



ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2024

Wheatley Homes South Limited

(A Charitable Company Limited by Guarantee)

(Company No. SC220297)

(Scottish Housing Regulator Registration No.315)

(Scottish Charity No. SC039896)

STRATEGIC REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2024.

Principal activities

The principal activity of the Association is the provision and management of affordable rented accommodation. Wheatley Homes South Limited (“WHS” or “WH South”) has a significant role in many of the towns and villages in Dumfries and Galloway, owning and maintaining over 10,300 homes in Scotland’s third largest region covering some 2,380 square miles.

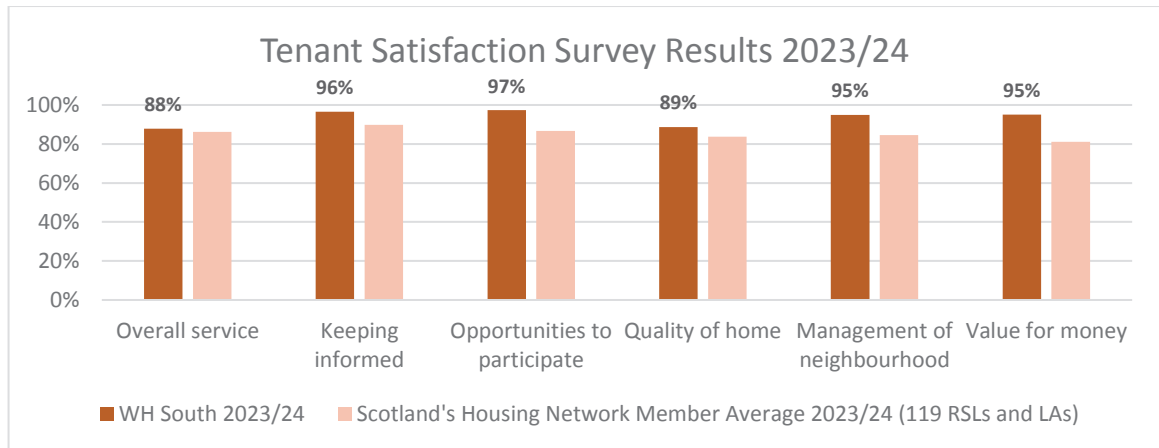
OPERATING REVIEW

The year 2023/24, the mid-way point of five-year strategy, ‘Your Home, Your Community, Your Future’, saw us continue to support our customers and place them at the heart of our services. The difficult economic climate and the cost-of-living crisis had an impact on many of our customers’ lives. Our wraparound services were a lifeline, and supporting our customers including their mental health, confidence and resilience remained one of our top priorities. As always, our strong focus on customers and the close relationships we have developed helped us respond to their needs.

One of the biggest challenges across the sector has been the increase in demand for local authorities to tackle homelessness. Wheatley Homes South provided 404 homes for homeless people over the year which represented almost half of relevant lets this year working together with our partners in Dumfries & Galloway Council to help tackle this serious issue.

Wheatley Foundation, our charitable trust, supported 1,514 households a total of 3,784 times over the year to help ease the financial pressures they were facing, creating 117 jobs and training opportunities, helping 1,041 people with benefit claims, providing free furniture to 163 households and much more.

This was also a year our updated, innovative operating model made a real difference. Our Customer First Centre continued to provide round-the-clock, expert support to customers. This also allowed housing officers to spend more time helping people in our communities which was borne out in the results of our recent independent tenant satisfaction survey which saw us achieve an overall satisfaction score of 88% above the Scottish average of 86% placing us well to meet our strategic target of 90% by 2026. Our performance in our other key indicators was close to or above 90% and also above the Scottish average when compared against figures from Scotland’s Housing Network members as shown in the chart below:



Based on 370 tenant surveys carried out between September and October 2023

STRATEGIC REPORT (Continued)**OPERATING REVIEW (Continued)**

Our Customer Voices programme improved tenant engagement, with over 300 customers involved in helping shape our services. Our latest tenant survey revealed high levels of customer satisfaction, some of the highest in the country and provided feedback around increased opportunities to take part in decision-making, showing we are getting it right for customers.

We built 35 new homes for social rent in 2023/24 and invested £17.2m in planned improvements to our homes and communities. We also spent a further £14.6m on repairs and maintenance.

As we move into the final years of our strategy, we will continue to engage with our customers to adapt what we do to meet their changing needs and circumstances and provide the support they need.

Here are some of the highlights of the year:

Building new homes

Wheatley Homes South built 35 new homes for social rent at Curries Yard in Dumfries in 2023/24. Work is continuing on another 54 social rent homes at Curries Yard and on 47 homes for social rent at Ewart Place, Springholm.

