is undertaken.

Compliance Programme

4.56 Performance against our compliance programme delivery is shown in Appendix 3, with RSLs continuing to make good progress in the third quarter of the year. All RSLs have full compliance for legionella and the in-year inspection programme is on track.

4.57 There has also been improvement in the percentage of properties with EICRs less than 5 years old, with the number of properties to be certified reducing to 74 (0.12% of total stock) at the end of quarter 3 from 79 at the end of last quarter and 111 at end of 2022/23. All RSLs have high levels of compliance on this measure at the end of Q3 and continue to progress the necessary steps, such as forced access, for any outstanding.

Changing Lives and Communities

[redacted]

4.58 [redacted]

4.59 [redacted]

4.60 [redacted]

Peaceful Neighbourhoods and ASB

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

4.62 As highlighted last quarter, the data from Police Scotland for the "Peaceful Communities" measure was recalibrated, due to the changes in the way Police Scotland produces data on antisocial behaviour incidents.

4.63 Using the updated methodology, the number of tenancies categorised as Peaceful increased slightly this quarter to 76.38% at the end of Q3 (75.98% Q2). We continue to perform better than the target of 69%.

4.64 Consideration is being given to the strategic target in light of the new Police Scotland methodology and resultant positive change to current performance during the 2024/25 measure and target review.

Accidental Dwelling Fires

4.65 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.

4.66 As shown in the below table, as of the end of quarter 3, 88 fires have been recorded year to date. This is in line with our profile to achieving the 10% reduction, which would track as a reduction to 200 or less for this year.

Table 15

Number of recorded accidental dwelling fires	2023/24
	Q3
WHE	6
WHG	75
Loretto	1
WHS	6
Total for Group	**88**

4.67 [redacted]

4.68 Our additional strategy measure aims to ensure that 100% of applicable properties have a current fire risk assessment in place. This continues to be achieved.

Table 16

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

4.69 Our programme for non-relevant properties, LivingWell and high-rise domestic premises continues to be 100% compliant.

Reducing Homelessness

4.70 Our RSLs have let 1,771 homes to homeless applicants this year to date, surpassing the 1,500 target set to the end of December. The breakdown of these lets by RSL, along with the percentage of relevant lets made to homeless households, is tabled below.

Table 17

RSL	2023/24 Number of lets to homeless applicants (ARC) - YTD	2023/24 Target - YTD	% relevant lets made to homeless applicants (YTD)	2022/23 Number of lets to homeless applicants (ARC) – full year
WHE	214	N/A	58.25%	314
WHS	294	N/A	46.07%	409
WHG	1,185	N/A	58.23%	1,318
Loretto	78	N/A	60.53%	166
Total	**1,771**	**1,500**	**55.74%**	**2,207**

Jobs and Opportunities

4.71 Over 1,100 children have now been supported through Foundation programmes so far this financial year. The WEE Bursary project for Glasgow has now commenced and this will help increase the number of our children involved in our programmes over Q4.

4.72 Year to date, Wheatley Works staff have supported 249 jobs, training and apprenticeship opportunities within our households.

4.73 Staff across the business continue to work together, and with partners, to increase referrals to the Wheatley Works service. This includes:

- Planning local community events for Q4 which will promote the jobs, training and apprenticeship services available to our customers.
- the Foundation Team attending local offices and staff meetings, house visits with housing officers and working with Stronger Voices Officers to help reach more of our customers.

Table 18

Indicator	Target (Annual)	Current Performance YTD	2022/23
Number of vulnerable children benefiting from targeted Foundation programmes (Group)	1,200	1,166	5,255
Total number of jobs, training places or apprenticeships created by Wheatley Group including Wheatley Pledge	800	727	802

Developing our Shared Capability

<u>Sickness Absence</u>

4.74 Year-to-date at the end of quarter three, the Group lost 4.23% of working time due to staff sickness absence against a target of 3%; similar to the previous quarter (4.24%) and the figure for 2022/23 (4.28%). The top two reasons for absence across the Group in December were Minor Illness (35%) and Stress/Anxiety (31%). Of those reporting stress/ anxiety, 41% was due to Anxiety (Non-work related).

4.75 Housemark trend information shows that the median in-month sickness rate of their members decreased over Q3. The Group followed a different pattern with rates rising slightly over the same period. Housemark forecasts that sickness rates for their members will fall over the early part of Q4 before rising again slightly by March.

4.76 We have continued to support managers with staff members across the group experiencing stress and anxiety by ensuring staff are being offered all available support initiatives such as PAM-Assist and bespoke counselling.

4.77 December also saw the Wellbeing team focus on finalising content and dates for a number of workshops to be rolled out in the first quarter of the calendar year. These include Supporting Staff Through Bereavement, Financial Wellbeing and Stress & Anxiety workshops.

4.78 From January 2024, The Employee Relations team commenced delivery of further “HR Essentials” workshops for new, existing, and newly promoted managers.

Enabling our Ambitions

<u>Gross Rent Arrears</u>

4.79 Group RSL gross rent arrears have shown improvement month on month from the 5.93% reported at the end of Q2 to 5.63% currently, this is a financial reduction of £745k.

4.80 Our customers continue to face challenges with the cost-of-living crisis and our teams are targeting support to those customers most in need. Each RSL has implemented action plans with a focus on early intervention and escalation and utilising support services as required.

Chart 2

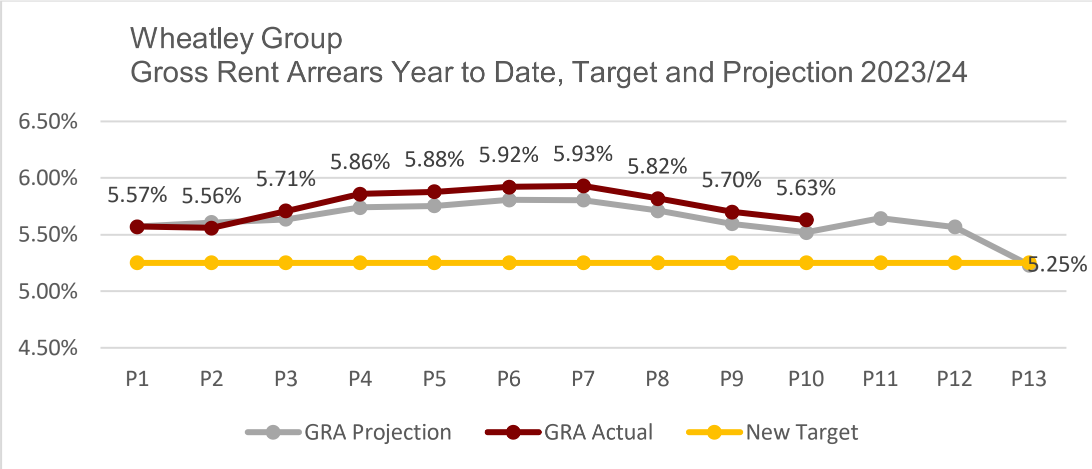

Table 19

Gross Rent Arrears	Dec/P10		2023/24 target	2022/23 Result
WHE	4.93%		4.52%	4.63%
WHS	4.54%		4.42%	4.62%
WHG	6.11%		5.63%	5.84%
Loretto	4.05%		4.18%	4.28%
Group RSLs	**5.63%**		**5.25%**	**5.44%**
[redacted]				

[redacted]

4.81 [redacted]

4.82 [redacted]
.

4.83 [redacted].

4.84 [redacted]

4.85 [redacted].

4.86 [redacted].

4.87 [redacted].

4.88 [redacted].

4.89 [redacted].

RSL Average Days to Re-Let

4.90 Group RSL in-month results from April 2022 are charted below. Our current year-to-date position has improved to 14.27 days compared to the 14.87 days reported at the end of September. All our RSLs have improved their year-to-date position during this period.

Chart 3

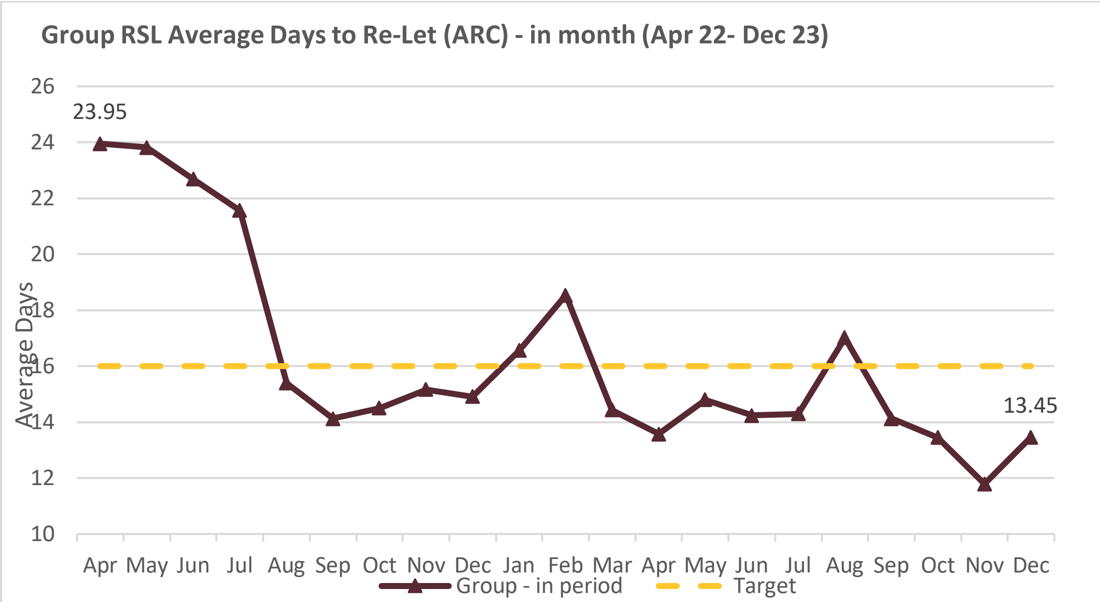

Table 20

Average days to re-let (Charter)		2023/24 YTD		2023/24 Target	2022/23 Results
WHE		13.61		16	18.00
WHS		11.47		16	12.31
WHG		15.42		16	20.61
Loretto		10.02		16	15.98
Group RSLs		**14.27**		**16**	**18.63**

[redacted]

4.91 [redacted]

4.92 [redacted].

Summary of Strategic Project Delivery

4.93 A full update on progress with strategic projects is attached at Appendix 3. The following table summarises the current status of projects.

Table 21

Complete	On track	Slippage	Overdue
1	4	3	2

4.94 Two projects have completed since the last update:

- *Group wide implementation of Roll out Book it, Track it, Rate it.*
- *Develop a new, integrated Neighbourhood Planning Approach*

4.95 The following projects are currently slipping:

- *Repairs technical enhancement programme - slippage linked to access to vendor resources, which have now been confirmed for April 2024*,
- *My Voice – real time customer feedback reporting*.

4.96 The following projects are currently overdue, with one proposed for reprofiling:

- *Implement Group sustainability framework* - recently proposed revisions to the required energy efficiency of our properties make it more appropriate to report annual progress against our sustainability strategy after the year-end (an update on this was provided at the recent asset strategy workshop). It is proposed this be added to the Board planner and the project be considered complete.
- *Interest cover covenant revision*.

5. Customer Engagement

5.1 We have several strategic projects that facilitate opportunities for customer engagement, as do new customer feedback channels such as MyVoice and Book It, Track It, Rate It. This will directly impact the way we deliver services, the way they can be dawn down by customers and how customers can share their views on these services.

6. Environmental and sustainability implications

6.1 One of our strategic projects for 2023/24 focuses on the implementation of the Group sustainability framework. This includes a refined sustainability performance framework and delivery plan which is overseen by the Wheatley Solutions Board.

7. Digital transformation alignment

7.1 Our strategy is underpinned by digital transformation. The strategic projects for 2023/24 have been developed and prioritised with IT, digital and data interdependencies a key factor.

8. Financial and value for money implications

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

9. Legal, regulatory and charitable implications

9.1 The Scottish Housing Regulator requires an Annual Return on the Charter from each RSL. Key indicators within this return are also included in quarterly performance reporting. 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 we do through the Group Scrutiny Panel, and to report to tenants on performance by the end of October each year.

10. Risk Appetite and assessment

10.1 This report covers performance across each of our strategic themes and as such there is no single agreed risk appetite. Having a strong performance management culture will in particular support our progression from excellence to outstanding for which we have an open risk appetite in relation to operational delivery with a cautious appetite in relation to compliance with law and regulation.

11. Equalities implications

11.1 Project monitoring and evaluations consider equalities information and Equalities Impact Assessments are undertaken at the outset of new programmes to ensure compliance with equality legislation, where applicable.

12. Key issues and conclusions

12.1 We continue to demonstrate strong performance in several key areas including days to let, lets to homeless, tenancy sustainment, new build handovers, emergency repairs and adaptation completion timescales. Areas of focus include non-emergency timescales and arrears.

13. Recommendations

13.1 The Board is asked to note the contents of this report and approve the proposed project milestone change set out in 4.96.

LIST OF APPENDICES:

Appendix 1: Board Strategic Measures Dashboard 2023/24 Q3
Appendix 2: Board Other KPIs Dashboard 2023/24 Q3
Appendix 3: Board Strategic Projects Dashboard 2023/24 Q3

Appendix 1
Group Board Strategic Results – Q3 2023/24

Delivering Exceptional Customer Experience

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Measure	2022/23 Value	2023/24 Value	2023/24 Target	Status
CSAT Score (customer satisfaction)	New	4.24	4.5	
Customer first centre grade of service – percentage of calls answered within 30 seconds	76.79%	69.17%	Contextual	N/A
Percentage of calls to the CFC resolved at first contact	88.99%	85.94%	90%	
Call abandonment rate	4.72%	5.43%	5%	
Average waiting time (seconds)	57.64	59.63	Contextual	N/A
Percentage of CFC customer interactions that are passed to Housing and Lowther staff for resolution	6.15%	7.01%	<10%	

Making the Most of Our Homes and Assets

Measure	2022/23	YTD 2023/24		
	Value	Value	Target	Status
New build completions (total for Group)	644	218	186	
WHG - Social Housing	26	0	0	
[redacted]				
Loretto - Social Housing	205	24	0	
WHE - Social Housing	251	129	151	
[redacted]				
WHS - Social Housing	37	0	0	
[redacted]				
Achieve 60:40 ratio of planned to reactive repairs spending	2022/23 47.2%: 52.8% (£60.1m: £67.3m)	42.5%: 57.5% (£43.4m: £58.65m)	60%:40%	
Reduce the volume of emergency repairs by 10% by 2025/26 (Group average)	Apr to Dec 22/23 – 73,074	67,492	-7.64%	
WHG	Apr to Dec 22/23 – 52,246	48,560	-7.06%	
Loretto	Apr to Dec 22/23 – 3,331	2,926	-12.16%	
WHE	Apr to Dec 22/23 – 6,553	6,454	-1.51%	
WHS	Apr to Dec 22/23 – 10,944	9,552	-12.72%	
Percentage of customers who have had repairs or maintenance carried out in last 12 months satisfied with the repairs and maintenance service (ARC)	88.76%	90.90%	90%	

Changing Lives and Communities

Measure	2022/23	YTD 2023/24		
	Value	Value	Target	Status
[redacted]				
Over 70% of customers live in neighbourhoods categorised as peaceful by 2025/26 (Group average)	69.4%	76.38%		
Number of accidental dwelling fires recorded by Scottish Fire and Rescue (Group RSLs)	147	88	(Annual upper limit)	
WHG	113	75	N/A	N/A
Loretto	6	1	N/A	N/A
WHE	9	6	N/A	N/A
WHS	19	6	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)	100%	100%		
Percentage of relevant lets to homeless applicants	53.40%	55.74%	N/A	N/A
WHG	51.88%	58.23%	N/A	N/A
Loretto	45.85%	60.53%	N/A	N/A
WHE	58.62%	58.25%	N/A	N/A
WHS	58.14%	46.07%	N/A	N/A
Percentage of lets to homeless applicants (Charter)	50.30%	54.06%	N/A	N/A
WHG	50.19%	56.89%	N/A	N/A
Loretto	43.36%	62.40%	N/A	N/A
WHE	47.79%	49.88%	N/A	N/A
WHS	57.44%	46.01%	N/A	N/A
Number of lets to homeless applicants (10,000 for Group by 2025/26)	2,207	1,771		

Measure	2022/23	YTD 2023/24		
	Value	Value	Target	Status
WHG	1,318	1,185	N/A	N/A
Loretto	166	78	N/A	N/A
WHE	314	214	N/A	N/A
WHS		294	N/A	N/A
4,000 jobs, training places or apprenticeships opportunities delivered		727	660	
WHG		249	325	
Loretto		2	3	
WHS	128	43	79	
[redacted]				
WHE	131	140	33	
[redacted]				
Other		232	181	
10,000 vulnerable children benefit from targeted Foundation programmes (Group total)		1166	910	
60% of tenants with online accounts are using the My Savings rewards gateway	13.29%	13.5%	13%	

Developing our Shared Capability

Measure	2022/23	YTD 2023/24		
	Value	Value	Target	Status
Staff absence is maintained at 5% for Care services and 3% for all other parts of the business	4.28%	4.22%	3%	
WHG	2.74%	2.29%	3%	
Loretto	5.65%	0.36%	3%	
Wheatley Homes East	3.53%	3.76%	3%	
WHS	2.16%	2.49%	3%	
[redacted]				
[redacted]				
[redacted]				
[redacted]				

Enabling our Ambitions

Measure	2022/23	YTD 2023/24		
	Value	Value	Target	Status
Reduce gross rent arrears down to 4.5% by 2026 (Group RSL average)	5.44%	5.63%	5.25%	
WHG A	5.87%	6.13%	N/A	N/A
WHG B	5.47%	5.79%	N/A	N/A
WHG Combined	5.84%	6.11%	5.63%	
Loretto A	4.58%	4.59%	N/A	N/A
Loretto B	3.92%	3.29%	N/A	N/A
Loretto Combined	4.28%	4.05%	4.18%	
WHE A	4.64%	4.80%	N/A	N/A
WHE B	4.59%	5.89%	N/A	N/A
WHE Combined	4.63%	4.93%	4.52%	
WHS	4.62%	4.54%	4.42%	
[redacted]				
Average time to re-let properties (Group RSL average)	18.63	14.27	16	
WHG	20.61	15.42	16	
Loretto	15.98	10.02	16	
WHE	18.00	13.61	16	
WHS	12.31	11.47	16	
[redacted]				
[redacted]				
[redacted]				

Measure	2022/23	YTD 2023/24		
	Value	Value	Target	Status
[redacted]				
[redacted]				
[redacted]				
[redacted]				

Appendix 2
Group Board Other KPIs Q3 (2023/24) (includes Compliance)

Measure	2022/23	YTD 2023/24		
	Value	Value	Target	Status
Percentage of new tenancies sustained for more than a year – overall (Group RSL Charter average)	89.03%	91.13%		✅
WHG	89.13%	91.74%		✅
Loretto	92.23%	94.61%		✅
WHE	91.23%	91.81%		✅
WHS	86.83%	86.90%		⚠️
Average time taken to complete emergency repairs (hours) – make safe (Group RSL average)	3.26	2.67		✅
WHG	3.36	2.59		✅
Loretto	3.16	2.98		✅
WHE	3.13	3.13		⚠️
WHS	2.91	2.67		✅
Average time taken to complete non-emergency repairs (working days) (Group RSL average)	8.47	8.05		🛑
WHG	8.88	8.01		🛑
Loretto	9.13	8.50		🛑
WHE	6.93	7.89		🛑
WHS	7.02	8.37		🛑

Measure	2022/23	YTD 2023/24		
		Value	Target	Status
Average time to complete approved applications for medical adaptations (calendar days) (Group RSL average)		19.17	25	
WHG		17.80	25	
Loretto		19.67	25	
WHE		13.99	25	
WHS	32.87	24.48	25	
Percentage of reactive repairs completed right first time		91.60%	N/A	
WHG		92.07%	90%	
Loretto		91.17%	93%	
WHE		91.21%	90%	
WHS		88.30%	90%	
Number of times in the reporting year the RSL did not meet the statutory obligation to complete a gas safety check within 12 months of a gas appliance being fitted or its last check (Group RSL total)		0	0	
WHG		0	0	
Loretto		0	0	
WHE	0	0	0	
WHS	0	0	0	

Measure	Value	YTD 2023/24 Value	YTD 2023/24 Target	
Percentage of ASB incidents resolved (Group RSL average)	100%	96.59%	98%	
WHG	100%	95.75%	98%	
Loretto	100%	100%	98%	
WHE	100%	96.32%	98%	
WHS	100%	100%	98%	
Percentage of court actions initiated which resulted in eviction	25.56%	44.17%	Contextual	
WHG	27.84%	40.17%	Contextual	
Loretto	18.75%	50.00%	Contextual	
WHE	26.32%	57.14%	Contextual	
WHS	17.07%	53.33%	Contextual	
Percentage of lettable homes that became vacant (Group RSL average)	7.10%	7.13%	8%	
WHG	6.92%	7.01%	8%	
Loretto	6.17%	5.71%	8%	
WHE	7.37%	6.49%	7.3%	
WHS	7.91%	8.38%	8%	
Number of accidental fires in workplace	2	1	0	
Number of RIDDOR incidents reported	15	15	20	
Number of Health and Safety Executive or local authority environmental team interventions	2	0	0	

Measure	2022/23	YTD 2023/24		
	Value	Value	Target	Status
Number of new employee liability claims received	5	2	0	
Number of open employee liability claims	13	12	Contextual	
Number of days lost due to work related accidents	464	488.5	Contextual	

Compliance Programme Delivery

2023/24 Quarter 3	WHG	Loretto	WHE	WHS
Legionella - percentage of applicable properties with a valid risk assessment in place	100%	100%	100%	100%
Number of domestic stair and through floor lifts with a completed annual inspection and test against the number due to be completed	90.9%	100%	100%	100%
Number of passenger lifts with a completed six-month inspection and test against the number due to be completed	100%	100%	100%	100%
Percentage of electrical installation inspections completed toward annual programme	89.6%	74.2%	90.41%	99.97%
Percentage of properties with an EICR certificate up to 5 years old	99.84%	99.96%	99.91%	99.97%

Appendix 3 - Wheatley Group Board - Delivery Plan 23/24 - Strategic Projects

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
Repairs technical enhancement programme	31-Mar-2024		40%	01. Programme of research and engagement with customers on online repairs service to further refine functionality and usability	30-Sep-2023	Yes	The CBG DRS upgrade has been confirmed for 12th April 2024, with testing support from being planned. WHE Servitor migration is proceeding on target for the end of March 2024.
				02. CBG IT integration – Boxi reporting system implementation	31-Oct-2023	No	
				03. WHS DRS upgrade	31-Oct-2023	Yes	
				04. CBG DRS upgrade	31-Oct-2023	No	
				05. Servitor and DRS fully implemented in WHE	31-Mar-2024	No	
Group wide implementation of Roll out Book it, Track it, Rate it	31-Aug-2023		100%	01. Pilot commencement in Wheatley Homes East	30-Apr-2023	Yes	Complete
				02. Pilot finalised in with City Building delivered repairs	31-May-2023	Yes	
				03. Pilot commencement in Wheatley Homes South	31-May-2023	Yes	
				04. Pilot evaluation, including customer feedback, and agreement to go live - City Building	30-Jun-2023	Yes	
				05. Pilot evaluation, including customer feedback, and agreement to go live - Wheatley Homes East	31-Jul-2023	Yes	
				06. Pilot evaluation, including customer feedback, and agreement to go live - Wheatley Homes South	31-Aug-2023	Yes	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
[redacted							
My Voice – real time customer feedback reporting	31-Mar-2024		60%	01. MY Voice CFC pilot concluded	30-Apr-2023	Yes	Key service pillars being onboarded to be complete by the end of Feb 2024 with project on track for 31 March.
				02. CFC customer insight operational framework implemented	31-May-2023	Yes	
				03. Implementation plan for key service pillars developed and approved by ET	31-May-2023	Yes	
				04. On-board key service pillars to MY Voice customer insight platform	30-Nov-2023	No	
				05. Implement operational frameworks	31-Mar-2024	No	
Migration to new cloud telephony platform	31-Mar-2024		80%	01. Group Board approval of contract award	30-Apr-2023	Yes	The CFC and all specialist teams are now live on Storm. Work Force Management went live in January with reporting expected to be fully operational by the end of February. Work to migrate all Care, Concierge and remote sites is underway and due to be complete by 31 March 24.
				02. Vendor Contract Award	31-May-2023	Yes	
				03. Full project delivery plan developed and commenced	31-Jul-2023	Yes	
				04. Phase 1 launch	31-Dec-2023	Yes	
				05. Phase 2 launch	31-Mar-2024	No	
[redacted]							

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
Lochside regeneration	31-Mar-2024		33%	01. Community engagement on Masterplan	31-Oct-2023	Yes	Progress against the programme remains on track at Lochside. Community Engagement will continue throughout the masterplan and planning process and through the local delivery group. The Masterplan is on track to be finalised in Q4 of 2023/24 ahead of submission to DGC.
				02. Draft Masterplan revised following community engagement	28-Feb-2024	No	
				03. Masterplan update to WHS and WDSL Board	31-Mar-2024	No	
Implement Group sustainability framework	31-Dec-2023		80%	01. Sustainability delivery workshop with nominated group leads	30-Apr-2023	Yes	Recent proposed revisions to the required energy efficiency of our properties through the social housing net zero standard consultation, make it more appropriate to report on progress against our sustainability strategy after the year end. This reporting is now planned for the end of June 2024. It is proposed this project be considered complete and the final milestone added to the Board planner for 2024.
				02. Refine sustainability performance monitoring framework	31-May-2023	Yes	
				03. Develop sustainability delivery plan	30-Jun-2023	Yes	
				04. Quarterly sustainability updates to ET	30-Jun-2023	Yes	
				05. Annual sustainability progress report via PNAG to Group Board	31-Dec-2023	No	
Develop a new, integrated Neighbourhood Planning Approach	28-Feb-2024		100%	01. Deliver workshop with key people involved in Neighbourhood tools and scoring mechanisms to map out roles and remit	31-May-2023	Yes	Complete
				02. Develop a technical	30-Jun-2023	Yes	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				guidance document around application of tools and the scoring mechanisms within the neighbourhood assessment			
				03. Trial and test the neighbourhood assessment, including customer engagement, in one neighbourhood within WHG	31-Jul-2023	Yes	
				04. Based on the neighbourhood assessment, propose an example neighbourhood plan	30-Sep-2023	Yes	
				05. Provide worked example to WHG Board to review and agree as a model going forward	30-Sep-2023	Yes	
				06. Draft Neighbourhood approach for wider group to RSL Boards	28-Feb-2024	Yes	
[redacted]							

Wheatley Group

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: **21 February 2024**

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1. Purpose

1.1 This report seeks approval for proposed changes to the Strategic Risk Register attached at Appendix 1.

2. Authorising and strategic context

2.1 In accordance with its Terms of Reference, the Board is responsible for approving and setting the "overall risk assessment and management system within the Group". This paper summarises the latest position of Strategic Risk Register, following the Group Audit Committee's most recent review.

3. Background

3.1 This 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 to bring to the attention of the Board. 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 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 ("horizon-scanning").

4. Discussion

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

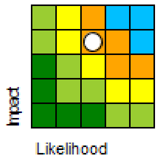
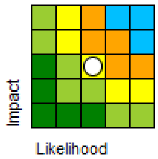
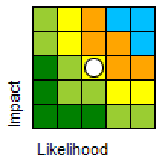
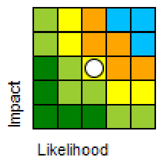
- Red font – risks highlighted for Board consideration and discussed further below;
- Purple font – risks with a high residual risk or inherent risk score where Boards have received an update on the operation of the controls in the last 6 months; and
- Black font – lower scoring risks that have remained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

Impact	1	2	3	4	5
5					
4			• Failure to recruit, develop, retain & succession plan • Damp and Mould (A)	• [redacted]) • Impact on our customers of Cost-of-Living crisis • Reduced availability of financial support from S Gov't / Local Gov't • Supply chain disruption (C)	
3		• Business Continuity • Rent arrears management • New build contractor non-conformance with building standards • Commercial Operations • Fire Safety • Non achievement of cost savings within the business plan	• Care and support services (A) • Financial impact of rent control legislation • Non-achievement of sustainability targets • Fire Event (A) • Compliance with funders requirements • Customer Satisfaction • Governance Structure • Securing new funding • Political & Policy changes • Group Credit Rating (A)	• Climate change impact on Group Assets and Services	
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 five risks with a residual risk score that is greater than the approved risk appetite. These are set out in the table below:

Risk	Residual Risk Score	Risk Appetite Level	Commentary
[redacted]			
RISK 053: Damp and Mould		Minimal	The residual risk scoring for this risk was increased to 12 in August 2023. The proactive approach to the identification of damp and mould issues within customers' homes will reduce the likelihood of any homes having damp or mould present and not being actioned as a result of the customer not reporting it. This is supported by the development and implementation of the new procedures for dealing with reports of damp/mould, the treatment works that have been carried out over the course of the last year and the support / information / guidance that has been made available to customers and frontline staff should in turn reduce the risk associated with damp/mould over the winter period.
RISK005 – Care and support services		Minimal	We continue to embed the Care Quality Framework which is providing improved controls. Enhancements have been made to the Framework following feedback and learning from the first full year of use. Work to deliver the outcomes of the Care Strategic Review continues and will also add to an enhanced control environment.
RISK 089 – Fire Event		Minimal	This risk is focused on the risk of a fire event within a customer property. It is outwith risk appetite due to the limited control the Group has over the actions of third parties to minimise fire risk.
RISK010 – Group Credit rating		Minimal	The residual risk score remains above risk appetite due to the uncertainty within the external economic and policy environment. We will continue to monitor the potential impact on business plans and keep the scoring of this risk under review.

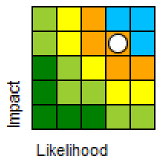
4.4 The implementation of any identified actions will be monitored and residual risk scores will be reviewed as part of the scheduled quarterly review of all risks.

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 No new risks have been identified for inclusion in the Strategic Risk Register at this time. One existing risk has been amended, as shown below.

Risk	Residual Risk Score	Risk Appetite Level	Commentary
RISK018 – Supply Chain Disruption		Open	We have increased the likelihood score of this risk, to reflect the current market conditions. As part of our ongoing review of our business continuity arrangements an assessment of the impact of key suppliers being unable to continue to provide contracted services is being undertaken. This will include mitigating actions and planned alternative service delivery approaches. The results of this review will be reported to the Group Audit Committee at its next meeting in May 2024.

4.7 The Board is asked to consider whether any changes should be made to the Strategic Risk Register, or if any matters discussed elsewhere during the meeting result in additional risks to be captured in the risk register.

Group Risk Management Policy review

4.8 The Group Risk Management Policy is due for review and proposed changes will be taken to the Group Board for approval in June 2024, following consideration at the May Group Audit Committee meeting. We are considering whether any changes are required to the existing risk management arrangements and welcome any feedback from the Board on how the existing arrangement are working, or if there are any changes needed.

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 planned 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 The report summarises the most recent review of the Strategic Risk Register, which has resulted in identification of five risks that are outwith risk appetite. One change has been highlighted for the Board's attention.

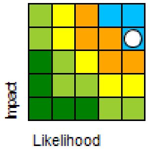
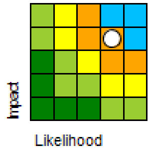
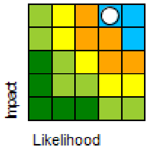
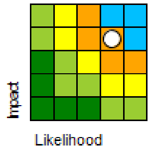
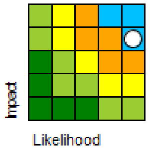
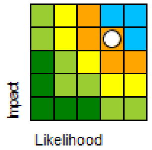
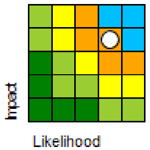
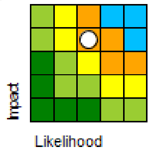
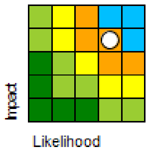
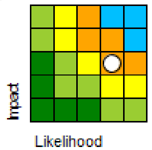
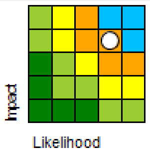
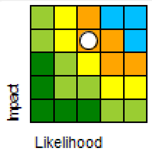
13. Recommendations

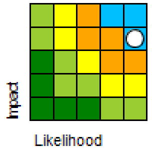
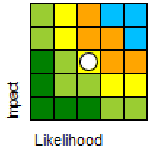
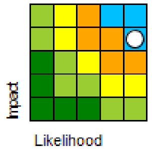
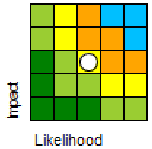
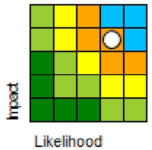
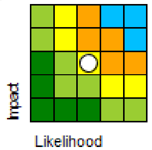
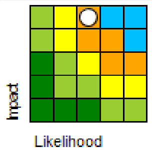
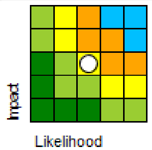
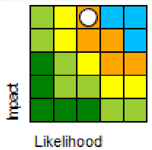
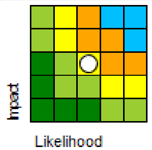
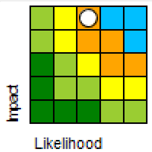
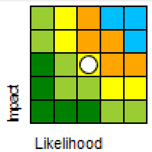
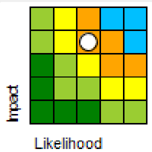
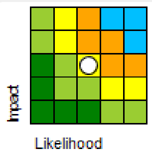
13.1 The Board is asked to note the content of this report and approve the Strategic Risk Register.