Wheatley Homes South, like all social landlords, faces a challenging economic environment, with the Scottish Government budget reductions to the affordable housing supply programme likely to have an impact on how many homes we can build. Our future pipeline relies on the availability of Government grant for new projects to start on site over the coming year. We are working with our local authority partners and the Scottish Government to consider options to grow the supply of much-needed affordable housing.

Investing in our homes

We delivered £17.2m of planned improvements to homes and communities over the year.

This included:

- £2.0m on external wall insulation for 113 homes;
- £6.0m on new energy efficient heating systems for 307 homes;
- £0.3m on new kitchens and bathrooms for 50 homes;
- £1.8m on structural works and roofing for 727 homes;
- £1.3m on new windows and doors for 224 homes;

This investment also contributes to our aim of cutting emissions. In 2023/24, Wheatley Homes South reduced carbon emissions from its homes by 784 tonnes.

Our repairs service

We launched our 'Book It, Track It, Rate It' app in November 2023 to help us improve customer satisfaction. As well as updating customers when their repair is booked and the tradesperson is on their way, it allows them to rate the service. The average rating on a scale of 1 to 5 is 4.6, which is equivalent to 92% satisfaction.

STRATEGIC REPORT (Continued)**OPERATING REVIEW (Continued)**

We continued our focus on dealing with reports of damp and mould in our homes. We have set quick response targets and aim to inspect complaints about damp or mould within two working days and to complete any repairs needed within 15 working days. Reports of damp and mould across our properties remain low and during the year we carried out a wider programme of external surveys which confirmed that our housing stock is in good condition.

We restructured our repairs service this year, including expanding our repairs team, bringing our void management team in house and opening new depots in Dumfries and Stranraer. Over the year, we completed 56,350 reactive repairs.

Improving our neighbourhoods

We continued our work to keep our communities clean and safe. Wheatley's partnership with Keep Scotland Beautiful (KSB) sees the environmental charity assess the service delivered by our environmental teams. All Wheatley Homes South neighbourhoods have been rated as five-star, the highest possible grade. A total of 16 Wheatley Homes South customers are now trained in KSB's standards and environmental monitoring and regularly take part in estate walkabouts with frontline staff, with more planned for next year.

We also expanded our successful 'Environmental Weeks of Action' to take place four times a year. Working with schools, community groups, local authority partners and volunteers, we tackled bulk uplift and litter picking, as well as promoting recycled furniture, planting trees, creating community gardens and helping customers learn new horticultural skills.

Wheatley's Community Improvement Partnership (CIP), the specialist team of police officers and our Anti-Social Behaviour Prevention and Intervention (ASBIP) officers, has been in place for a number of years and work with communities to tackle anti-social behaviour and crime. The CIP engaged with Wheatley Homes South customers during the year on Anti-Social Behaviour and Neighbourhood Management policies. At the end of 2023/24, more than 87% of Wheatley Homes South communities were classed as 'peaceful'.

We helped protect our customers from the risk of fire by carrying out 88 person-centred fire risk assessments – formerly known as home fire safety visits – in our homes last year. In 2023/24, we upgraded 27 smoke and heat detectors in homes; installed 30 stove guard devices; delivered fire-safety products such as air fryers, fire-retardant bedding and metal bins to 51 customers; installed specialised fire detection systems in seven homes; and carried out fire-safety-related repairs in 23 homes. The number of accidental fires in our homes fell by 36% over the year.

Letting homes

Wheatley Homes South allocated 404 homes to people who were homeless in 2023/24, including six through Housing First, a multi-agency partnership to tackle rough sleeping in which the wider Wheatley Housing Group plays a leading role, and 14 homes 'flipped' to permanent homes for the homeless people living in them, including 11 'flips' for Ukrainian refugees.

Engaging with customers

Around 300 Wheatley Homes South customers were involved in our Customer Voices programme this year, taking part in surveys, neighbourhood walkabouts, community events and other activities. A total of 150 of those customers took part in panels and focus groups to help shape key services including around rent setting, housing performance, managing homes, anti-social behaviour and community safety. Our Group Scrutiny Panel is made up from members of our Customer Voices programmes and provides more focussed feedback on key service areas such as repairs and tenancy sustainment.

STRATEGIC REPORT (Continued)**OPERATING REVIEW (Continued)**

We continued to expand the number customers engaging with us online this year and encouraged them to contact us through our digital channels and online self-service accounts. Almost 35,900 people used the Wheatley Homes South website over the year, up more than 13,000 from the previous year. The number of followers on our social media channels in 2023/24 was 7,772, up 577 from the year before. We received 172 enquiries from customers on social media.

Our online discounts scheme, MySavings, helped customers save money on their shopping. In 2023/24, 7,223 customers across Wheatley were registered for MySavings, an increase of 812 from last year.

Supporting our customers

Almost 40% of Wheatley Homes South customers are now on Universal Credit, an increase of more than 4% from last year which puts pressure on household budgets during the migration period. Our skilled team of welfare benefits advisors can assist customers to access the benefits they are entitled to.

This year our welfare benefits advisors supported 1,041 Wheatley Homes South customers, which resulted in £2.2m of financial gain. Our fuel advisors helped 373 Wheatley Homes South customers over the year.

Wheatley Foundation worked hard over the year to alleviate the effects of poverty on Wheatley Homes South customers and communities. We supported 1,514 households a total of 3,784 times, including supporting 537 customers with food, 753 with their fuel bills, and 661 with their rent through our Here For You Fund.

As well as this, we:

- gave 163 households upcycled furniture through our Home Comforts service;
- helped 54 new tenants with household budgeting, running a home and settling into their community through 'My Great Start';
- provided starter packs for 202 tenants who needed support moving into their home;
- provided free books every month to 266 children under five in our homes through the Dolly Parton Imagination Library Initiative;
- secured 117 jobs, training and apprenticeship opportunities for Wheatley Homes South customers and communities this year; and
- awarded eight people from our homes a bursary to go to university or college this year.

Independent Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG LLP as auditor is to be proposed at the forthcoming Annual General Meeting.

STRATEGIC REPORT (Continued)**FINANCIAL REVIEW**

Wheatley Homes South generated an operating surplus of £20.9m (2023: £14.2m) after a £0.6m valuation loss on investment properties (2023: £0.8m loss), relating to the valuation of mid-market rent and commercial units. The main driver for the increase in operating surplus is an increase in grant income recognised in the year for both new build and net zero investment projects which was £5.0m higher compared to the prior year.

Before taking account of other gains and losses and the timing of grant income recognised on new build completions and for net zero investment projects, an operating surplus was generated from core operations of £9.6m (2023: £8.3m). The increase of £1.3m in 2023/24 underlying operating surplus is driven by an improved income position, providing capacity for the increased repairs and maintenance costs linked to inflationary pressures and increased demand.

Income

Turnover recognised in the Statement of Comprehensive Income in the year was £62.8m (2023: £55.9m). Of this total, 75.8% or £47.6m (2023: 82.3% or £46.0m) was generated through rental and service charge income, net of void losses.

The remainder included:

- Grant income recognised on the completion of new build properties, grant received from the Social Housing Net Zero fund and grant for medical adaptations totalling £12.0m (2023: £7.0m)
- Investment property income from the letting of mid-market homes totalling £0.5m (2023: £0.5m)
- Other income including gift aid income from Wheatley Developments Scotland Ltd and income from repairs services totalling £1.6m (2023: £0.9m)

Expenditure

Operating costs for WHS in the year, totalled £41.3m (2023: £40.9m).

The main items of expenditure were:

- Management and maintenance administration costs associated with affordable letting activities totalling £11.1m (2023: £10.8m).
- Reactive maintenance costs to our social letting properties of £11.8m (2023: £11.3m).
- Planned and cyclical maintenance costs including major repair costs to improve our social housing properties of £2.8m (2023: £3.7m).
- Depreciation expenditure, for social and non-social housing assets of £13.3m (2023: £12.4m).
- Donations to Wheatley Foundation of £0.6m (2023: £1.9m) associated with our wider role in supporting communities in this financially challenging period.

Other expenditure in the year includes finance charges of £6.5m (2023: £5.3m) which is mainly interest on intra group loans which are used to fund the development on new build housing.

STRATEGIC REPORT (continued)**FINANCIAL REVIEW (continued)**

Social housing properties increased in value by £12.6m representing the long-term value of investment in customers' homes and the investment in the new-build programme. While the valuation of social and mid-market rent properties increased this year, the basis of the Existing Use for Social Housing Valuation methodology ("EUV-SH") will not always reflect the scale of capital investment spend in the year. Our commitment to keep rents affordable for tenants will also create a downward valuation movement in circumstances where inflation is increasing.

Cashflows

The cash flow statement of WHS is shown on page 20. WHS continued to deliver strong levels of cash with £27.8m generating from operating activities (2023: £20.5m). At 31 March 2024, cash and cash equivalents were £5.2m; an increase of £1.7m in the year. This is after the investment of £17.2m in existing social housing properties and a further £24.3m in new build development after the receipt of £12.8m grant income during the year to support the development programme.

Rental debtors

At the statement of financial position date, the WHS had rent arrears of £3.1m offset by bad debt provisions of £1.3m (2023: £3.0m and £0.9m respectively).

Liquidity

WHS's net current liabilities at 31 March 2024 totalled £15.0m (2023: £8.4m). The movement is due to an increase in deferred grant income to be released in less than one year with 101 units expected to complete in 2024/25. Loan arrangements are in place which provide sufficient capacity along with £5.2m cash balances at the year end to allow WHS to meet liabilities as they fall due and enable further investment in existing stock and the new build programme.