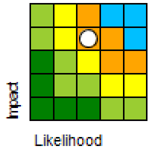
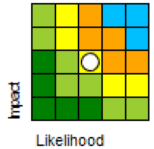
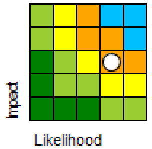
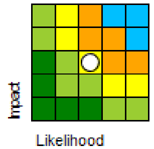
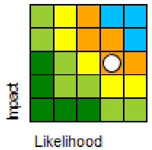
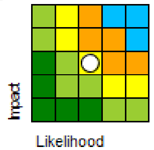
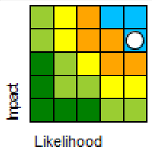
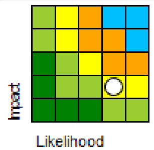
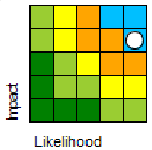
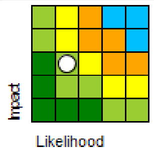
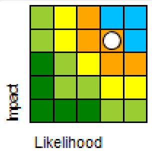
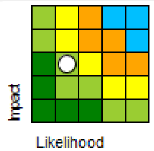
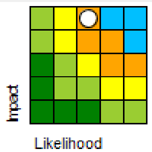
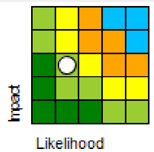
LIST OF APPENDICES:

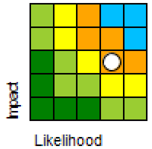
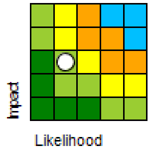
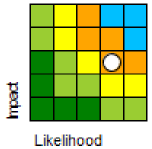
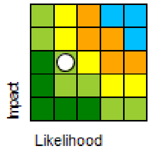
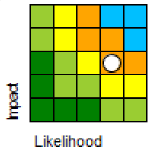
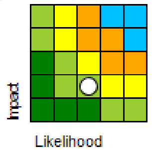
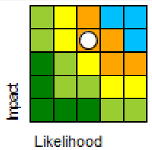
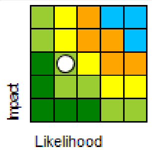
Appendix 1: Summary status of Wheatley Group Strategic Risk Register
Appendix 2: Extract of Wheatley Group Strategic Risk Register

Appendix 1 – Summary status of Wheatley Group Strategic Risk Register

Code	Title	Original Score	Risk Appetite	Current Risk Score	Owner	Strategic Outcome	Ref to App 2
[redacted]							
RISK 001	Impact on our customers of the cost of living crisis		Risk Appetite is OPEN (Orange)		Group Director of Communities	Supporting economic resilience in our communities	N/A
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
RISK 018	Supply chain disruption		Risk Appetite is OPEN (Orange)		Group Director of Governance & Business Solutions	Increasing the supply of new homes	P12 C – Highlighted for Board attention
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
RISK 023	Climate change impact on Group customers, 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
RISK 053	Damp and Mould		Risk appetite is MINIMAL (Light Green)		Group Director of Repairs and Assets	Investing in existing homes and environments	P13 A – outwith risk appetite

Code	Title	Original Score	Risk Appetite	Current Risk Score	Owner	Strategic Outcome	Ref to App 2
RISK 005	Care and support services		Risk Appetite is MINIMAL (Light Green)		Group Director of Communities	Shaping Care Services for the future	P14 A – outwith risk appetite
RISK 022	Financial impact of rent control legislation		Risk Appetite is CAUTIOUS (Yellow)		Group Director of Finance	Progressing from Excellent to Outstanding	N/A
RISK 137	Non-achievement of sustainability targets		Risk Appetite is OPEN (Orange)		Group Director of Repairs and Assets	Setting the benchmark for sustainability and reducing carbon footprint	N/A
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 089	Fire Event		Risk Appetite is MINIMAL (Light Green)		Group Director of Repairs and Assets	Developing peaceful and connected neighbourhoods	P15 A – outwith risk appetite
RISK 010	Group Credit Rating		Risk Appetite is MINIMAL (Light Green)		Group Director of Finance	Maintaining a strong credit rating and managing financial risks	P16 A – outwith risk appetite
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 App 2
RISK 009	Governance Structure		Risk Appetite is **CAUTIOUS** (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 **OPEN** (Orange)		Group Director of Finance	Raising the funding to support our ambitions	N/A
RISK 014	Political and Policy changes		Risk Appetite is **OPEN** (Orange)		Group Director of Governance & Business Solutions; Group CEO	Influencing locally and nationally to benefit our communities	N/A
RISK 016	Laws and Regulations		Risk Appetite is **CAUTIOUS** (Yellow)		Group Director of Governance & Business Solutions	Progressing from Excellent to Outstanding	N/A
RISK 203	Non-achievement of cost savings within the business plan		Risk Appetite is **MINIMAL** (Light green)		Group Director of Finance	Maintaining a strong credit rating and managing financial risk	N/A
RISK 012	Business Continuity		Risk Appetite is OPEN (Orange)		Group Director of Repairs and Assets	Progressing from Excellent to Outstanding	N/A
RISK 003	Fire Safety		Risk Appetite is **MINIMAL** (Light Green)		Group Director of Repairs and Assets	Investing in existing homes and environments	N/A

Code	Title	Original Score	Risk Appetite	Current Risk Score	Owner	Strategic Outcome	Ref to App 2
RISK 007	Rent Arrears management		Risk Appetite is <u>**OPEN**</u> (Orange)		Group Director of Housing & Property Management	Enabling Customers to Lead	N/A
RISK 013	Commercial Operations		Risk Appetite is <u>**OPEN**</u> (Orange)		Group Director of Housing & Property Management	Supporting economic resilience in our communities	N/A
RISK 020	Implementation of partnership promises		Risk Appetite is <u>**MINIMAL**</u> (Light Green)		Group Director of Governance & Business Solutions; Group CEO	Progressing from Excellent to Outstanding	N/A
RISK 204	New Build contractor non-compliance with building standards		Risk Appetite is <u>**MINIMAL**</u> (Light Green)		Group Director of Repairs and Assets	Increasing the supply of new homes	N/A

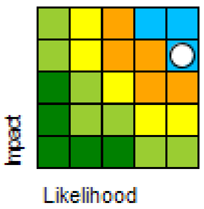
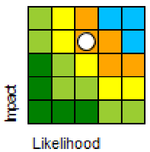
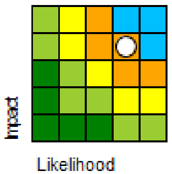
Appendix 2 – Extract of Wheatley Group Strategic Risk Register

[redacted]

RISK 018 Supply Chain Disruption - *C: Highlighted for Board attention*

Strategic Outcome	Increasing the supply of new homes	Risk type	Operational Delivery	Risk owner	Group Director of Governance & Business Solutions

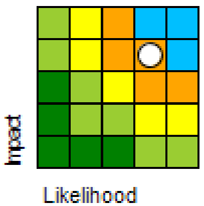
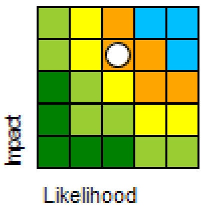
Description	***Controls***
There is a risk that the Group faces disruption to its supply chain (including delays to supply deliveries, increased costs of supplies, or supplier business failure) due to global events such as the war in Ukraine, ongoing post-Covid manufacturing challenges, the UK cost of living crisis and rising inflation, resulting in delays or an inability to deliver operational targets and potential financial loss or reputational damage.	**General:** Procurement procedures include assessment of suppliers' financial health. Contract and supplier management guidance and e-learning module available. Active use of Contract Management System which contains system generated alerts to flag risk. Proactive monitoring of supply chains by Operational leads with regular contract management meetings. Regular engagement with Scottish Government on cost or delay impact as potential issues emerge. In the event of supplier insolvency, procurement frameworks / approved supplier listings would be used to identify alternative suppliers. **Repairs Service:** Manage stock levels including, where possible, advance purchase of components and materials. Engagement with key suppliers. Specific contingency plans for key services e.g. lifts. Local staff directly employed by CBG, WHE or WHS PS. **Investment Programme:** Manage stock levels of components and materials. Engagement with key suppliers. **New Build**: Regular engagement with new build contractors, Equifax reports run monthly on the financial stability of all new build providers and noted key suppliers. Monitor on a site basis the availability and adequacy of contactor's resource on site – consider increased clerk of works site monitoring to ensure quality of workmanship. The use of mitigations such as performance bonds and the use of retention payments has been reviewed at the recent WDS strategy workshop in November 2023 and recommendations approved by the Group Board including continuing to seek performance bonds where required and a suite of other measures including parent company guarantees. With some developers going into administration in Q1 of 2024 we have initiated quarterly meetings with all main developers, progress in monitored on-site to identify any early signs of financial distress such as delayed progress, lack of materials or late payments to sub-contractors. **Operational Supplies**: Utilisation of Group and 3rd party frameworks to minimise price increase risk. Engagement with key suppliers on stock levels

Inherent risk	Residual risk	Risk Appetite level:	Previous / Next detailed Board update on operation of controls listed above:
	Original:  Revised: 	Risk Appetite is **OPEN** (Orange)	Group DevCo - tenders/ programme performance/ Contractor financial exposure. These are standing items at each meeting. (Ongoing) Annual Procurement strategy and policy updates presented to Boards for approval All Boards performance, finance and development updates (Ongoing standing items)

RISK 053 Damp and Mould - ***A: Outwith risk appetite***

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

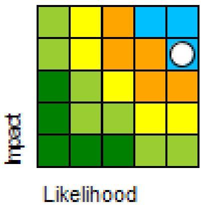
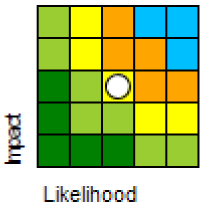
Description	***Controls***
There is a risk that housing stock is in a poor-quality condition as a result of damp and mould, resulting in harm to tenants' health.	***Existing Controls*** The Group has a Damp and Mould Policy, which is supported by detailed procedures. Mould and damp are recorded as specific work order descriptions, with agreed timescales for completion of the works. Timescales for completion of mould works have been reduced from 30 to 15 working days and all jobs include a full inspection within 2 working days. Additional staff, to specialise in mould and damp, have been recruited to provide additional resource to the existing team. Arrangements are also in place for specialist external support to this Service. 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. The independent condition survey programme carried out by JLL includes a damp & mould check. 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 rolled out. ***Planned controls*** All staff with reason to visit customer homes are currently being trained to recognise signs of damp and mould as part of a See It, Report It campaign. This also includes CBG trades operatives. A pilot exercise to test environmental sensors in a small number of properties is underway and the findings of this will be used to inform any further roll out. Technological solutions to treat mould are also being engaged wherever they are required e.g. misting machines.

Inherent risk	Residual risk	Risk Appetite level:	Previous / Next detailed Board update on operation of controls listed above:
		Risk appetite is **MINIMAL** (Light Green)	Group paper on approach to Damp and Mould at the December 2022 Group Board. Damp and Mould repairs are reported in the Performance Report as a standing item on Group Board agendas. Update on winter preparation, including damp and mould related actions, was submitted to RSL Boards as part of the Winter Resilience Planning papers in September 2023.

RISK 005 Care and support services – *A: Outwith risk appetite*

Strategic Outcome	Shaping Care Services for the future	Risk type	Compliance: Legal/Regulatory	Risk owner	Group Director of Communities

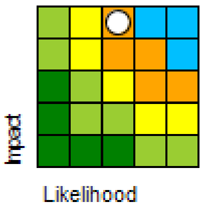
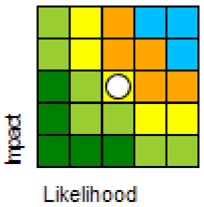
Description	***Controls***
A failure in the care of an individual could result in serious personal harm, leading to risk to life and limb, financial liability and loss of future work due to reputational damage.	Care and support services governance arrangements, including the authorising environment, 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. The Care Quality Framework is being implemented through systems of audit that provide quality assurance within service delivery, prompting swift improvements where necessary. Customer sentiment surveys are deployed annually to seek formal feedback on customer satisfaction with the service they receive. Complaints are monitored monthly as part of the performance cycle. Accidents and incidents are reviewed with any learning opportunities identified at Managers Forums. Care policy framework review cycle ensure that policy and procures remain up to date with the most concise direction to staff on their roles and responsibilities. The Care Inspectorate conduct inspections either annually or ever 2 years producing reports that evidence outcomes from inspection (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. 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. Mandatory and service specific training is in place to give staff the knowledge to identify additional support needs in relation to the people we work for. A training needs analysis is completed for each service annually to identify any additional training requirements in relation to the specific needs of people using that service. Dynamic risk assessments are completed for service users where risk has been identified and revisited on an ongoing basis to ensure the care and support arrangements in place continue to meet their needs. The BCP and local Service Contingency Plans are invoked where necessary and remain updated to ensure that priority frameworks inform the scheduling of care to the most vulnerable customers. Care Strategic Review Project proposes improvements to data gathering that enhances reputation and credibility, with a sound evidence base

Inherent risk	**Residual risk**	**Risk Appetite level:**	**Previous / Next detailed Board update on operation of controls listed above:**
		Risk Appetite is **MINIMAL** (Light Green)	Care business plan and ongoing care performance reporting to Group and Wheatley Care Board (minimum quarterly) Strategic Care Review update paper to each Care Board. Strategic Care Review biannual update paper to Group Board (April 2024)

RISK 089 Fire Event - *A: Outwith risk appetite*

Strategic Outcome	Developing peaceful and connected neighbourhoods	Risk type	Compliance: Legal/Regulatory	Risk owner	Group Director of Repairs and Assets

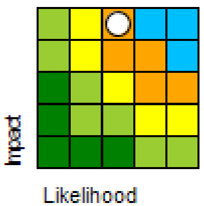
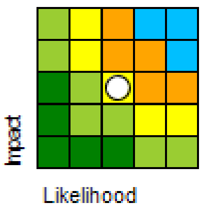
Description	***Controls***
Actions and behaviours of customers or third parties which are outwith the Group's control lead to a fire within our buildings, resulting in the injury or fatality of individuals, damage to Group property, and reputational damage.	Fire Prevention and Mitigation Framework, including our approach to high rise block inspections and Livingwell. Fire Risk Assessments are completed on a rolling cycle and include assessment of Wilful Fire Raising. Person Centred Risk Assessments (Home Fire Safety Visits) undertaken by Fire Safety Officers where vulnerable customers identified. Daily, weekly and monthly inspections of high rise domestic premises maintained by Environmental Teams in between Fire Risk Assessments being completed. Statutory maintenance of Domestic Properties undertaken to include Gas Safety Installations, Electrical Installations and the provision of Heat and Smoke Detection. New Build properties from 2022 onward will be built with Water Suppression Systems as per new Building Standards requirements. Extensive compliance and investment regime to achieve compliance with building safety regulations (as required) and best practice guidance. Fire Working Group attended by Snr Mgt Teams every 2 months that feeds into a Group Executive Fire Liaison Meeting chaired by Executive Lead and attended by Leadership Directors to review performance, emerging issues and escalate matters as required. Compliance Steering Group established to monitor and review compliance events that could contribute to risk of fire e.g. Gas Safety, Electrical Safety etc.

Inherent risk	**Residual risk**	**Risk Appetite level:**	**Previous / Next detailed Board update on operation of controls listed above:**
		Risk Appetite is **<u>MINIMAL</u>** (Light Green)	Standing biannual item at Group Audit Committee meetings. (Ongoing) Annual report to RSL 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)

RISK 010 Group Credit Rating - *A: Outwith risk appetite*

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

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

Inherent risk	Residual risk	Risk Appetite level:	Previous / Next detailed Board update on operation of controls listed above:
		Risk Appetite is **MINIMAL** (Light Green)	Business plan projections for all Boards set out how we will maintain financial position (February 2024) The Group and WFL1 Boards receive quarterly treasury reports on the current credit market conditions and any credit rating updates. (Quarterly 2024) Credit rating update reported to April 2023 Board, next review due April 2024.

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: 21 February 2024

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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 2023;
- Provide the Board with the forecast full year out-turn following the completion of the 9 months to 31 December 2023; and
- Seek Board approval for an endowment of up to £5.0m to the Wheatley Foundation from the Group's RSLs.

2. Authorising and strategic context

2.1 Under our Group Standing Orders, the Group Board is responsible for the on-going monitoring and scrutiny of our performance against agreed targets. This includes the performance of its finances.

2.2 Inflation continues to have an impact on the business and our customers. For 2024/25 the economic outlook in the UK remains uncertain with inflation proving to be more resistant to interest rate increases than expected; the strong labour market and higher wage settlements are both helping to maintain higher prices. As a result, we are maintaining prudent assumptions for the coming year on inflation and interest rates. Our business has been particularly affected by increases in the cost of fuel, utilities, insurance and repairs and maintenance costs. Inflation on repairs and maintenance costs remains at a higher level than the general CPI rate of 4%, and our insurance costs have increased by more than 30% in the last year with fuel and utilities costs stabilising to some extent.

2.3 In their most recent announcement, the Bank of England indicated that their expectation was that although overall inflation may reduce to 2% by the middle of this year it would rise again slightly, and they would keep interest rates high for long enough to see inflation settle at 2%. A large proportion of our existing funding is at fixed rates which limits our interest rate exposure on these amounts.

2.4 The key themes and aims of the 2021-26 strategy Your Home, Your Community, Your Future set the context for the preparation of the 2023/24 budget.

3. Background - Financial performance to 31 December 2023

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

	Year to Date (Period 6)		
£m	**Actual**	**Budget**	**Variance**
Turnover	302.4	297.1	5.3
Operating expenditure	(258.5)	(254.8)	(3.7)
Operating surplus	**43.9**	**42.3**	**1.6**
Operating margin	*14.5%*	*14.2%*	
Net interest payable	(50.8)	(50.1)	(0.7)
Statutory deficit	**(6.9)**	**(7.8)**	**0.9**
Net Capital Expenditure	**105.0**	**122.4**	**17.4**

4. Discussion

4.1 The Group is reporting a statutory deficit of £6.9m, which is £0.9m favourable to budget. The variance to budget reflects a favourable income position driven by a strong operational performance, higher levels of grant income and savings in employee costs partially offset by the costs of delivering the demand for repairs and maintenance.

4.2 Key variances against budget include:

- Within income, net rental income is £0.6m favourable to budget with a stronger performance core letting and reduced levels of void rent loss;

- New build grant income recognised to date relates to 218 units completed. The favourable variance of £2.5m is due to timing of completions in Glasgow, Loretto and WH East compared to the budgeted programme. Earlier completion in the financial year at Loretto' Maddiston development and Raw Holdings in WHEast have contributed to this along with the delayed completion of units at Sighthill in Glasgow which had previously been planned in 2022/23;

- Other grant income is £1,753k favourable to budget mainly arising from higher levels of adaptation grant for WH Glasgow and WH South; and

- In operating expenditure, total costs are £3.7m unfavourable to budget, with lower expenditure than budgeted across staff costs and bad debts partially offsetting the higher spend on revenue repairs and maintenance;
  - Revenue repairs and maintenance spend is £5.8m unfavourable to budget relating to a higher than budgeted spend across responsive repairs. Demand for repairs work is 4.7% higher than the corresponding period last year although over the last quarter job numbers have begun to stabilise. Repairs spend has also been subject to inflationary pressure on the cost of materials in the in-house services in the South and East.

- An improvement plan is in place to monitor the drivers of repairs costs, improve efficiency and manage repairs spend within the forecast spend.
- Staff costs are £0.6m lower than budget due to the favourable variance for employee care contract costs in Wheatley care. This relates to several services operating with staff vacancies against budget.
- Running costs are £0.2m higher, linked to higher insurance and direct property costs offset by lower o group recharges where several departments are currently reporting lower costs across Wheatley Solutions.
- Bad debt costs are £1.8m lower than budget. As in previous years our approach has been to include a prudent level of provision for costs.

4.3 Net capital expenditure is £17.4m lower than budget. Within this, new build spend is £51.8m lower which links through to new build grant income claimed which is £35.2m lower than budget for the period. This is principally driven by progress in regeneration work and fewer planned acquisitions in Glasgow. There has also been reduced spend across a number of sites in Loretto such as East Lane, WH East and in WH South spend at Curries Yard and Springholm is progressing but later than originally assumed when the budget was set. [redacted].