Capital structure and treasury

WHS's activities are funded on the basis of a Business Plan which is updated annually. Funding is administered through the Group's RSL funding vehicle, Wheatley Funding No. 1 Limited. External long-term funding is also provided through access to facilities with The Housing Finance Corporation and Allia, as detailed in note 20.

Investment in tenants' homes

During the year we invested £17.2m in improving tenant's homes. At the year-end our housing stock (including housing under construction) was valued at £465.4m (2023: £423.6m).

New Build

During the financial year we completed 35 homes for social rent properties at Curries Avenue, Dumfries. Work is continuing on another 54 social rent homes at Curries Yard and on 47 homes for social rent at Ewart Place, Springholm. Our new build programme invested £25.3m in the year. The Business Plan includes a further projected spend of £100.9m on the new build programme over the next five years.

STRATEGIC REPORT (continued)**FINANCIAL REVIEW (continued)****Reserves policy**

Under the Statement of Recommended (Accounting) Practice (“SORP”) 2014 and Financial Reporting Standard (“FRS”) 102, the Company may operate with up to three principal reserves; a revenue reserve, a revaluation reserve and a pension reserve.

Revenue reserve

Revenue reserve includes historic grant received in respect of the following:

- new build housing properties
- specific projects for which subsidy has been received, such as investment in the energy efficiency of our homes

These grants have been invested for the specific purposes prescribed in the related grant conditions, with this activity typically resulting in an increase in the value of housing properties in the Company’s Statement of Financial Position. The Company has no ability to realise new cash from this element of reserves, since selling the related assets which were constructed or improved with the grant funds would trigger clawback conditions and require repayment of grant to the Scottish Government or other grant providers. Furthermore, it is not the Company’s policy to sell social housing assets; on the contrary, continuing to own and support these while providing excellent services to customers is core to the Company’s charitable purpose.

The residual amount of revenue reserves, not represented by grant, may be invested by the Company in line with its 30-year business plan financial projections. Such investment is subject to the Company maintaining a viable financial profile over the life of its business plan, as well as approval by the Wheatley Group Board. In approving the Company’s business plan annually, the Wheatley Group Board will take into account projected compliance with the loan covenants which apply, as well as the impact of sensitivity analysis and other risk factors which may apply.

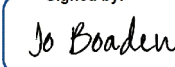
Revaluation reserve

The revaluation reserve represents, to the extent applicable, the increase in valuation which has occurred over and above the cost of additions to the Company’s property. This reserve is therefore also not realisable, on the basis that to do so would involve selling social housing assets and would therefore undermine the Company’s core charitable purpose.

Principal risks facing the company

The Board are responsible for assessing the risks facing WHS. As a subsidiary of Wheatley Housing Group, the principal risks are broadly similar to those facing the Wheatley Group and can be seen in the consolidated financial statements of the Wheatley Group.

By order of the Board

Signed by:

AA700FA709C74E6...
Josephine Boaden CBE, Chair
16 September 2024

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

DIRECTORS' REPORT**WHEATLEY HOMES SOUTH BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS****Directors and Directors' interests**

The Directors of the Company who held office during the year and up to the signing of the financial statements were:

| Name | Appointed | Resigned |
|---|-------------------|-------------------|
| Maureen Dowden (Chair to 20 September 2023) | 28 March 2018 | 20 September 2023 |
| Fiona Burden | 23 March 2020 | 29 May 2024 |
| Gary Legg | 20 September 2023 | - |
| Michael Greaves-Mackintosh* | 28 September 2017 | - |
| John Henderson | 27 September 2018 | - |
| Hugh Martin* | 30 March 2022 | - |
| John McCraw* | 17 September 2019 | - |
| Josephine Boaden (Chair from 20 September 2023) | 21 September 2022 | - |
| Karen Hunter | 29 March 2023 | - |
| Martin Dorby | 29 May 2024 | - |

* tenant of the Company

No directors who held office during the year held any disclosable interest in the shares of the company.

The Directors are also trustees of the charity and are appointed by the members of the Company at its Annual General Meeting.

Creditor payment policy

WHS agrees payment terms with its suppliers when it enters into contracts. The average creditor payment period for the year was within 30 days.

Disclosure of information to auditor

The Board members who held office at the date of approval of these statements confirm that, so far as they are each aware, there is no relevant information of which the Company's auditor is unaware; and each Board member has taken all the steps that he/she ought to have taken as a Board member to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DIRECTORS' REPORT (Continued)**DIRECTORS' STATEMENT ON INTERNAL FINANCIAL CONTROL**

The Directors acknowledge their responsibility for ensuring that the Company has in place systems of control that are appropriate to its business environment. These controls are designed to give reasonable assurance with respect to:

- The reliability of financial information within the Company, or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets against unauthorised use or disposition.

The systems of internal financial control, which are under regular review, are designed to manage rather than to eliminate risk. They can only provide reasonable and not absolute assurance against material misstatement or loss.

The key procedures which have been established are as follows:

- Detailed standing orders covering Board structure, election, membership and meetings;
- Financial regulations and procedures with clear authorisation limits;
- Regular Board meetings, focusing on areas of concern, reviewing management reports;
- Audit and Compliance reporting focussing on areas of concern and reviewing management reports;
- Regular review of cashflow and loan portfolio performance;
- Regular review of tendering process, rent accounting, arrears control and treasury management;
- Segregation of duties of those involved in finance;
- Identification and monitoring of key risks by the management committee; and
- Monitoring the operation of the internal financial control system by considering regular reports from management, internal and external auditors and ensuring appropriate corrective action is taken to address any weaknesses.

The Directors confirm that they have reviewed the effectiveness of the systems of internal control. No weaknesses have been found which would have resulted in material losses, contingencies or uncertainties which require to be disclosed in the financial statements.

DIRECTORS' REPORT (Continued)**Statement of Directors responsibilities in respect of the Annual Report and the financial statements**

The directors are responsible for preparing the Annual Report and the group and parent charitable company financial statements in accordance with applicable law and regulations.

Company and charity law requires the directors to prepare financial statements for each financial year. Under that law they have are required to prepare the group and parent charitable company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent charitable company and of the group's income and expenditure for that period. In preparing each of the group and parent charitable company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the parent charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the parent charitable company and enable them to ensure that its financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2024. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

By order of the Board

Signed by:

AA700FA709C74E6...

Josephine Boaden CBE, Chair
16 September 2024

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

INDEPENDENT AUDITOR'S REPORT TO TRUSTEES AND MEMBERS OF WHEATLEY HOMES SOUTH LIMITED**Opinion**

We have audited the financial statements of Wheatley Homes South Limited (“the charitable company”) for the year ended 31 March 2024 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position and the Statement of Cash Flows, and related notes, including the accounting policies in note 2.

In our opinion the financial statements

- give a true and fair view of the charitable company’s affairs as at 31 March 2024 and of the incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2024, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under and are independent of the charitable company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustees have prepared the financial statements on the going concern basis as they do not intend to liquidate the charitable company or to cease its operations, and as they have concluded that the charitable company’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

In our evaluation of the trustees’ conclusions, we considered the inherent risks to the charitable company’s business model and analysed how those risks might affect the charitable company’s financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the trustees’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the trustees’ assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the charitable company’s ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the charitable company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO TRUSTEES AND MEMBERS OF WHEATLEY HOMES SOUTH LIMITED (CONTINUED)**Fraud and breaches of laws and regulations – ability to detect***Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of board members and management as to the charitable company’s high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual suspected or alleged fraud; and
- Reading Board minutes

We communicated identified fraud risks throughout the audit team and remained alert to indications of fraud throughout the audit.

As required by auditing standards, taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that the entity management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to income recognition because of the limited opportunity and incentive for fraudulent revenue recognition and the limited judgement in respect of revenue recognition.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the charitable company’s wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These include those posted to unusual accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias including assessing the assumptions used in pension and property valuations.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the board and other management (as required by auditing standards) and discussed with the board and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulation throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the charitable company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and charities legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statements items.

Whilst the charitable company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance allow could have a material effect on amounts or disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO TRUSTEES AND MEMBERS OF WHEATLEY HOMES SOUTH LIMITED (CONTINUED)*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatements. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The trustees are responsible for the other information, which comprises the Trustees' Annual report, Strategic Report and the Director's report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; or
- in our opinion the information given in the Trustees' Annual Report, which constitutes the strategic report and the directors' report for the financial year, is consistent with the financial statements;
- in our opinion those reports have been prepared in accordance with the Companies Act 2006

We are required to report to you if:

- in our opinion, the Statement on Internal Financial Control on page 10 does not provide the disclosures required by the relevant Regulatory Standards for systematically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- in our opinion, the Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit; or

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO TRUSTEES AND MEMBERS OF WHEATLEY HOMES SOUTH LIMITED (CONTINUED)**Matters on which we are required to report by exception**

Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

- the charitable company has not kept adequate and proper accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

We have nothing to report in these respects

Trustees responsibilities

As explained more fully in their statement set out on page 11, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO TRUSTEES AND MEMBERS OF WHEATLEY HOMES SOUTH LIMITED (CONTINUED)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 and section 69 of the Housing (Scotland) Act 2010.

Our audit work has been undertaken so that we might state to the charitable company's members and the charitable company's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, its members as a body and its trustees, as a body, for our audit work, for this report or for the opinions we have formed.