4.4 Net investment in our existing homes of £52.6m was £2.2m higher than budget. Higher spend to budget of £5.0m is noted from increased void improvements and capitalised repairs in the RSLs. Adaptation spend of £3.2m was funded by adaptation grants including unbudgeted adaptation grant received for WH South and WH Glasgow of £1.9m.

Q3 Forecast

	Q3 Forecast		
£m	**Budget**	**Forecast**	**Variance**
Turnover	412.8	411.7	(1.1)
Operating expenditure	(339.0)	(345.8)	(6.8)
Operating surplus	**73.8**	**65.9**	**(7.9)**
Operating margin	*17.9%*	*16.0%*	
Net interest payable	(71.5)	(72.6)	(1.1)
Statutory surplus / (deficit)	**2.3**	**(6.7)**	**(9.0)**
Net Capital Expenditure	**183.1**	**150.1**	**33.0**

4.5 The full year forecast out-turn for the Group shows a statutory deficit of £6.7m, £9.0m unfavourable to budget and includes the higher provision for repairs and maintenance costs, lower SHNZ grant income and the expected effect of higher variable interest rate on our borrowing costs.

4.6 The key drivers for the variance to budget are:

- Other grant income is forecast to be £2.5m unfavourable to budget:
  - the delivery of the Scottish Government Net Zero Heat projects has been reprofiled into early 2024/25 due to the scheduling of enabling work by Scottish Power.
    As a result, the grant funding recognised for connected response projects has reduced by £4.5m with an equivalent amount shown as reduced expenditure within core investment spend.
  - additional adaptation grant awards to WH Glasgow for £1.5m and £0.5m for WH South.

- Employee costs are £1.0m lower than budget and includes savings in care staff costs linked to care contract activity and in year savings from staff taking up ERVR earlier than budgeted;

- An additional £9.0m for repairs and maintenance has been included based on the customer demand levels and material costs noted within Q3 actual results. The forecast has been set to ensure there is a sufficient provision for the full financial year for spend on repairs and maintenance;

- Lower bad debt expenditure forecasting savings of £1.9m against budget. This forecast still retains a prudent level of provision for bad debts of £3.7m which compares to actual costs in 2022/23 of £3.0m;

- Demolition costs are £0.4m are higher than budget reflecting the payment of home loss and disturbance payments budgeted in 2022/23 but paid in 2023/24 for both Glasgow and WHSouth; and

- Net interest payable is forecast to be £1.1m higher for the full year, with actual variable rates being higher than assumed in the budget due to increases in the actual base rate this financial year.

4.7 Net capital investment is expected to be £33.1 lower than budget.

- The new build programme has been reprofiled to take into account the delayed development spend across the RSL's and Lowther with reduced spend of £59.4m. Lower levels of new build spend has resulted in a reduction in the new build grants of £32.4m; and

- Core investment programme is expected to be £2.9m lower than budget, including the recognition of a reduction of £4.5m of spend funded by Scottish Government Net Zero Heat Fund projects. The forecast out-turn includes provision for the agreed release of £3.5m of funding for investment projects previously deferred.

4.8 The forecast variations to budget on individual lines continue to be managed within the parameters of the overall budget for 2023/24. For the RSL Borrower group, earnings before taking account of interest and depreciation but after deducting new build grants recognised on completion and investment in existing homes (EBITDA MRI) of £67.4m is forecast which is £3.8m lower than budget with the variance driven by our decision to release funding for £3.5m for investment projects in the final quarter of 2023/24.

Covenant Compliance

4.9 The most recent forecast out-turn presented with this finance report is prepared following the completion of 9 months of trading and provides a reliable indicator of the full year financial position. As with the Q2 forecast it shows that we will continue to meet our interest cover and debt per unit covenants.

4.10 At the December 2023 meeting we agreed to release up to [redacted] to allow some investment projects which had previously been deferred to proceed this financial year. The proposed work benefits all four Group RSLs and will progress in the final quarter of 2023/24. With this agreed release we will still report financial headroom of [redacted] compared to the covenant level at the year end.

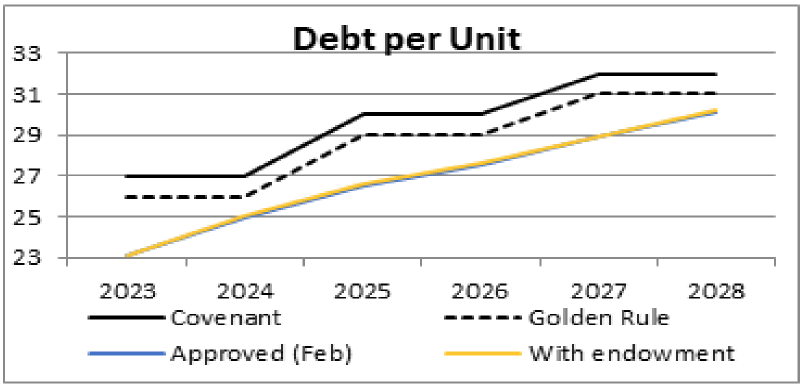
4.11 Given the higher level of certainty over the financial out-turn at this stage in the year, we are proposing to utilise some of this headroom against interest cover in the final quarter of the financial year. In addition to the extra core investment spend, we are also seeking approval for an endowment to the Wheatley Foundation of up to £5.0m from Group RSLs. This will be used to create financial capacity in the Foundation and fund projects which directly contribute towards the aims and objectives of our RSLs such as an extension of funding for Wheatley 360 and Group Protection teams and help for tenants who are facing financial pressures to maintain their rent accounts.

4.12 The chart below illustrates the impact of the payment of the endowment and the investment spend on the profile of the RSL Borrowing Group interest cover covenant. It shows that while the level of headroom against the covenant reduces and we remain compliant against the covenant measure, the utilisation of the available headroom reduces the interest cover level below our Golden Rule. The Golden Rule is a Board-approved measure to ensure we have adequate headroom against our bank covenants for forward planning purposes. For interest cover, this headroom is set at 25% above the bank covenant level, i.e. where the bank requires 110%, the Golden Rule requires 135%. If we proceed with the proposed endowment, the forecast outturn for interest cover will be at [redacted] which still provides a good level of headroom above the covenant level. Future Golden Rule compliance will not be compromised, the breach of this rule will be restricted to this quarter-end only and the yellow line remains above our golden rule position and in line with the approved business plan from 2024 onwards, complying with our financial policies.

Figure 1: [redacted]

4.13 An updated projection of our gross debt per unit covenant is shown in figure 2 below which shows the minimal impact these items have on our debt per unit position and shows a forecast of continuing compliance with the covenant.

Figure 2: Debt per unit projection



4.14 There is a small risk that the final outturn interest cover position for 2023/24 maybe adverse to our forecast. For that reason, we will retain 10% headroom against the covenant limit which provides £[redcated] of forecast headroom on our interest cover covenant this year as mitigation to this risk. The endowment will not be made until March 2024 after the period 11 results are finalised.

4.15 Both the proposed additional investment and the endowment are included in the Group Q3 forecast presented in appendix 1.

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.

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 2023. This paper outlines a proposal to use up to £5.0m of available financial capacity within the 2023/24 forecast results for an endowment to the Wheatley Foundation from the Group RSLs. This will provide additional financial capacity in the Foundation to fund projects that directly support the strategic aims and objectives of our social landlords.

13. Recommendations

13.1 The Board is requested to:

1) Note the Group management accounts for the period ended 31 December 2023 at Appendix 1;
2) Approve the RSL Borrower Group accounts at Appendix 2 for submission to the Group's lenders; and
3) Approve an endowment of up to £5.0m to the Wheatley Foundation agreeing that the RSL Borrower Group will deliver an interest cover covenant position outwith Golden Rule policy parameters but will remain with the interest cover covenant limits.

LIST OF APPENDICES:

Appendix 1A: Wheatley Group Financial Report to 31 December 2023
Appendix 1B: RSL Borrower Group Financial Report to 31 December 2023

Appendix 1: Wheatley Group Financial Report To 31 December 2023 (Period 9)

1. Income & Expenditure
   a) Year-to-Date Executive Summary 2
2. RSL Borrower Group
   a-g) Year-to-Date results 4-12
3. Summary of RSL operating costs and margin v budget 13
4. Commercial Businesses 14
   a-b) Year-to-Date results 15-16
6. [redacted] 17
7. [redacted] 18
8. [redacted] 19
9. Wheatley Group consolidated Balance Sheet 20
10. Wheatley Group Q3 Forecast 2023/24 21

•Classified as Internal

1a) Wheatley Group – Period to 31 December 2023

	Period to 31 December 2023			Full Year Budget £'000
	Actual £'000	Budget £'000	Variance £'000	
INCOME				
Net Rental Income	245,704	245,073	631	326,867
Grant income New Build	15,977	13,496	2,481	29,005
Grant income Other	12,014	10,261	1,753	18,244
Other Income	28,662	28,225	438	38,710
Total Income	**302,357**	**297,055**	**5,303**	**412,826**
EXPENDITURE				
Employee Costs	70,098	70,744	646	95,341
ER/VR	3,135	3,135	-	5,910
Running Costs	35,908	35,696	(211)	44,920
Repairs & Maintenance	62,017	56,190	(5,827)	73,751
Bad debts	2,388	4,231	1,843	5,612
Depreciation	84,167	84,167	-	112,408
Demolition Programme	739	606	(133)	1,105
Total Expenditure	**258,451**	**254,769**	**(3,683)**	**339,047**
NET OPERATING SURPLUS	**43,907**	**42,286**	**1,620**	**73,779**
	14.5%	14.2%		17.9%
Net interest payable	(50,770)	(50,068)	(702)	(71,472)
STATUTORY SURPLUS/(DEFICIT)	**(6,864)**	**(7,782)**	**918**	**2,307**

Key highlights:

The operating surplus to 31 December is £43,907k, £1,620k favourable to budget. At the statutory surplus level, a deficit of £6,864k is reported showing a favourable variance of £918k compared to the budget. The variance to budget reflects lower void rent losses, higher grant income received for adaptation works and new build completions grants, partially offset by the costs of delivering the increasing demand for repairs and maintenance.

Total income of £302,357k is £5,303k favourable to budget:

- Net rental income is £631k favourable to budget. Rent loss on voids at 1.14% is lower than the overall 1.41% budget driving the favourable variance.
- New build grant income recognised to date relates to 218 units completed (153 SR and 65 MMR). The favourable variance to budget is due to timing of completions in Glasgow, Loretto and WH East compared to the budgeted programme. Early completion in the financial year at Maddiston in Loretto and Raw Holdings in WHEast and delayed completion of units at Sighthill in Glasgow planned for completion in 2022/23 contribute to the variance.
- Other grant income is £1,753k favourable to budget mainly arising from unbudgeted adaptation grant for WH Glasgow and WH South.
- Other income is £438k favourable to budget arising from additional receipt of L & A Damages in relation to Sighthill, contribution from Scottish Water in Glasgow and additional wayleave income.

Total expenditure of £258,451k is £3,683k unfavourable to budget:

- Employee costs (direct and group services) are £646k favourable to budget, mainly due to staff vacancies in Care and Wheatley Solutions.
- Running costs are £211k unfavourable to budget with higher insurance costs and direct property costs contributing to the variance.
- Revenue repairs and maintenance spend is £5,827k unfavourable to budget. The variance relates to a higher than budgeted spend across responsive repairs. There is continued higher demand for repairs and inflationary pressure on the cost of materials in the in-house services in the South and East. Completed responsive repair jobs are 4.7% higher than the same period last year. An improvement plan has been put in place to monitor the drivers of repairs costs, improve efficiency and manage repairs spend within the forecast spend.
- Bad debts are £1,843k favourable to budget with a prudent provision set aside for increases in arrears and an improved performance in debt collection.
- Net Interest payable is £702k unfavourable to budget linked to the timing of balances drawn than assumed in the budget and a higher variable rate than assumed in the business plan at this point in the year. Net interest payable includes £119k of interest received in Wheatley Foundation.

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1a) Wheatley Group – Period to 31 December 2023

Capital Investment	Period to 31 December 2023 Actual £'000	Budget £'000	Variance £'000	Full Year Budget £'000
CORE PROGRAMME				
SHNZ	8,035	8,314	(249)	15,732
Adaptations	2,596	648	1,948	785
Grant Income	**10,631**	**8,962**	**1,669**	**16,395**
Core Investment Programme	31,191	32,537	1,346	46,106
SHNZ	8,035	8,284	249	15,542
Adaptations	3,192	2,727	(465)	3,626
Voids	12,847	11,399	(1,448)	14,737
Capitalised Repairs	7,944	4,428	(3,516)	5,223
Total Core Investment	**63,209**	**59,375**	**(3,834)**	**85,234**
NET CORE INVESTMENT SPEND	**52,578**	**50,413**	**(2,165)**	**68,839**
NEW BUILD				
New Build Grant Income Received	52,199	87,425	(35,226)	104,387
New Build investment	98,138	149,923	51,785	205,454
NET NEW BUILD INVESTMENT SPEND	**45,939**	**62,498**	**16,559**	**101,067**
OTHER FIXED ASSET INVESTMENT SPEND	**6,467**	**9,491**	**3,024**	**13,198**
TOTAL NET CAPITAL INVESTMENT SPEND	**104,984**	**122,402**	**17,418**	**183,104**

Key highlights:

Net capital expenditure of £104,984k is £17,418k favourable to budget.

- The net core investment spend was £2,165k unfavourable to budget. The unfavourable variance is driven by increased spend in void and capitalised repairs works. This is partially offset by additional adaptation grant funding of £1,948k received from additional awards for Glasgow and the South and reduced spend in the core investment programme due to reprofiling of planned works. A decision has been made to release planned core investment works between December and March. These projects had previously been deferred to assist with higher repairs costs. The impact of this is shown in the full year forecast outturn.
- New build spend is £51,785k less than budget with compensating reduced new build grant income of £35,226k. In Glasgow, the timing of regeneration works and a lower number of property acquisitions have been a factor. There has also been reduced spend across a number of sites in Loretto, WH East and WH South. Lowther also had underspend due to initial delays at Ashgill Road.
- Other fixed assets investment includes spend on corporate estate and IT capital projects. The reduced spend of £3,024k is due to a delay in works commencing for new office builds at 2 sites. Annual works budgeted of £1.3m will be deferred into 2024/25. In addition, the office work planned for the depots and concierge offices, will mainly be undertaken in Q4 of the financial year, whereas the budget reflected an even spread of the costs throughout the financial year. IT works is also underspent to P9 due to an initial delay with some projects commencing. The planned spend will increase for the remainder of the financial year, now that the projects are underway.

Wheatley Group Financial Report
To 31 December 2023 (Period 9)

RSL Borrower Group

2a) RSL Borrower Group – Period to 31 December 2023

	Period to 31 December 2023			Full Year Budget £'000
	Actual £'000	Budget £'000	Variance £'000	
INCOME				
Net Rental Income	231,597	231,122	475	308,107
Grant income New Build	15,977	13,496	2,481	27,156
Grant income Other	12,014	10,261	1,753	18,244
Other Income	10,456	9,738	718	13,091
Total Income	**270,044**	**264,617**	**5,427**	**366,598**
EXPENDITURE				
Employee Costs	51,952	53,576	1,624	70,887
ER/VR	3,135	3,135	-	5,910
Running Costs	25,347	25,797	450	32,725
Repairs & Maintenance	57,303	51,432	(5,871)	68,015
Bad debts	2,083	3,926	1,843	5,235
Depreciation	84,167	84,167	-	112,408
Demolition Programme	739	606	(133)	1,105
Total Expenditure	**224,726**	**222,639**	**(2,087)**	**296,285**
NET OPERATING SURPLUS	**45,318**	**41,978**	**3,340**	**70,313**
	16.8%	15.9%		19.2%
Net interest payable	(48,734)	(47,888)	(846)	(68,570)
STATUTORY SURPLUS/(DEFICIT)	**(3,416)**	**(5,910)**	**2,494**	**1,743**

Key highlights:

The operating surplus to 31 December is £45,318k, £3,340k favourable to budget. At the statutory surplus level, a deficit of £3,416k is reported showing a favourable variance of £2,494k compared to the budget. The variance to budget reflects a favourable income position and reduced employee costs partially offset by the costs of delivering the increasing demand for repairs and maintenance.

Total income of £270,044k is £5,427k favourable to budget:

- Net rental income is £475k favourable to budget across the RSLs. Rent loss on voids at 1.15% is lower than the overall 1.34% budget driving the favourable variance.
- New build grant income recognised to date relates to 218 units completed (153 SR and 65 MMR). The favourable variance to budget is due to timing of completions in Glasgow, Loretto and the East compared to the budgeted programme. Early completion in the financial year at Maddiston in Loretto and Raw Holdings in WHEast and delayed completion of units at Sighthill in Glasgow that were planned for completion in 2022/23 contribute to the variance.
- Other grant income is £1,753k favourable to budget mainly arising from the recognition of unbudgeted adaptation grant for Glasgow and the South.
- Other income is £718k favourable to budget arising from the receipt of L & A Damages in relation to Sighthill, additional wayleave income and a contribution from Scottish Water, partly offset by a reduction in leased rents for MMR units due to delays in completions.

Total expenditure of £224,726k is £2,087k unfavourable to budget:

- Employee costs (direct and group services) are £1,624k favourable to budget, mainly due to W-360 CIP and Group Protection services being funded through the Foundation. In addition, there are staff vacancies in Wheatley Solutions that favourably contribute to the variance.
- Running costs are £450k favourable to budget with the main drivers being group recharges lower than budget with a number of departments are reporting lower costs across Wheatley Solutions and running costs in relation to W-360 CIP and Group Protection moving to the Foundation.
- Revenue repairs and maintenance spend is £5,871k unfavourable to budget. The variance relates to a higher than budgeted spend across responsive repairs. There is continuing 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. Completed responsive repair jobs are 4.7% higher than the same period last year, reflecting a continued increase in customer demand. An improvement plan has been put in place to monitor the drivers of repairs costs, improve efficiency and manage repairs spend within the forecast spend.
- Bad debts are £1,843k favourable to budget across the Borrower Group with a prudent provision set aside for increases in arrears and an improved performance in debt collection.

Net Interest payable is £846k unfavourable to budget linked to the timing of balances drawn than assumed in the budget and a higher floating rate than assumed in the business plan at this point in the year.

2a) RSL Borrower Group – Period to 31 December 2023

Wheatley Group

Capital Investment	Period to 31 December 2023 Actual £'000	Budget £'000	Variance £'000	Full Year Budget £'000
CORE PROGRAMME				
SHNZ	8,035	8,314	(279)	15,732
Adaptations	2,596	648	1,948	785
Grant Income	**10,631**	**8,962**	**1,669**	**16,395**
Core Investment Programme	31,016	32,263	1,247	45,280
SHNZ	8,035	8,284	249	15,542
Adaptations	3,192	2,727	(465)	3,626
Voids	12,663	11,274	(1,389)	14,737
Capitalised Repairs	7,944	4,428	(3,516)	5,223
Total Core Investment	**62,850**	**58,976**	**(3,874)**	**84,408**
NET CORE INVESTMENT SPEND	**52,219**	**50,014**	**(2,205)**	**68,013**
NEW BUILD				
New Build Grant Income Received	51,911	83,145	(31,234)	98,500
New Build investment	94,906	140,778	45,872	194,113
NET NEW BUILD INVESTMENT SPEND	**42,995**	**57,633**	**14,638**	**95,613**
OTHER FIXED ASSET INVESTMENT SPEND	**6,323**	**9,363**	**3,040**	**13,027**
TOTAL NET CAPITAL INVESTMENT SPEND	**101,537**	**117,010**	**15,473**	**176,653**

Key highlights:

Net capital expenditure of £101,537k is £15,473k less than budgeted.

- The net core investment spend was £2,205k unfavourable to budget. The unfavourable variance is driven by the increased spend in void and capitalised repairs works. Offsetting this is additional adaptation grant funding of £1,948k received from higher awards for Glasgow and the South and reduced spend in the core investment programme due to reprofiling of planned works. A decision has been made to release planned core investment works between December and March. These projects had previously been deferred to assist with higher repairs costs. The impact of this is shown in the full year forecast outturn.
- New build spend is £45,872k less than budget with compensating reduced new build grant income of £31,234k. In Glasgow there was reduced spend at Kelvin Wynd due to a delayed demolition start and reduced spend in planned acquisitions. At Loretto there was reduced spend for East Lane and Dargavel Ph3, at Curries Yard and Springholm for the South and in the East for Blindwells, Wallyford 5/AB, Westcraigs Ph3 and Winchburgh BB.
- Other fixed assets investment includes spend on corporate estate and IT capital projects. The reduced spend of £3,040k is due to a delay in works commencing for new office builds at 2 sites. Annual works budgeted of £1.3m will be deferred into 2024/25. In addition, the office work planned for the depots and concierge offices, will mainly be undertaken in Q4 of the financial year, whereas the budget reflected an even spread of the costs throughout the financial year. IT works is also underspent to P9 due to an initial delay with some projects commencing. The planned spend will increase for the remainder of the financial year, now that the projects are underway.

2b) RSL Borrower Group underlying surplus – Period to 31 December 2023

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

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

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

In the period to 31 December 2023, an underlying surplus of £1,924k has been generated which is £3,861k unfavourable to budget. The variance is driven by the increased demand for repairs and maintenance and investment spend on capitalised voids and repairs offset in part by an improved income position and reduced employee costs.

Borrower Group Underlying Surplus / (Deficit) - December 2023				
	YTD Actual £ks	YTD Budget £ks	YTD Variance £ks	FY Budget £ks
Net Operating Surplus	45,318	41,978	3,340	70,313
add back:				
Depreciation	84,167	84,167	0	112,408
less:				
Grant Income	(15,977)	(13,496)	(2,481)	(27,156)
Net interest payable	(48,734)	(47,888)	(846)	(68,570)
Total expenditure on Core programme	(62,850)	(58,976)	(3,874)	(84,408)
Underlying surplus	**1,924**	**5,785**	**(3,861)**	**2,587**

2c) Wheatley Homes Glasgow – Period to 31 December 2023

	Period To December 2023 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INCOME				
Rental Income	158,018	158,029	(11)	210,343
Void Losses	(1,814)	(2,003)	189	(2,666)
Net Rental Income	156,204	156,026	178	207,677
Grant Income New Build	1,970	996	974	4,109
Grant Income Other	4,276	2,786	1,490	5,044
Other Income	8,658	7,807	851	11,505
Total Income	**171,108**	**167,615**	**3,493**	**228,335**
EXPENDITURE				
Employee Costs - Direct	25,299	26,704	1,405	35,363
Employee Costs - Group Services	13,045	13,153	108	17,237
ER / VR	2,940	2,940	0	4,820
Direct Running Costs	9,946	9,969	23	11,687
Running Costs - Group Services	6,445	6,671	226	8,895
Revenue Repairs and Maintenance	41,054	34,815	(6,239)	45,386
Bad debts	1,539	2,830	1,291	3,774
Depreciation	57,427	57,427	0	76,569
Demolition	133	0	(133)	0
TOTAL EXPENDITURE	**157,828**	**154,509**	**(3,319)**	**203,731**
NET OPERATING SURPLUS / (DEFICIT)	**13,280**	**13,106**	**174**	**24,604**
Net operating margin	*7.8%*	*7.8%*	*-0.1%*	11%
Interest payable & similar charges	(34,812)	(34,351)	(461)	(50,084)
STATUTORY SURPLUS / (DEFICIT)	**(21,532)**	**(21,245)**	**(287)**	**(25,480)**

INVESTMENT	Period To December 2023 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
Total Capital Investment Income	**11,090**	**8,965**	**2,125**	**15,557**
Investment Programme Expenditure	39,888	38,059	(1,829)	55,281
New Build Programme	27,322	31,885	4,563	46,447
Other Capital Expenditure	4,470	6,893	2,423	9,506
TOTAL CAPITAL EXPENDITURE	**71,680**	**76,837**	**5,157**	**111,234**
NET CAPITAL EXPENDITURE	**60,590**	**67,872**	**7,282**	**95,677**

Key highlights:

Net operating surplus of £13,280k is £174k favourable to budget. Statutory deficit for the period to 31 December is £21,532k, which is £287k unfavourable to budget. The main driver of the variance is higher than budgeted repairs spend linked to a higher demand offset by a favourable income position and lower employee costs.

- Net rental income is £178k favourable to budget. Void losses are £189k lower than budget and represent a 1.15% void loss rate compared to the budgeted rate of 1.27%.
- New build grant income is £974k higher than budget, with 36 MMR units completing at Sighthill including 16 units delayed from 2022/23. All units at Sighthill are now complete.
- Other grant income is £1,490k higher than budget with unbudgeted grant being recognised for 2023/24 medical adaptations.
- Other income is £851k favourable to budget linked to higher wayleave income, additional furnished lets income (offset by additional costs) and receipt of L&A damages in relation to the Sighthill, which is partially offset by a reduction in MMR income due to the earlier Sighthill delay.
- Total employee costs (direct and group services) are £1,513k favourable to budget, mainly due to W-360 CIP and Group Protection services being funded through the Wheatley Foundation.
- Total running costs (direct and group services) are £249k favourable to budget with Group recharges £226k favourable to budget due lower costs across Wheatley Solutions.
- Revenue repairs and maintenance spend is £6,239k unfavourable to budget with spend across responsive repairs £5,663k higher than budget, and cyclical and compliance spend £53k higher than budget, due to the reprofiling of the programme. The spend on reactive repairs is linked to higher demand for repairs (4.7% ytd increase in job numbers vs 2022/23). An improvement plan is in place to monitor the drivers of repairs costs, improve efficiency and to keep repairs spend within the forecast spend.
- Net Interest payable is £461k unfavourable to budget linked to a higher variable rate than assumed in the budget at this point in the year.

Net capital expenditure of £60,590k is £7,282k lower than budget.

- Capital investment income (grant claimed) is £2,125k higher than budget linked to unbudgeted medical adaptations grant of £1,500k, in addition to £625k of new build grant income linked to the timing of claims.
- Investment programme spend is £1,829k unfavourable to budget with higher spend in capitalised voids, capitalised repairs and overhead, partially offset by reduced core programme spend. An improvement plan has been put in place to monitor the drivers of costs, improve efficiency and keep investment spend within the forecast spend.
- Net new build spend is £4,563k lower than budget following a delay in the commencement of regeneration works and lower than budgeted property acquisition opportunities.
- Other capital expenditure of £4,470k is £2,423k lower than budget mainly driven by a reprofiling of planned works on corporate offices including Nets depots and concierge stations and IT projects.

2d) Loretto Housing – Period to 31 December 2023

	Period To 31 Dec 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Rental Income	11,898	11,886	12	15,859
Void Losses	(220)	(342)	122	(456)
Net Rental Income	**11,678**	**11,544**	**134**	**15,403**
Grant Income	**2,223**	**0**	**2,223**	**2,223**
Other Grant Income	**85**	**88**	**(3)**	**116**
Other Income	**72**	**79**	**(7)**	**876**
Total Income	**14,058**	**11,711**	**2,347**	**18,618**
EXPENDITURE				
Employee Costs - Direct	1,015	1,036	21	1,382
Employee Costs - Group Services	647	660	13	881
ER / VR	29	29	0	210
Direct Running Costs	1,309	1,378	69	1,813
Running Costs - Group Services	346	352	6	469
Revenue Repairs and Maintenance	2,680	2,264	(416)	3,198
Bad debts	100	305	205	407
Depreciation	5,693	5,693	0	7,627
TOTAL EXPENDITURE	**11,819**	**11,717**	**(102)**	**15,987**
OPERATING SURPLUS / (DEFICIT)	**2,239**	**(6)**	**2,245**	**2,631**
Net operating margin	15.9%	-0.1%		
Interest Payable	(2,813)	(2,724)	(89)	(3,779)
STATUTORY SURPLUS / (DEFICIT)	**(574)**	**(2,730)**	**2,156**	**(1,148)**

	Period To 31 Dec 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INVESTMENT				
Total Capital Investment Income	**1,313**	**11,169**	**(9,856)**	**11,196**
Investment Programme	1,169	2,219	1,050	2,514
New Build Programme	3,133	17,228	14,095	22,048
Other Capital Expenditure	181	317	136	422
TOTAL CAPITAL EXPENDITURE	**4,483**	**19,764**	**15,281**	**24,984**
NET CAPITAL EXPENDITURE	**3,170**	**8,595**	**5,425**	**13,788**

Loretto Housing

Key highlights:

Net operating surplus of £2,239k is £2,245k favourable to budget. Statutory deficit for the year is £574k and is £2,156k favourable to budget. The main driver of the favourable variance is the recognition of new build grant income for Maddiston earlier than budgeted.

- Gross rental income of £11,898k is favourable to budget due to early completions at Maddiston. Void losses in the year to date are £122k favourable with a rate of 1.85% against a budget of 2.88%.
- Grant income relates to 24 units at Maddiston, which were completed ahead of the budgeted date of March 2024.
- Other grant income of £85k relates to medical adaptations which has been fully claimed.
- Other income is £7k unfavourable to budget following a revision of the Dargarvel L&D damages claim, which resulted in a reduction for the damages received.
- Direct employee costs are £21k favourable to budget attributable to the charging of additional landlord services to Lowther Homes and higher than budgeted capitalised salary for new build staff. Employees recharged from Group Services are for Loretto's share of Wheatley Solutions staff and are currently £13k favourable to budget.
- Total running costs are £75k favourable to budget. Direct running costs are £69k favourable to budget due to the timing of spend and efficiencies in the YTD.
- Revenue repairs and maintenance is £416k unfavourable to budget with responsive repairs spend £442k higher than budget. Completed responsive repair jobs YTD are 4.7% higher than the same period last year, reflecting a continued increase in customer demand. An improvement plan is in place to monitor the drivers of repairs costs, improve efficiency and keep repairs spend within the forecast spend.
- Bad debts are £205k favourable to budget. A prudent approach was taken when setting the budget.
- Net Interest payable is £89k unfavourable to budget linked to a higher variable rate than assumed in the budget at this point in the year.

Net capital expenditure of £3,170k is £5,425k lower than budget.

- Capital investment income (grant) is £9,856k lower than budget mainly due to East Lane site starts being delayed, Dargavel Ph3 not progressing and the full grant for Maddiston being claimed in 2022/23.
- New build spend is £14,095k lower than budget resulting from the delays and phasing of project spend linked to the East Lane and Dargavel Ph 3 sites.
- Investment programme expenditure of £1,169k relates to core programme works, capitalised repairs and voids. An underspend is reported due to the re-profiling of the core programme.
- Other capital expenditure of £181k relates to the Loretto contribution to Wheatley Group IT costs.

2e) Wheatley Homes East – Period to 31 December 2023

	Period to 31 December 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Rental Income	28,706	28,595	111	38,215
Void Losses	(455)	(357)	(98)	(475)
Net Rental Income	**28,251**	**28,238**	**13**	**37,740**
Grant Income Recognised in the Year	11,784	12,500	(716)	15,847
Other Grant Income	694	897	(204)	1,348
Other Income	2,573	2,606	(32)	7,194
TOTAL INCOME	**43,302**	**44,241**	**(939)**	**62,129**
EXPENDITURE				
Employee Costs - Direct	3,485	3,371	(114)	4,491
Employee Costs - Group Services	2,178	2,233	55	2,978
ER/VR	0	0	0	540
Direct Running Costs	3,196	3,196	0	4,221
Running Costs - Group Services	1,153	1,189	36	1,585
Revenue Repairs and Maintenance	5,365	5,337	(28)	7,164
Bad Debts	230	303	73	404
Depreciation	10,112	10,112	0	13,631
TOTAL EXPENDITURE	**25,719**	**25,741**	**22**	**35,014**
NET OPERATING SURPLUS / (DEFICIT)	**17,583**	**18,500**	**(917)**	**27,115**
Net Operating Margin	*41%*	*42%*	*-1%*	*44%*
Interest receivable	26	9	17	13
Interest payable	(6,179)	(6,237)	58	(8,696)
STATUTORY SURPLUS / (DEFICIT)	**11,430**	**12,272**	**(842)**	**18,432**

	Period to 31 December 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INVESTMENT				
Total Capital Investment Income	**32,788**	**46,141**	**(13,353)**	**53,717**
Total Expenditure on Core Programme	5,610	5,767	157	7,079
New Build & Other Investment	50,639	69,170	18,530	94,278
Other Capital Expenditure	760	783	23	1,043
TOTAL CAPITAL EXPENDITURE	**57,010**	**75,720**	**18,710**	**102,400**
NET CAPITAL EXPENDITURE	**24,222**	**29,579**	**5,357**	**48,683**

Wheatley Homes East

Key highlights:

Net operating surplus of £17,583k is £917k unfavourable to budget. Statutory surplus for the period to 31 December is £11,430k, £842k unfavourable to budget.

Total income of £43,302k is £939k adverse to budget:
- Gross rent is £111k favourable to budget arising from early completions at Raw Holdings as well as higher than budgeted service charges. Void losses are £98k unfavourable to budget, representing 1.59% vs a budget of 1.25%. This is mainly due to reduced demand at sheltered sites and fire safety works/ turnover of rooms at the Harbour.
- Grant income recognised is £716k unfavourable to budget due to the timing of new build handovers including completions delayed to Q4 2023/24 at MacMerry and early completions at Wisp 3C and Raw Holdings in 2022/23 contributing to the variance. Grant income recognised relates to 129 SR and 29 MMR units.
- Other grant income of £694k consists of grants recognised for medical adaptations, Scottish Housing Net Zero (SHNZ) and for the Harbour. The variance relates to a reduction in SHNZ income due to reprofiling of works to be carried out impacting the level of grant to be claimed.

Total expenditure is £22k favourable to budget:
- Total employee costs are £59k unfavourable to budget. Direct employee costs are £114k unfavourable to budget, due to overtime and agency staff costs at the Harbour and the retirement complexes managed by Wheatley Care, as well as the creation of 4 housing officers to maintain patch sizes within agreed levels.
- Total running costs are £36k favourable to budget with group running costs favourable due to savings being realised in Wheatley Solutions.
- Revenue repairs and maintenance spend is £28k unfavourable to budget with responsive repairs spend £368k higher than budget reflecting continued increased demand (5.0% increase yr on yr) and material price increases offset by cyclical maintenance which is £340k favourable, due to the reprofiling and timing of the planned works. We continue to comply with our legislative obligations.

Interest payable of £6,179k represents interest due on the loans due to Wheatley Funding No.1 Ltd and external funders and is £58k favourable to budget due to the timing of drawdowns vs budget arising from the new build development spend being lower than budget, offset by higher variable interest rates.

Net capital expenditure of £24,222k is £5,357k lower than budget.
- Capital investment income relates to the cash receipt of new build grants, SHNZ funding and medical adaptation grants and is £13,353k lower than budget due to delayed new build spend resulting in slower than anticipated grant claims, including Westcraigs Ph3, Wallyford 5/AB, Blindwells, Deans South Ph2 and Winchburgh BB.
- Core programme spend is currently £157k favourable to budget, due to the reprofiling of core programme and SHNZ works.
- New build spend of £50,639k is £18,530k lower than budget due to reduced spend relating to timing of golden brick payments as well as some delays on sites due to necessary infrastructure works and contractor delays. Sites with reduced spend include Sibbalds Brae, Wallyford 5/AB, Blindwells, Winchburgh BB and Westcraigs Ph3. This is partially offset by accelerated spend at Westcraigs Ph1 & Ph2, Southfort, Rosewell and Deans South.