**Michael Wilkie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

KPMG LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006

319 St Vincent Street

Glasgow

G2 5AS

24 September 2024

Wheatley Homes South Limited
Annual Report and Financial Statements
Year ended 31 March 2024

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2024

| | <i>Note</i> | 2024 £'000 | 2023 £'000 |
|--|-------------|-----------------------------|-----------------------------|
| Turnover | 3 | 62,825 | 55,881 |
| Operating expenditure | 3 | (41,306) | (40,913) |
| Other losses | 3 | (600) | (795) |
| Operating surplus | | <u>20,919</u> | <u>14,173</u> |
| Gain on sale of fixed assets | 9 | 359 | - |
| Finance income | 10 | 188 | 22 |
| Finance charges | 11 | (6,473) | (5,307) |
| Increase / (decrease) in valuation of other fixed assets | 15 | <u>3</u> | <u>(44)</u> |
| Surplus for the year | | 14,996 | 8,844 |
| Unrealised surplus/ (deficit) on revaluation of housing properties | 14 | <u>12,637</u> | <u>(7,012)</u> |
| Total comprehensive surplus for the year | | <u><u>27,633</u></u> | <u><u>1,832</u></u> |

All amounts relate to continuing operations.

The notes on pages 21 to 42 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2024

| | Revenue Reserve £'000 | Revaluation Reserve £'000 | Total Reserves £'000 |
|--|--------------------------------------|--|-------------------------------------|
| Balance at 1 April 2022 | 106,369 | 151,323 | 257,692 |
| Total comprehensive loss for the year | 1,832 | - | 1,832 |
| Transfer of reserves for the revaluation of housing properties | 7,012 | (7,012) | - |
| Dividend received from Novantia | 180 | - | 180 |
| Balance at 31 March 2023 | <u>115,393</u> | <u>144,311</u> | <u>259,704</u> |
| Total comprehensive surplus for the year | 27,633 | - | 27,633 |
| Transfer of reserves for the revaluation of housing properties | <u>(12,637)</u> | <u>12,637</u> | <u>-</u> |
| Balance at 31 March 2024 | <u>130,389</u> | <u>156,948</u> | <u>287,337</u> |

All amounts relate to continuing operations.

The notes on pages 21 to 42 form part of these financial statements.

Wheatley Homes South Limited
Annual Report and Financial Statements
Year ended 31 March 2024

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

| | <i>Notes</i> | 2024 £'000 | 2023 £'000 |
|--|--------------|-----------------------------|-----------------------------|
| Fixed assets | | | |
| Social housing properties | 14 | 465,426 | 423,556 |
| Other tangible fixed assets | 15 | 1,878 | 1,406 |
| Investment properties | 16 | 11,582 | 12,154 |
| | | <u>478,886</u> | <u>437,116</u> |
| Current assets | | | |
| Stock | 17 | 897 | 954 |
| Trade and other debtors | 18 | 8,069 | 8,719 |
| Cash and cash equivalents | | 5,150 | 3,405 |
| | | <u>14,116</u> | <u>13,078</u> |
| Creditors: amounts falling due within one year | 19 | (29,142) | (21,485) |
| | | <u>(15,026)</u> | <u>(8,407)</u> |
| Net current liabilities | | | |
| | | 463,860 | 428,709 |
| Total assets less current liabilities | | | |
| Creditors: amounts falling due after more than one year | 20 | (176,352) | (168,917) |
| Provisions for liabilities | | | |
| Other provisions | 21 | (171) | (88) |
| | | <u>287,337</u> | <u>259,704</u> |
| Total net assets | | | |
| Reserves | | | |
| Share capital | | - | - |
| Revenue reserve including pension reserve | | 130,389 | 115,393 |
| Revaluation reserve | | 156,948 | 144,311 |
| | | <u>287,337</u> | <u>259,704</u> |
| Total reserves | | | |

These financial statements were approved by the Board on 21 August 2024 and were signed on its behalf on 16 September 2024 by:

Signed by:

AA700FA709C74E6...

Josephine Boaden CBE
Chair

The notes on pages 21 to 42 form part of these financial statements.
Company Registered Number SC220297
Scottish Charity Number SC039896

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2024

| | <i>Notes</i> | 2024 £'000 | 2023 £'000 |
|---|--------------|-----------------------------|-----------------------------|
| Net cash generated from operating activities | 23 | <u>27,800</u> | <u>20,529</u> |
| Cash flow from investing activities | | | |
| Improvement of properties | 14 | (17,207) | (19,202) |
| Construction of new properties | | (24,296) | (12,202) |
| Investment properties additions | 16 | (28) | (9) |
| Purchase of other fixed assets | 15 | (749) | (816) |
| Grants received | 20 | 12,776 | 7,575 |
| Finance income | 10 | 188 | 22 |
| Proceeds from sale of fixed assets | 9 | 630 | - |
| | | <u>(28,686)</u> | <u>(24,632)</u> |
| Cash flow from financing activities | | | |
| Finance charges | 11 | (6,369) | (5,747) |
| Dividend received | | - | 180 |
| Drawdown of loan | | 10,500 | 119,500 |
| Repayment of loan | | (1,500) | (148,959) |
| | | <u>2,631</u> | <u>(35,026)</u> |
| Net change in cash and cash equivalents | | 1,745 | (39,129) |
| Cash and cash equivalents at 1 April | | 3,405 | 42,534 |
| Cash and cash equivalents at 31 March | | <u>5,150</u> | <u>3,405</u> |