2f) Wheatley Homes South – Period to 31 December 2023

OPERATING STATEMENT	Period to Dec 2023 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INCOME				
Rental Income	35,676	35,742	(65)	47,855
Void Losses	(212)	(428)	215	(568)
Net Rental Income	**35,464**	**35,314**	**150**	**47,287**
Grant Income	0	0	0	4,977
Other Grant Income	6,959	6,490	469	11,736
Other Income	848	876	(29)	2,876
TOTAL INCOME	**43,271**	**42,680**	**591**	**66,876**
EXPENDITURE				
Employee Costs - Direct	4,213	4,298	85	5,715
Employee Costs - Group Services	2,967	3,029	62	4,038
ER/VR	166	166	0	340
Direct Running Costs	1,906	1,897	(9)	2,529
Running Costs - Group Services	1,586	1,613	27	2,150
Revenue Repairs and Maintenance	8,462	9,270	808	12,360
Bad debts	214	488	274	651
Depreciation	10,935	10,935	0	14,581
Demolition and compensation	606	606	(0)	1,105
TOTAL EXPENDITURE	**31,055**	**32,302**	**1,247**	**43,469**
NET OPERATING SURPLUS	**12,216**	**10,378**	**1,838**	**23,407**
Net operating margin	*28%*	*24%*	*4%*	*35%*
Interest Receivable and similar income	61	11	50	15
Interest payable & similar charges	(5,020)	(4,599)	(421)	(6,039)
STATUTORY SURPLUS	**7,257**	**5,790**	**1,467**	**17,383**

INVESTMENT	Actual £ks	Budget £ks	Variance £ks	Budget £ks
TOTAL CAPITAL INVESTMENT INCOME	**17,351**	**25,832**	**(8,481)**	**34,425**
Capital Investment spend	12,683	12,931	248	19,535
New Build Programme	17,003	27,808	10,805	38,785
Other Fixed Assets	912	1,370	458	2,056
TOTAL INVESTMENT EXPENDITURE	**30,598**	**42,109**	**11,511**	**60,376**
NET CAPITAL EXPENDITURE	**13,247**	**16,277**	**3,030**	**25,950**

Wheatley Homes South

Key highlights :

Net operating surplus of £12,216k is £1,838k favourable to budget. Statutory surplus to 31 December is £7,257k, which is £1,467k favourable to budget. The key driver of the variance is higher than budgeted adaptation grant income, lower void rent loss and lower spend across expenditure.

- Net rental income is £150k higher than budget driven by lower than budgeted voids, with a void loss rate of 0.6% vs 1.2% in budget. Rental income is £65k adverse due to the earlier than budgeted timing of properties cleared for demolition (Kelloholm, Summerhill & Newington).
- Other grant income is £469k favourable than budget mainly due to additional adaptation grant claimed (with higher corresponding spend in investment). In addition to adaptations, is higher than budgeted renewable heat incentive (RHI) grant and £15k young person's funding.
- Other income is £29k adverse to budget with lower garage and lock-up income due to increased voids.
- Total employee costs (direct and group services) are £147k lower than budget. The savings are from vacant positions during the YTD and lower than budgeted overtime.
- ER/VR costs are in line with budget, with four ER/VR leavers YTD.
- Total running costs (direct and group services) are £18k favourable to budget, due to savings within the Group recharge and the timing of spend, offset partly by higher insurance costs.
- Repair costs are £808k favourable to budget. Responsive repairs are £107k unfavourable to budget due to increased demand and a higher cost per job driven by increased material costs to date. This unfavourable position has been fully offset by the favourable cyclical and compliance spend of £915k due to a reprofiling of the programme. A repairs improvement plan which includes a number of mitigating actions has been put in place to manage responsive repairs spend within the forecast spend.

Gross interest payable of £5,020k represents interest due on the loans due to Wheatley Funding No.1 Ltd and external funders. The unfavourable variance of £421k is due to the increase in variable interest rates than budgeted.

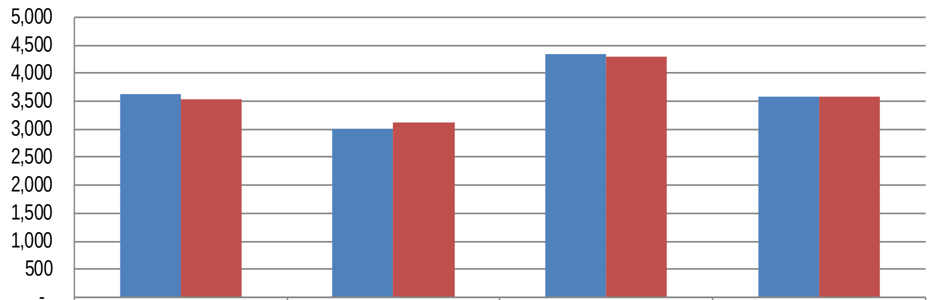
Net capital expenditure of £13,247k is £3,030k lower than budget.

- The investment income is £8,481k lower than budget due to timing of grant funding claimed for the new build programme (Curries Yard and Springholm).
- Total core investment spend of £12,683k is £248k lower than budget due to lower spend on the core programme, partly offset by higher spend on capitalised voids and grant funded adaptation works (compensating additional grant income).
- New Build expenditure is £10,805k under budget driven by timing of spend on Curries Yard and Springholm.
- Other capital expenditure of £912k is £458k lower than budget. Other capital spend includes work on local touchdown hubs and IT costs. The favourable variance is mainly due to the timing of works on the new build office which will now commence in 2024/25.

2g) [redacted]

3) Summary of RSL operating costs and margin v budget

Operating costs per unit £ YTD

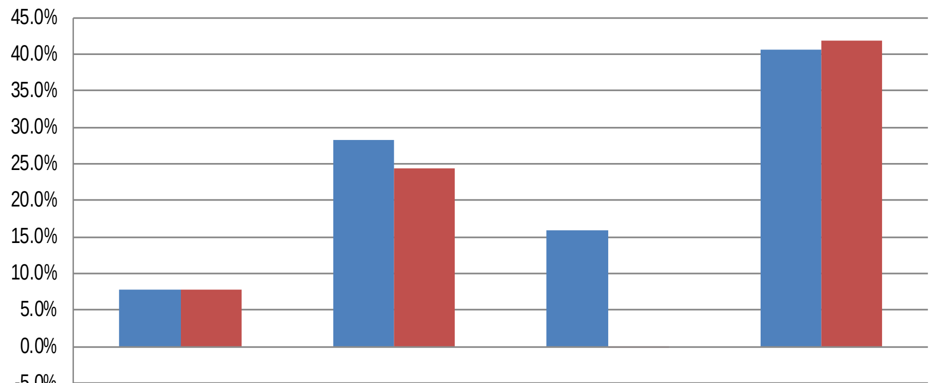


	WH-Glasgow	WHSouth	LHA	WHEast
Actual	3,618	3,001	4,342	3,585
Budget	3,544	3,122	4,305	3,588

Operating costs per unit:

- At December 2023 operating costs per unit are higher than budget for WH Glasgow and Loretto and marginally lower than budget for WH South and WH East. This higher unit cost variance is attributable to the higher repair costs to maintain our properties partially offset by reduced bad debts
- Operating costs per unit vary across the RSLs depending on the stock profiles and types of accommodation offered.

Net operating margin



	WH-Glasgow	WHSouth	LHA	WHEast
Actual	7.8%	28.2%	15.9%	40.6%
Budget	7.8%	24.3%	-0.1%	41.8%

Net operating margin

- Net operating margin is favourable to budget in all RSL's with Loretto reporting the highest variance due to the receipt of new build grants earlier than originally anticipated. The receipt of additional new build grants in Glasgow and the East as well as additional adaptation awards for Glasgow and South have resulted in an uplift in the net operating margin across the RSL's.
- Similar to operating costs, the variances across expenditure lines is impacting margins in the RSLs.

Wheatley Group Financial Report
To 31 December 2023 (Period 9)

Non RSL entities

4a) [redacted]

4b) [redacted]

Lowther

6) [redacted]

5) [redacted]

7) [redacted]

8) Wheatley Group – Consolidated Balance Sheet

	As at 31 December 2023 £ks	As at 31 March 2023 £ks
Fixed Assets		
Social Housing Properties	2,685,753	2,599,863
Investment properties	274,327	273,969
Other tangible fixed assets	69,814	71,551
Investments -other	116	116
Fixed Assets	**3,030,010**	**2,945,499**
Debtors Due More Than One Year		
Pension Asset	2,505	2,505
Current Assets		
Stock	1,887	1,713
Trade debtors	5,985	3,185
Rent & Service charge arrears	18,504	16,507
less: Provision for rent arrears	(11,117)	(10,198)
Prepayments and accrued income	17,668	8,846
Other debtors	17,688	26,887
	50,615	**46,940**
Bank & Cash	28,317	39,656
Current Assets	**78,932**	**86,596**
Current Liabilities		
Trade Liabilities	(11,193)	(6,731)
Accruals	(69,549)	(62,098)
Deferred income	(56,649)	(36,964)
Rents & service charges in advance	(17,003)	(15,309)
Other creditors	(19,379)	(16,427)
	(173,773)	**(137,529)**
Net Current Assets	**(94,841)**	**(50,933)**
Long Term Liabilities		
Contingent efficiencies grant	(47,914)	(47,914)
Bank finance	(1,293,491)	(1,245,971)
Bond finance	(300,000)	(300,000)
Provisions	(8,510)	(8,737)
Deferred income	(70,246)	(53,570)
Pension liability	(3,247)	(3,247)
Long Term Liabilities	**(1,723,408)**	**(1,659,439)**
Net Assets	**1,230,766**	**1,237,632**
Funding Employed		
Capital & Reserves		
Share Capital	0	0
Retained Income b/fwd	721,421	765,471
Income & Expenditure	(6,864)	(44,048)
Revaluation Reserves	516,209	516,209
Funding Employed	**1,230,767**	**1,237,632**

Key highlights:

- Group net assets are £1,230.8m at 31 December 2023.
- The Balance Sheet as at 31 March 2023 reflects the audited statutory accounts for the year then ended.
- 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) have increased by £3.7m since March 2023. £1.1m relates to an increase to rents which is driven by timing of receipt of housing benefit and £2.8m increase for trade debtors which is due to timing.
- Current liabilities are £36.3m higher than the year end position, mainly driven by the increase of £19.7m in deferred income, £4.5m in trade creditors and £10.4m in other creditors and accruals due to timing of invoices being raised.
- Long term liabilities at 31 December 2023 are £64m higher than the year end position due to £45m additional loans received to finance the developments across the RSL's and £16.7m increase in deferred income.
- Income and expenditure of £6,282k relates to the group deficit for the period.

10a) Wheatley Group – Q3 Forecast 2023/24

	FULL YEAR		
	Budget £000	Forecast £000	Variance £000
INCOME			
Net Rental Income	326,867	327,312	445
Grant Income New Build	29,005	29,718	713
Grant Income Other	18,244	15,716	(2,528)
Other Income	38,710	38,931	221
Total Group Income	**412,826**	**411,677**	**(1,149)**
EXPENDITURE			
Employee Costs	95,341	94,366	975
ER/VR	5,910	5,910	-
Running Costs	44,920	45,094	(174)
Repairs & Maintenance	73,751	82,788	(9,037)
Bad debts	5,612	3,747	1,865
Depreciation	112,408	112,408	-
Demolition	1,105	1,470	(365)
Total Group Expenditure	**339,047**	**345,783**	**(6,736)**
NET OPERATING SURPLUS	**73,779**	**65,894**	**(7,885)**
Net operating margin	17.9%	16.0%	-1.9%
Net Interest Payable	(71,472)	(72,561)	(1,089)
STATUTORY SURPLUS	**2,307**	**(6,667)**	**(8,974)**

INVESTMENT	FULL YEAR		
	Budget £000	Forecast £000	Variance £000
Total Capital Investment Income	(120,782)	(88,423)	(32,359)
Core Investment Programme	85,234	82,347	2,887
New Build Programme	205,454	146,082	59,372
Other fixed assets	13,198	10,046	3,152
NET CAPITAL INVESTMENT SPEND	**183,104**	**150,052**	**33,052**

Key highlights:

The Group forecast full year out-turn at the end of Quarter 3 shows a net operating surplus of £65.6m, which is £8.1m unfavourable to budget and a statutory deficit of £6.9m, which is £9.2m unfavourable to budget.

The adjusted EBITDA MRI after excluding grant income on new build completions and capital investment spend is forecast to be £66.0m compared to an EBITDA MRI of £71.9m budgeted, a £5.9m unfavourable variance reflecting the impact of increased repairs and maintenance costs.

Total income is forecast to be £411.7m, £1.1m unfavourable to budget:

- Net rental income is expected to be £0.4m favourable to budget and includes the reprofiled acquisitions, demolitions and new build completions and lower rent loss on voids.
- Grant income for new build is expected to have a £713k favourable variance due to the timing of completions and unbudgeted acquisition grant income received.
- Other grant income is expected to be £2.5m unfavourable to budget, with a reduction in the SHNZ grant due to a rescheduling of the programmed works: £3.0m in the South, £0.4m for East and £1.1m in Glasgow This has been offset by an increase in the adaptations grant received; £1.5m for WH Glasgow and £0.5m for WH South
- Other income is forecast to be £221k favourable to budget mainly due to additional receipt of L & A Damages in relation to Sighthill, a contribution from Scottish Water and additional wayleave income offset by a reduction in service hours at Wheatley Care and other factoring income in Lowther Homes.

Total expenditure is expected to be £6.7m higher than budget:

- Employee costs are £1.0m lower reflecting savings reported in the year to date due to vacancies in Wheatley Care and Wheatley Solutions and the timing of the frontline services restructure.
- Running costs are forecast to be £174k higher than budget, mainly driven by increased insurance cost and property costs.
- Repairs and maintenance costs are forecast to be £9.0m higher than budget. This includes an additional provision for responsive repairs across the RSLs to help meet expected higher levels of demand and inflationary pressures on the cost of materials. Bad debts are £1.9m lower than budget with the forecast reflecting a continuation of the favourable performance to December.
- Net interest payable is forecast to be £1.1m higher than budget, net of interest received from investing funds mainly held in the Foundation and WH South. The increase for loan interest is linked to higher variable rate than assumed in the business plan.
- The level of claims of new build grant and the SHNZ grant projected for the year has been reprofiled to match with the most recent spend forecasts and has reduced in total by £32.4m.
- The core investment programme is £2.9m lower than budget recognising the reprofiling of the core programme spend and SHNZ project work across all RSL's. The forecast includes a £3.5m release of projects that were deferred in the previous forecast of core investment work to be delivered this financial year. Additional spend is recognised for the increased capitalised voids and capitalised repairs works.
- The new build development spend is expected to be £59.4m lower than budget. Spend levels are forecast to be lower across a number of sites with the main reductions noted in Springholm, Johnstonebridge, Lochans and Corsbie Road at WH South; Wallyford Area 5, Winchburgh BB, Sibbalds Brae, and Westcraigs Ph3 at WH East; and East Lane, Dargarvel, Duke St and Constarry Road at Loretto and Shawbridge Arcade and Kelvin Wynd at Glasgow.

Appendix 2: Wheatley Group Financial Report
RSL Borrower Group & Quarterly Covenants
To 31 December 2023 (Period 9)

1.	a) RSL Borrower Group	2-4
	b-g) Year to date results	5-10
2.	RSL Borrower Group – balance sheet & cashflow	11-12

1a) RSL Borrower Group – Period to 31 December 2023

	Period to 31 December 2023			Full Year Budget £'000
	Actual £'000	Budget £'000	Variance £'000	
INCOME				
Net Rental Income	231,597	231,122	475	308,107
Grant income New Build	15,977	13,496	2,481	27,156
Grant income Other	12,014	10,261	1,753	18,244
Other Income	10,456	9,738	718	13,091
Total Income	**270,044**	**264,617**	**5,427**	**366,598**
EXPENDITURE				
Employee Costs	51,952	53,576	1,624	70,887
ER/VR	3,135	3,135	-	5,910
Running Costs	25,347	25,797	450	32,725
Repairs & Maintenance	57,303	51,432	(5,871)	68,015
Bad debts	2,083	3,926	1,843	5,235
Depreciation	84,167	84,167	-	112,408
Demolition Programme	739	606	(133)	1,105
Total Expenditure	**224,726**	**222,639**	**(2,087)**	**296,285**
NET OPERATING SURPLUS	**45,318**	**41,978**	**3,340**	**70,313**
	16.8%	15.9%		19.2%
Net interest payable	(48,734)	(47,888)	(846)	(68,570)
STATUTORY SURPLUS/(DEFICIT)	**(3,416)**	**(5,910)**	**2,494**	**1,743**

Key highlights:

The operating surplus to 31 December is £45,318k, £3,340k favourable to budget. At the statutory surplus level, a deficit of £3,416k is reported showing a favourable variance of £2,494k compared to the budget. The variance to budget reflects a favourable income position and reduced employee costs partially offset by the costs of delivering the increasing demand for repairs and maintenance.

Total income of £270,044k is £5,427k favourable to budget:

- Net rental income is £475k favourable to budget across the RSLs. Rent loss on voids at 1.15% is lower than the overall 1.34% budget driving the favourable variance.
- New build grant income recognised to date relates to 218 units completed (153 SR and 65 MMR). The favourable variance to budget is due to timing of completions in Glasgow, Loretto and the East compared to the budgeted programme. Early completion in the financial year at Maddiston in Loretto and Raw Holdings in WHEast and delayed completion of units at Sighthill in Glasgow that were planned for completion in 2022/23 contribute to the variance.
- Other grant income is £1,753k favourable to budget mainly arising from the recognition of unbudgeted adaptation grant for Glasgow and the South.
- Other income is £718k favourable to budget arising from the receipt of L & A Damages in relation to Sighthill, additional wayleave income and a contribution from Scottish Water, partly offset by a reduction in leased rents for MMR units due to delays in completions.

Total expenditure of £224,726k is £2,087k unfavourable to budget:

- Employee costs (direct and group services) are £1,624k favourable to budget, mainly due to W-360 CIP and Group Protection services being funded through the Foundation. In addition, there are staff vacancies in Wheatley Solutions that favourably contribute to the variance.
- Running costs are £450k favourable to budget with the main drivers being group recharges lower than budget across Wheatley Solutions and running costs in relation to W-360 CIP and Group Protection being funded through the Foundation.
- Revenue repairs and maintenance spend is £5,871k unfavourable to budget. The variance relates to a higher than budgeted spend across responsive repairs. There is continuing 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. Completed responsive repair jobs are 4.7% higher than the same period last year, reflecting a continued increase in customer demand. An improvement plan has been put in place to monitor the drivers of repairs costs, improve efficiency and manage repairs spend within the forecast spend.
- Bad debts are £1,843k favourable to budget across the Borrower Group with a prudent provision set aside for increases in arrears and an improved performance in debt collection.

Net Interest payable is £846k unfavourable to budget linked to the timing of balances drawn than assumed in the budget and a higher floating rate than assumed in the business plan at this point in the year.

1a) RSL Borrower Group – Period to 31 December 2023

Capital Investment	Period to 31 December 2023 Actual £'000	Budget £'000	Variance £'000	Full Year Budget £'000
CORE PROGRAMME				
SHNZ	8,035	8,314	(279)	15,732
Adaptations	2,596	648	1,948	785
Grant Income	**10,631**	**8,962**	**1,669**	**16,395**
Core Investment Programme	31,016	32,263	1,247	45,280
SHNZ	8,035	8,284	249	15,542
Adaptations	3,192	2,727	(465)	3,626
Voids	12,663	11,274	(1,389)	14,737
Capitalised Repairs	7,944	4,428	(3,516)	5,223
Total Core Investment	**62,850**	**58,976**	**(3,874)**	**84,408**
NET CORE INVESTMENT SPEND	**52,219**	**50,014**	**(2,205)**	**68,013**
NEW BUILD				
New Build Grant Income Received	51,911	83,145	(31,234)	98,500
New Build investment	94,906	140,778	45,872	194,113
NET NEW BUILD INVESTMENT SPEND	**42,995**	**57,633**	**14,638**	**95,613**
OTHER FIXED ASSET INVESTMENT SPEND	**6,323**	**9,363**	**3,040**	**13,027**
TOTAL NET CAPITAL INVESTMENT SPEND	**101,537**	**117,010**	**15,473**	**176,653**

Key highlights:

Net capital expenditure of £101,537k is £15,473k less than budgeted.

- The net core investment spend was £2,205k unfavourable to budget. The unfavourable variance is driven by the increased spend in void and capitalised repairs works. Offsetting this is additional adaptation grant funding of £1,948k received from higher awards for Glasgow and the South and reduced spend in the core investment programme due to reprofiling of planned works. A decision has been made to release planned core investment works between December and March. These projects had previously been deferred to assist with higher repairs costs. The impact of this is shown in the full year forecast outturn.
- New build spend is £45,872k less than budget with compensating reduced new build grant income of £31,234k. In Glasgow there was reduced spend at Kelvin Wynd due to a delayed demolition start and reduced spend in planned acquisitions. At Loretto there was reduced spend for East Lane and Dargavel Ph3, at Curries Yard and Springholm for the South and in the East for Blindwells, Wallyford 5/AB, Westcraigs Ph3 and Winchburgh BB.
- Other fixed assets investment includes spend on corporate estate and IT capital projects. The reduced spend of £3,040k is due to a delay in works commencing for new office builds at 2 sites. Annual works budgeted of £1.3m will be deferred into 2024/25. In addition, the office work planned for the depots and concierge offices, will mainly be undertaken in Q4 of the financial year, whereas the budget reflected an even spread of the costs throughout the financial year. IT works is also underspent to P9 due to an initial delay with some projects commencing. The planned spend will increase for the remainder of the financial year, now that the projects are underway

1a) RSL Borrower Group underlying surplus – Period to 31 December 2023

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

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

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

In the period to 31 December 2023, an underlying surplus of £1,924k has been generated which is £3,861k unfavourable to budget. The variance is driven by the increased demand for repairs and maintenance and investment spend on capitalised voids and repairs offset in part by an improved income position and reduced employee costs.

Borrower Group Underlying Surplus / (Deficit) - December 2023				
	YTD Actual £ks	YTD Budget £ks	YTD Variance £ks	FY Budget £ks
Net Operating Surplus	45,318	41,978	3,340	70,313
add back:				
Depreciation	84,167	84,167	0	112,408
less:				
Grant Income	(15,977)	(13,496)	(2,481)	(27,156)
Net interest payable	(48,734)	(47,888)	(846)	(68,570)
Total expenditure on Core programme	(62,850)	(58,976)	(3,874)	(84,408)
Underlying surplus	**1,924**	**5,785**	**(3,861)**	**2,587**

1b) Wheatley Homes Glasgow – Period to 31 December 2023

	Period To December 2023 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INCOME				
Rental Income	158,018	158,029	(11)	210,343
Void Losses	(1,814)	(2,003)	189	(2,666)
Net Rental Income	156,204	156,026	178	207,677
Grant Income New Build	1,970	996	974	4,109
Grant Income Other	4,276	2,786	1,490	5,044
Other Income	8,658	7,807	851	11,505
Total Income	**171,108**	**167,615**	**3,493**	**228,335**
EXPENDITURE				
Employee Costs - Direct	25,299	26,704	1,405	35,363
Employee Costs - Group Services	13,045	13,153	108	17,237
ER / VR	2,940	2,940	0	4,820
Direct Running Costs	9,946	9,969	23	11,687
Running Costs - Group Services	6,445	6,671	226	8,895
Revenue Repairs and Maintenance	41,054	34,815	(6,239)	45,386
Bad debts	1,539	2,830	1,291	3,774
Depreciation	57,427	57,427	0	76,569
Demolition	133	0	(133)	0
TOTAL EXPENDITURE	**157,828**	**154,509**	**(3,319)**	**203,731**
NET OPERATING SURPLUS / (DEFICIT)	**13,280**	**13,106**	**174**	**24,604**
Net operating margin	*7.8%*	*7.8%*	*-0.1%*	11%
Interest payable & similar charges	(34,812)	(34,351)	(461)	(50,084)
STATUTORY SURPLUS / (DEFICIT)	**(21,532)**	**(21,245)**	**(287)**	**(25,480)**

INVESTMENT	Period To December 2023 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
Total Capital Investment Income	**11,090**	**8,965**	**2,125**	**15,557**
Investment Programme Expenditure	39,888	38,059	(1,829)	55,281
New Build Programme	27,322	31,885	4,563	46,447
Other Capital Expenditure	4,470	6,893	2,423	9,506
TOTAL CAPITAL EXPENDITURE	**71,680**	**76,837**	**5,157**	**111,234**
NET CAPITAL EXPENDITURE	**60,590**	**67,872**	**7,282**	**95,677**

Wheatley Homes Glasgow

Key highlights:

Net operating surplus of £13,280k is £174k favourable to budget. Statutory deficit for the period to 31 December is £21,532k, which is £287k unfavourable to budget. The main driver of the variance is higher than budgeted repairs spend linked to a higher demand offset by a favourable income position and reduced employee costs.

- Net rental income is £178k favourable to budget. Void losses are £189k lower than budget and represent a 1.15% void loss rate compared to the budgeted rate of 1.27%.
- New build grant income is £974k higher than budget, with 36 MMR units completing at Sighthill including 16 units delayed from 2022/23. All units at Sighthill are now complete.
- Other grant income is £1,490k higher than budget with unbudgeted grant being recognised for 2023/24 medical adaptations.
- Other income is £851k favourable to budget linked to higher Wayleave income, additional furnished lets income (offset by additional costs) and receipt of L&A damages in relation to the Sighthill, which is partially offset by a reduction in MMR income due to the Sighthill delay.
- Total employee costs (direct and group services) are £1,513k favourable to budget, mainly due to W-360 CIP and Group Protection services having funding provided through Wheatley Foundation.
- Total running costs (direct and group services) are £249k favourable to budget with Group recharges £226k favourable to budget due lower costs across Wheatley Solutions.
- Revenue repairs and maintenance spend is £6,239k unfavourable to budget with spend across responsive repairs £5,663k higher than budget, and cyclical and compliance spend £53k higher than budget, due to the reprofiling of the programme. The spend on reactive repairs is linked to higher demand for repairs (4.7% ytd increase in job numbers vs 2022/23). An improvement plan is in place to monitor the drivers of repairs costs, improve efficiency and to keep repairs spend within the forecast spend.
- Net Interest payable is £461k unfavourable to budget linked to a higher variable rate than assumed in the budget at this point in the year.

Net capital expenditure of £60,590k is £7,282k lower than budget.

- Capital investment income (grants) is £2,125k higher than budget linked to unbudgeted medical adaptations grant of £1,500k, in addition to £625k of new build grant income linked to the timing of claims.
- Investment programme spend is £1,829k unfavourable to budget with higher spend in capitalised voids, capitalised repairs and overhead, partially offset by reduced core programme spend. An improvement plan has been put in place to monitor the drivers of costs, improve efficiency and keep investment spend within the forecast spend.
- Net new build spend is £4,563k lower than budget following a delay in the commencement of regeneration works and lower than budgeted property acquisition opportunities.
- Other capital expenditure of £4,470k is £2,423k lower than budget mainly driven by a reprofiling of planned works on corporate offices including Nets depots and concierge stations and IT projects.

1c) Loretto Housing – Period to 31 December 2023

	Period To 31 Dec 2023			Full Year
	Actual	Budget	Variance	Budget
	£k	£k	£k	£k
INCOME				
Rental Income	11,898	11,886	12	15,859
Void Losses	(220)	(342)	122	(456)
Net Rental Income	**11,678**	**11,544**	**134**	**15,403**
Grant Income	2,223	0	**2,223**	2,223
Other Grant Income	85	88	**(3)**	116
Other Income	72	79	**(7)**	876
Total Income	**14,058**	**11,711**	**2,347**	**18,618**
EXPENDITURE				
Employee Costs - Direct	1,015	1,036	21	1,382
Employee Costs - Group Services	647	660	13	881
ER / VR	29	29	0	210
Direct Running Costs	1,309	1,378	69	1,813
Running Costs - Group Services	346	352	6	469
Revenue Repairs and Maintenance	2,680	2,264	(416)	3,198
Bad debts	100	305	205	407
Depreciation	5,693	5,693	0	7,627
TOTAL EXPENDITURE	**11,819**	**11,717**	**(102)**	**15,987**
OPERATING SURPLUS / (DEFICIT)	**2,239**	**(6)**	**2,245**	**2,631**
Gain/(Loss) on Property Sales	0	0	0	0
Interest Receivable	0	0	0	0
Interest Payable	(2,813)	(2,724)	(89)	(3,779)
STATUTORY SURPLUS / (DEFICIT)	**(574)**	**(2,730)**	**2,156**	**(1,148)**

	Period To 31 Dec 2023			Full Year
	Actual	Budget	Variance	Budget
	£k	£k	£k	£k
INVESTMENT				
Total Capital Investment Income	**1,313**	**11,169**	**(9,856)**	**11,196**
Investment Works	1,169	2,219	1,050	2,514
New Build	3,133	17,228	14,095	22,048
Other Capital Expenditure	181	317	136	422
TOTAL CAPITAL EXPENDITURE	**4,483**	**19,764**	**15,281**	**24,984**
NET CAPITAL EXPENDITURE	**3,170**	**8,595**	**5,425**	**13,788**

Loretto Housing

Key highlights year to date:

Net operating surplus of £2,239k is £2,245k favourable to budget. Statutory deficit for the year is £574k and is £2,156k favourable to budget. The main driver of the favourable variance is the recognition of Maddiston's new build grant income earlier than budgeted.

- Gross rental income of £11,898k is favourable to budget due to early completions at Maddiston. Void losses in the year to date are £122k favourable with a rate of 1.85% against a budget of 2.88%.
- Grant income relates to 24 units at Maddiston, which were completed ahead of the budgeted date of March 2024.
- Other grant income of £85k relates to medical adaptations which has been fully claimed.
- Other income is £7k unfavourable to budget following a revision of the Dargarvel L&D damages claim, which resulted in a reduction for the damages received.
- Direct employee costs are £21k favourable to budget attributable to the charging of additional landlord services to Lowther Homes and higher than budgeted capitalised salary for New build. Employees recharged from Group Services are for Loretto's share of Wheatley Solutions staff and are currently £13k favourable to budget.
- Total running costs are £75k favourable to budget. Direct running costs are £69k favourable to budget due to the timing of spend and efficiencies in the YTD.
- Revenue repairs and maintenance is £416k unfavourable to budget with responsive repairs spend £442k higher than budget. Completed responsive repair jobs YTD are 4.7% higher than the same period last year, reflecting a continued increase in customer demand. An improvement plan is in place to monitor the drivers of repairs costs, improve efficiency and keep repairs spend within the forecast spend.
- Bad debts are £205k favourable to budget. A prudent approach was taken when setting the budget.
- Net Interest payable is £89k unfavourable to budget linked to a higher variable rate than assumed in the budget at this point in the year.

Net capital expenditure of £3,170k is £5,425k lower than budget.

- Capital investment income (grant) is £9,856k lower than budget mainly due to East Lane site starts being delayed, Dargavel Ph3 not progressing and the full grant for Main St Maddiston being claimed in 2022/23.
- New build spend is £14,095k lower than budget resulting from the delays and phasing of project spend linked to the East Lane and Dargavel Ph 3 sites.
- Investment programme expenditure of £1,169k relates to core programme works, capitalised repairs and voids. An underspend is reported due to the re-profiling of the core programme.
- Other capital expenditure of £181k relates to the Loretto contribution to Wheatley Group IT costs.

1d) Wheatley Homes East – Period to 31 December 2023

	Period to 31 December 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Rental Income	28,706	28,595	111	38,215
Void Losses	(455)	(357)	(98)	(475)
Net Rental Income	**28,251**	**28,238**	**13**	**37,740**
Grant Income Recognised in the Year	11,784	12,500	(716)	15,847
Other Grant Income	694	897	(204)	1,348
Other Income	2,573	2,606	(32)	7,194
TOTAL INCOME	**43,302**	**44,241**	**(939)**	**62,129**
EXPENDITURE				
Employee Costs - Direct	3,485	3,371	(114)	4,491
Employee Costs - Group Services	2,178	2,233	55	2,978
ER/VR	0	0	0	540
Direct Running Costs	3,196	3,196	0	4,221
Running Costs - Group Services	1,153	1,189	36	1,585
Revenue Repairs and Maintenance	5,365	5,337	(28)	7,164
Bad Debts	230	303	73	404
Depreciation	10,112	10,112	0	13,631
TOTAL EXPENDITURE	**25,719**	**25,741**	**22**	**35,014**
NET OPERATING SURPLUS / (DEFICIT)	**17,583**	**18,500**	**(917)**	**27,115**
Net Operating Margin	*41%*	*42%*	*-1%*	*44%*
Interest receivable	26	9	17	13
Interest payable	(6,179)	(6,237)	58	(8,696)
STATUTORY SURPLUS / (DEFICIT)	**11,430**	**12,272**	**(842)**	**18,432**

	Period to 31 December 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INVESTMENT				
Total Capital Investment Income	**32,788**	**46,141**	**(13,353)**	**53,717**
Total Expenditure on Core Programme	5,610	5,767	157	7,079
New Build & Other Investment	50,639	69,170	18,530	94,278
Other Capital Expenditure	760	783	23	1,043
TOTAL CAPITAL EXPENDITURE	**57,010**	**75,720**	**18,710**	**102,400**
NET CAPITAL EXPENDITURE	**24,222**	**29,579**	**5,357**	**48,683**

Key highlights year to date:

Net operating surplus of £17,583k is £917k unfavourable to budget. Statutory surplus for the period to 31 December is £11,430k, £842k unfavourable to budget.

Total income of £43,302k is £939k adverse to budget:
- Gross rent is £111k favourable to budget arising from early completions at Raw Holdings as well as higher than budgeted service charges. Void losses are £98k unfavourable to budget, representing 1.59% vs a budget of 1.25%. This is mainly due to reduced demand at sheltered sites and fire safety works/ turnover of rooms at the Harbour.
- Grant income recognised is £716k unfavourable to budget due to the timing of new build handovers including completions delayed to Q4 2023/24 at MacMerry and early completions at Wisp 3C and Raw Holdings in 2022/23 contributing to the variance. £11,784k of grant income recognised relates to 129 SR and 29 MMR units.
- Other grant income of £694k consists of grants recognised for medical adaptations, Scottish Housing Net Zero (SHNZ) and for the Harbour. The variance relates to a reduction in SHNZ income due to reprofiling of works to be carried out impacting the level of grant to be claimed.

Total expenditure is £22k favourable to budget:
- Total employee costs are £59k unfavourable to budget. Direct employee costs are £114k unfavourable to budget, due to overtime and agency staff costs at the Harbour and the Retirement complexes managed by Wheatley Care, as well as the creation of 4 housing officers to maintain patch sizes within agreed levels.
- Total running costs are £36k favourable to budget with group running costs favourable due to savings being realised in Wheatley Solutions.
- Revenue repairs and maintenance spend is £28k unfavourable to budget with responsive repairs spend £368k higher than budget reflecting continued increased demand (5.0% increase yr on yr) and material price increases offset by cyclical maintenance which is £340k favourable, due to the reprofiling and timing of the planned works. We continue to comply with our legislative obligations.

Interest payable of £6,179k represents interest due on the loans due to Wheatley Funding No.1 Ltd and external funders and is £58k favourable to budget due to the timing of drawdowns vs budget arising from the new build development spend being lower than budget, offset by higher variable interest rates.

Net capital expenditure of £24,222k is £5,357k lower than budget.
- Capital investment income relates to the cash receipt of new build grants, SHNZ funding and medical adaptation grants and is £13,353k lower than budget due to delayed new build spend resulting in slower than anticipated grant claims, including Westcraigs Ph3, Wallyford 5/AB, Blindwells, Deans South Ph2 and Winchburgh BB.
- Core programme spend is currently £157k favourable to budget, due to the reprofiling of core programme and SHNZ works.
- New build spend of £50,639k is £18,530k lower than budget due to reduced spend relating to timing of golden brick payments as well as some delays on sites due to necessary infrastructure works and contractor delays. Sites with reduced spend include Sibbalds Brae, Wallyford 5/AB, Blindswell, Winchburgh BB and Westcraigs Ph3. This is partially offset by accelerated spend at Westcraigs Ph1 & Ph2, Southfort, Rosewell and Deans South.