The notes on pages 21 to 42 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**1. Legal status**

Wheatley Homes South Limited (“WHS” or “the Company”) is a wholly owned subsidiary of The Wheatley Housing Group (“WHG”). The Company is limited by guarantee and registered under the Companies Act, is a registered Scottish Charity No.SC039896 and WHS is registered as a housing association with the Scottish Housing Regulator under the Housing (Scotland) Act 2014. The principal activity of the Company is the provision of social housing and associated housing management services. The Company registered office is Wheatley House, 25 Cochrane Street, Glasgow G1 1HL.

Wheatley Homes South Limited is a public benefit entity.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements to all periods presented in these financial statements.

Basis of preparation

The financial statements of the Company are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included with the Determination of Accounting Requirements 2024, and under the historical cost accounting rules, modified to include the revaluation of properties held for letting and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for social housing providers 2014 (“SORP 2014”), issued by the National Housing Federation and under FRS 102. The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

The Group and Company prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in February 2024 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan recognising that 2023/24 has been a year where challenging economic conditions prevailed including sustained high inflation rates. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The Board, after reviewing the Group and Company budgets for 2024/25 and the Group and Company’s financial position as forecast in the 30-year business plan, is of the opinion that, taking account of severe but plausible downsides, the Group and Company have adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). In reaching this conclusion, the Board has considered the following factors:

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)**

2. Accounting policies (continued)

In reaching this conclusion, the Board has considered the following factors:

- Rent and service charge receivable – arrears and bad debt assumptions to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future changes in rent increases;
- Maintenance costs – budget and business plan scenarios have been modelled to take account of the profile of repairs and maintenance expenditure including the effect of inflation and increased demand;
- Investment in existing homes – forecast expenditure has been remodelled to take account of additional investment spend;
- Development activity – budget and business plan scenarios have taken account of fluctuating labour costs, project delays, supply chain instability and availability of grant funding impacting new build;
- Liquidity – current available cash of £5.2m and access to undrawn loan facilities arranged through WFL1 of £234.8m, which are available to Wheatley Homes South and other Group RSLs, gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;
- The Company's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties.

The Board believe the Group and Company has sufficient funding in place and expect the Group and Company to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Board is confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore has prepared the financial statements on a going concern basis.

Discount rates have been used in the valuation of housing properties and in the assessment of the fair value of financial instruments. The rates used are subject to change and are influenced by wider economic factors over time.

Accounting judgements and estimations

Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors.

Judgements have been made in:

- Determining the appropriate discount rates used in the valuation of housing properties.
- Component accounting and the assessment of useful lives.
- The assessment of the fair value of financial instruments.
- Determining the value of the Company's share of defined benefit pension scheme assets and obligations prior to the transfer of the obligations in Dumfries and Galloway Council Pension Fund to Wheatley Homes Glasgow Limited. The valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)****2. Accounting policies (continued)****Related party disclosures**

The Company is a wholly owned subsidiary of Wheatley Housing Group Limited and is included within the consolidated financial statements of Wheatley Housing Group Limited which are publicly available. Consequently, the Company has taken advantage of the exemption, under the terms of FRS 102, from disclosing related-party transactions with wholly owned entities that are part of the Wheatley Housing Group.

Turnover

Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, fees receivable, revenue grants and other income. Turnover is recognised when there is entitlement, any performance conditions attached have been met, it is probable income will be received and the amount can be realised reliably. Income received in advance is treated as deferred income.

Grant income

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where a grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, it is recognised as income using the performance model in accordance with the Statement of Recommended Practice for social housing providers 2014 ("SORP 2014"). Prior to satisfying the performance conditions, capital grants are held as deferred income on the statement of financial position.

Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

Supported housing

Expenditure on housing accommodation and supported housing is allocated on the basis of the number of units for each type of accommodation.

Financial instruments

Loans provided by Wheatley Funding Number 1 Limited ("WFL1") are classed as basic financial instruments under the requirements of FRS 102 and are measured at amortised cost. In the case of payment arrangements that exist with customers, these are deemed to constitute financing transactions and are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments.

Any movement in the value of financial instruments recognised in the Statement of Comprehensive Income relates to any in-year adjustments for changes in the value of payment arrangement in place with customers, and the Scottish Government loan.