1e) Wheatley Homes South – Period to 31 December 2023

OPERATING STATEMENT	Period to Dec 2023 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INCOME				
Rental Income	35,676	35,742	(65)	47,855
Void Losses	(212)	(428)	215	(568)
Net Rental Income	**35,464**	**35,314**	**150**	**47,287**
Grant Income	0	0	0	4,977
Other Grant Income	6,959	6,490	469	11,736
Other Income	848	876	(29)	2,876
TOTAL INCOME	**43,271**	**42,680**	**591**	**66,876**
EXPENDITURE				
Employee Costs - Direct	4,213	4,298	85	5,715
Employee Costs - Group Services	2,967	3,029	62	4,038
ER/VR	166	166	0	340
Direct Running Costs	1,906	1,897	(9)	2,529
Running Costs - Group Services	1,586	1,613	27	2,150
Revenue Repairs and Maintenance	8,462	9,270	808	12,360
Bad debts	214	488	274	651
Depreciation	10,935	10,935	0	14,581
Demolition and compensation	606	606	(0)	1,105
TOTAL EXPENDITURE	**31,055**	**32,302**	**1,247**	**43,469**
NET OPERATING SURPLUS	**12,216**	**10,378**	**1,838**	**23,407**
Net operating margin	*28%*	*24%*	*4%*	*35%*
Interest Receivable and similar income	61	11	50	15
Interest payable & similar charges	(5,020)	(4,599)	(421)	(6,039)
STATUTORY SURPLUS	**7,257**	**5,790**	**1,467**	**17,383**

INVESTMENT	Actual £ks	Budget £ks	Variance £ks	Budget £ks
TOTAL CAPITAL INVESTMENT INCOME	**17,351**	**25,832**	**(8,481)**	**34,425**
Capital Investment spend	12,683	12,931	248	19,535
New Build Programme	17,003	27,808	10,805	38,785
Other Fixed Assets	912	1,370	458	2,056
TOTAL INVESTMENT EXPENDITURE	**30,598**	**42,109**	**11,511**	**60,376**
NET CAPITAL EXPENDITURE	**13,247**	**16,277**	**3,030**	**25,950**

Wheatley Homes South

Key highlights :

Net operating surplus of £12,216k is £1,838k favourable to budget. Statutory surplus to 31 December is £7,257k, which is £1,467k favourable to budget. The key driver of the variance is higher than budgeted adaptation grant income, lower void rent loss and lower spend across expenditure.

- Net rental income is £150k higher than budget driven by lower than budgeted voids, with a void loss rate of 0.6% vs 1.2% in budget. Rental income is £65k adverse due to the earlier than budgeted timing of properties cleared for demolition (Kelloholm, Summerhill & Newington).
- Other grant income is £469k favourable than budget mainly due to additional adaptation grant claimed (with higher corresponding spend in investment). In addition to adaptations, is higher than budgeted renewable heat incentive (RHI) grant and £15k young person's funding.
- Other income is £29k adverse to budget with lower garage and lock-up income due to increased voids.
- Total employee costs (direct and group services) are £147k lower than budget. The savings are from vacant positions during the YTD and lower than budgeted overtime.
- ER/VR costs are in line with budget, with four ER/VR leavers YTD.
- Total running costs (direct and group services) are £18k favourable to budget, due to savings within the Group recharge and the timing of spend, offset partly by higher insurance costs.
- Repair costs are £808k favourable to budget. Responsive repairs are £107k unfavourable to budget due to increased demand and a higher cost per job driven by increased material costs to date. This unfavourable position has been fully offset by the favourable cyclical and compliance spend of £915k due to a reprofiling of the programme. A repairs improvement plan which includes a number of mitigating actions has been put in place to manage responsive repairs spend within the forecast spend.

Gross interest payable of £5,020k represents interest due on the loans due to Wheatley Funding No.1 Ltd and external funders. The unfavourable variance of £421k is due to the increase in variable interest rates than budgeted.

Net capital expenditure of £13,247k is £3,030k lower than budget.

- The investment income is £8,481k lower than budget due to timing of grant funding claimed for the new build programme (Curries Yard and Springholm).
- Total core investment spend of £12,683k is £248k lower than budget due to lower spend on the core programme, partly offset by higher spend on capitalised voids and grant funded adaptation works (compensating additional grant income).
- New Build expenditure is £10,805k under budget driven by timing of spend on Curries Yard and Springholm.
- Other capital expenditure of £912k is £458k lower than budget. Other capital spend includes work on local touchdown hubs and IT costs. The favourable variance is mainly due to the timing of works on the new build office which will now commence in 2024/25.

1f) [redacted]

1g) WFL1 and WGC

WFL1 Limited	Period to 31 Dec 2023
	Actual £ks
INCOME	
Operating Income	1,489
EXPENDITURE	
Administration Costs	(1,489)
TOTAL EXPENDITURE	**0**
NET OPERATING SURPLUS	**0**
Finance Income	47,033
Finance Charges	(47,033)
PROFIT / (LOSS) BEFORE TAX	**0**

Wheatley Funding No. 1 Limited

Operating income of £1,489k has been recognised in the period. Operating income relates to the recharge of commitment fees on the loan facility for the RSLs.

Administration expenses are for the commitment fees charged on the borrowings for the RSL Borrower group. £1,489k of fees have been incurred and subsequently recharged to the RSLs.

Finance costs of £47,033k relate to interest charged on the facilities to WFL1. These charges are passed on to the RSLs in full.

Wheatley Group Capital plc	Period to 31 Dec 2023
	Actual £ks
INCOME	
Operating Income	0
EXPENDITURE	
Administration Costs	0
TOTAL EXPENDITURE	**0**
NET OPERATING SURPLUS	**0**
Finance Income	9,889
Finance Charges	(9,889)
PROFIT / (LOSS) BEFORE TAX	**0**

Wheatley Group Capital Plc

Finance charges of £9,889k have been recognised in the period. This relates to interest on the £300m bond that sits in Wheatley Group Capital plc. The interest rate is 4.375% per annum.

This is passed on to WFL1, and the recovery from WFL1 recognised as Finance Income. The interest costs are subsequently recharged from WFL1 to the RSLs.

2a) RSL Borrower Group – Consolidated Balance Sheet

	As at 31 December 2023 £ks	As at 31 March 2023 £ks
Fixed Assets		
Social Housing Properties	2,676,211	2,594,648
Investment properties	122,499	122,499
Other tangible fixed assets	69,441	71,323
Investments -other	12,073	12,073
Fixed Assets	**2,880,224**	**2,800,543**
Debtors Due More Than One Year		
Inter Company Loan	18,325	18,325
Pension Asset	2,505	2,505
Current Assets		
Stock	1,887	1,713
Trade debtors	1,821	1,742
Rent & Service charge arrears	17,933	15,985
less: Provision for rent arrears	(10,680)	(9,782)
Prepayments and accrued income	15,461	7,007
Intercompany debtors	7,585	7,291
Other debtors	13,121	17,811
	47,128	**41,767**
Bank & Cash	18,750	24,736
Current Assets	**65,878**	**66,503**
Current Liabilities		
Trade Liabilities	(10,421)	(5,168)
Accruals	(44,452)	(55,869)
Deferred income	(54,614)	(34,541)
Rents & service charges in advance	(15,427)	(14,250)
Intercompany creditors	(3,719)	(817)
Other creditors	(17,344)	(16,485)
	(145,977)	**(127,130)**
Net Current Assets	**(80,098)**	**(60,627)**
Long Term Liabilities		
Contingent efficiencies grant	(47,914)	(47,914)
Loan - private finance	(1,216,989)	(1,169,469)
Bond finance	(300,000)	(300,000)
Provisions	(1,733)	(1,960)
Deferred income	(66,627)	(50,293)
Pension liability	(3,042)	(3,042)
Long Term Liabilities	**(1,636,305)**	**(1,572,678)**
Net Assets	**1,184,651**	**1,188,068**
Funding Employed		
Capital & Reserves		
Share Capital	0	0
Retained Income b/fwd	681,613	729,188
Income & Expenditure	(3,416)	(47,574)
Revaluation Reserves	506,454	506,454
Funding Employed	**1,184,651**	**1,188,068**

Key highlights:

- The comparative Balance Sheet at 31 March 2023 reflects the audited statutory accounts for the year then ended.
- The RSL Borrower Group net assets stand at £1,184.7m at 31 December 2023.
- Current assets (excluding cash) are £5.4m higher than the year end position, mainly due to the increase in other debtors, prepayments and accrued income of £3.8m due to timing of receipt of income and an increase in rent arrears of £1.1m due to the timing of receipt of housing benefit.
- Overall current liabilities are £18.9m higher than the year end position. Increases are noted in trade creditors of £5.3m due to the timing of the payment of the creditors, a decrease in accruals and other creditors of £10.6m due to the timing of invoices being raised for costs and an increase in deferred income of £20.1m.
- Long term liabilities at 31 December 2023 are £63.6m higher than the year end position mainly due to £45m additional loans received to finance the developments across the RSL's and £16.3m increase in deferred income.
- Income and expenditure relates to the RSL Borrower Group surplus for the period to 31 December 2023.

2b) RSL Borrower Group – Cash Flow Statement

For the period ended 31 December 2023	2023/24 £'000
Net cash generated from operating activities (see Note1)	107,645
Cashflow from investing activities	
Purchase of tangible fixed assets	(163,405)
Grants received	52,384
	(111,021)
Cashflow from financing activities	
Interest paid	(47,538)
Interest received	314
Additional funding received in year to date	84,614
Loan repayment	(40,000)
	(2,610)
Net change in cash and cash equivalents	**(5,986)**
Cash and cash equivalents at the beginning of the year	24,736
Cash and cash equivalents at the end of the period	18,750

Note 1	2023/24
Cashflow from operating activities	
Operating surplus for the period	45,318
Adjustments for non cash items:	
Depreciation of tangible fixed assets	84,167
Movements in working capital	(5,637)
Movements in provisions	(227)
Adjustments for investing or financing activities:	
Government grants utilised in the year	(15,977)
Cashflow from operating activities	**107,644**

To: Wheatley Housing Group Board

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

Approved by: Steven Henderson, Group Chief Executive

Subject: Contract Award: Grounds Maintenance

Date of Meeting: 21 February 2024

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1. Purpose

1.1 This report seeks approval to award a contract for the provision of Grounds Maintenance Services on behalf of Wheatley Homes South (WHS) to Idverde Limited for a contract period of three years, with the option to extend for a further 12 months.

2. Authorising and strategic context

2.1 Under the Scheme of Financial Delegation (“SoFD”) the award of contracts is based on the financial value over the life of the contract. Under the SoFD, Group Board approval is required for contracts relating to revenue expenditure of over £1m.

2.2 The estimated value of this contract over the maximum four-year period is £2.4m including VAT. This considers our current spending but also provides for future inflationary increases (applying CPI indexation annually) and allows for price volatility of trade materials such as timber and cement widely used in this contract. There is no obligation to spend against this contract as services are to be approved prior to delivery.

3. Background

3.1 As part of the housing stock transfer from Dumfries and Galloway Council to WHS, we took the title to land across the region. The topography of the land and access to it means that we require a specialist grounds maintenance contractor(s) with suitable plant and machinery to undertake the maintenance required for this land.

3.2 There are also elements of reactive repairs associated with the land we own, such as fencing and paving. We have required an independent contractor to carry out some elements of these reactive repairs as the region covered is too large for this to be carried out cost-effectively by our in-house repairs team. This can, for example, be due to the volume of materials needed on site.

3.3 WHS therefore require an experienced grounds maintenance contractor to provide both planned maintenance and reactive repairs and maintenance to land and adjacent properties owned by WHS.

4. Discussion

4.1 The range of activities that may be required through the contract can be wide ranging, from paving and fencing to arborist work and ‘rough cuts’ of expansive open grass areas. Our preference is to have a single contractor to benefit from economies of scale in terms of price and operational efficiency.

4.2 Our market assessment determined that contractor coverage for these services in Dumfries and Galloway is very localised or specialised. Only one contractor was available that could provide the full range of services, Idverde.

4.3 Given only one option was identified we sought to find a route to market which did not seek a tender from a single supplier, but rather one where terms and conditions and rates were already established through a framework. Additionally, this would still allow us to seek formal proposals and documents and undertake a quality assessment.

4.4 Eastern Shires Purchasing Organisation (ESPO), a widely recognised public sector procurement framework provider, has a Grounds Maintenance Framework Agreement. This framework was identified as a suitable procurement route for this contract. This decision was taken on the basis that the framework covers both grounds maintenance and arboriculture work and permits a direct award option to Idverde as an appointed contractor.

4.5 As a result of utilising the ESPO framework agreement, a strong contractual position from the outset of this contract is established. This contract also has six performance-based Key Performance Indicators (KPIs) which will be measured and monitored quarterly as part of contract review meetings held.

4.6 Idverde were asked to provide a proposal document for this new contract, covering both technical and commercial aspects. The technical aspects focused on the following criteria:

- **Technical ability** - Method Statements and Risk Assessments and the work tasks to be performed.
- **Contract delivery** - The approach to be taken and how the contract will be successfully performed.
- **Organisation expertise** - Skilled operatives, training and maintaining a high-quality service.
- **Contract management** - Detail of their approach to contract management, the Contract Manager and how they will interact with WHS to resolve issues and complaints.
- **Resident engagement** - How the contractor will engage and communicate with residents, should they need to work within their home/garden area.
- S**ustainability and community benefits** - Detail of sustainable working practices and a summary of community benefits offered: how these will be delivered and confirmation of any unspent monies being transferred to Wheatley Foundation.

4.7 Idverde have committed to additional Community Benefits of up to 2% of the total contract value (£48,000 over four years). Delivery of Community Benefits shall be monitored as part of quarterly contract management meetings, with any unspent monies to be donated to the Wheatley Foundation.

4.8 A standard suite of Scottish Building Contracts Committee (SBCC) documents was used and made specific to this contract, ensuring the terms and conditions are fit for purpose, and risk is managed.

5. Customer Engagement

5.1 Engagement with customers was not directly applicable to this contract.

6. Environmental and sustainability implications

6.1 Idverde is fully certified and holds ISO14001:2015 Environmental accreditation. Commitments within this quality assurance assessment include, but are not limited to:

- Minimise carbon dioxide emissions.
- Reduce waste by being efficient, recycling and re-using surplus materials.
- Source socially and environmentally friendly materials.
- Minimise the use of primary resources.
- Minimise potable water consumption and maximise the effectiveness of irrigation.
- Protect biodiversity and local ecosystems and support re-wilding opportunities.
- Use the quietest and cleanest methods of operation.
- Work with communities closest to operations.
- Provide fair and open opportunities for local people and suppliers.

6.2 Environmental and sustainability issues are high on Idverde's agenda. Idverde implements a Waste Management Plan on all contracts. The primary aim of this is to ensure that at least 98% of all green waste must be recycled. They also reduce emissions via their equipment by:

- Using carbon efficient fleet and equipment. Moving towards electric solutions where possible.
- Extending the life of machinery.
- Effective work programming.
- Reducing vehicle miles.
- Driver training – daily maintenance checks and influencing driver behaviour.

6.3 Idverde will work with us to ensure that their working practices align with our Sustainable Procurement Policy and 2024/26 Group Strategy regarding our environmental and sustainability ambitions.

7. Digital transformation alignment

7.1 Work allocated to Idverde is issued and managed via our IT platform Servitor. This contract is also on our Contract Management System ("CMS"). Contract reviews and performance monitoring will be administered via the CMS.

8. Financial and value for money implications

8.1 The national Consumer Price Index will be applied annually to the rates of this contract. WHS revenue budgets are agreed annually as part of the 5-year planning process and are sufficient to meet the required planned spending.

9. Legal, regulatory and charitable implications

9.1 ESPO's procurement of their Framework Agreement has been subject to a fully regulated tender process. The risk of a procurement challenge is considered low. The ability to award a contract using a Direct Award procedure is permitted under the conditions of the Framework Agreement.

9.2 The award of this contract is fully compliant with all relevant procurement legislation and presents no increased risk. An initial Equifax finance report was conducted for the supplier and its financial stability was rated lower than our standard requirements. Further investigation showed that this was the result of business restructuring, merger and acquisition activity. We have undertaken further checks and are comfortable that the company is financially viable. Idverde will return to profitability following the restructuring for their financial year which has just ended on 31st December 2023. We will continue to monitor the Equifax rating via our monthly routine supplier checks and we expect this to improve based on the financial statements to the end of 31st December 2023.

9.3 The risk of entering a contract with Idverde is further negated by only paying for work 30 days in arrears and having the possibility of backup contractors to cover this contract if the company should fail and default on their contractual obligations.

10. Risk Appetite and assessment

10.1 Our risk appetite with respect to laws and regulations is averse, i.e. avoidance of risk and uncertainty is a key organisational objective. The award of this contract is fully compliant with all relevant procurement legislation and presents no increased risk to the Group.

10.2 Our agreed risk appetite in operational and policy delivery is hungry. This level of risk is defined as “eager to be innovative and to choose options offering potentially higher business rewards (despite greater risk)”.

10.3 The inclusion of a contract break point at Year 3, with no penalty, balances our level of risk whilst ensuring that we can maintain business continuity and standard of service.

11. Equalities implications

11.1 There are no equalities implications associated with this report.

12. Key issues and conclusions

12.1 We require an experienced, reliable, and responsive contractor to deliver high quality grounds maintenance services that reflect the rural and geographic spread of WHS.

12.2 The proposed contract award allows us to manage this in a consolidated way which balances the specialist contractor we need with achieving the best economic and operational efficiency.

13. Recommendations

13.1 The Board is requested to approve the award of the contract for grounds maintenance services to Idverde Limited for a period of 3 years with an option to extend for a further 12 months starting February 2024 based on a maximum contract value of £2.4m including VAT.

LIST OF APPENDICES:

None