Deposits and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying values.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)**

2. Accounting policies (continued)

Fixed assets - housing properties

In accordance with SORP 2014, the WHS operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

• **Valuation of social housing of properties**

Housing properties are valued annually on an Existing Use Value for Social Housing (“EUV-SH”) basis by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors to undertake valuation.

The cost of properties is their purchase price together with the cost of capitalised improvement works and repairs that result in enhancement of the economic benefits of the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

• **Depreciation and Impairment**

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the Company’s asset management strategy and the requirement of Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Company has taken account of views provided by both internal and external professional sources. Freehold land is not subject to depreciation.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter at the following annual rates.

| | Economic life |
|-------------------------------------|---------------|
| Bathrooms | 25 |
| External environment | 20 |
| External wall finishes | 35 |
| Heating system boiler | 12 |
| Internal works and common areas | 20 |
| Kitchens | 20 |
| Mechanical, electrical and plumbing | 25 |
| Structure and roofs | 50 |
| Windows and doors | 30 |

Housing assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)****2. Accounting policies (continued)**

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any write down would be charged to operating surplus.

• New Build

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale.

The Company's policy is to capitalise the following:

- Cost of acquiring land and buildings;
- Interest costs directly attributable;
- Development expenditure, including staff costs attributable to the delivery of the capital investment programme;
- The cost of packages of work completed on void properties; and
- Other directly attributable internal and external costs.

Expenditure on schemes which are subsequently aborted will be written off in the year in which it is recognised that the schemes will not be developed to completion.

Non-social housing properties

Housing for Mid-Market Rent is valued on an open market value subject to tenancies basis at the date of the Statement of Financial Position by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation and are held as investment properties and not subject to depreciation. Where it is considered that there has been any impairment in value this is provided for accordingly. The cost of properties is their purchase price together with capitalised improvement works.

Commercial properties are held as investment properties and not subject to depreciation, they are held at existing use value and are subject to revaluation by an independent professional advisor qualified by the Royal Institute of Chartered Surveyors to undertake valuation. Commercial properties are revalued at each reporting date.

New Build Grant and other capital grants

New Build Grant is received from central government and local authorities and contributes to the costs of housing properties.

New Build Grant received is recognised as income in the Statement of Comprehensive Income when new build properties are completed, or the capital work is carried out. New Build Grant due or received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the Statement of Comprehensive Income within turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

Properties are disposed of under the appropriate legislation and guidance. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is abated and the grant is removed from the financial statements. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay is disclosed as a contingent liability.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)**

2. Accounting policies (continued)

Other tangible fixed assets

For other tangible assets with the exception of office premises, depreciation is charged on a straight-line basis over the expected useful economic lives of fixed assets to write off the cost, less estimated residual values over the following expected lives. Assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion, at the following rates:

| | Economic Life |
|---|---------------|
| Furniture, fittings and office equipment (cost) | 5 years |
| Computer equipment (cost) | 3 years |
| Office Improvements (cost) | 10 years |
| Community infrastructure (cost) | 20 years |

Office premises are held at valuation, and are depreciated, on a straight-line basis, over a useful life of 40 years. Valuations are made on a regular basis to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period. Valuations are carried out at each reporting date.

Provisions

Liabilities are provided for at the date of the Statement of Financial Position only where there is a legal or constructive obligation incurred which will probably result in the outflow of resources.

Leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Taxation

As a charity, Wheatley Homes South Limited is exempt from corporation tax on its charitable activities by virtue of Section 478 Corporation Tax Act 2010 and from capital gains tax by virtue of Section 256 Capital Gains Tax Act 1992. In accordance with FRS 102, full provision is made for all material timing differences.

Value Added Tax

Wheatley Homes South Limited is registered for VAT. WHS is a member of the Wheatley Housing Group VAT group. The majority of its income, including rental receipts, is exempt for VAT purposes.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)**

3. Particulars of turnover, operating costs and operating surplus

| | | | 2024 | | | 2023 |
|---|-----------------|------------------|---------------------|------------------|------------------|---------------|
| | Turnover | Operating | Other gains | Operating | Operating | |
| | £'000 | Costs | and (losses) | surplus | surplus | |
| | | £'000 | £'000 | £'000 | £'000 | £'000 |
| Affordable letting activities (note 4) | 59,688 | (39,415) | - | 20,273 | | 14,774 |
| Other activities (note 5) | 3,137 | (1,891) | - | 1,246 | | 194 |
| Revaluation of investment properties (note 16) | - | - | (600) | (600) | | (795) |
| Total | 62,825 | (41,306) | (600) | 20,919 | | 14,173 |
| Total for previous reporting period | 55,881 | (40,913) | (795) | 14,173 | | |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)**

4. Particulars of turnover, operating costs and operating surplus from social letting activities

| | General Needs £'000 | Supported Housing £'000 | 2024 Total £'000 | 2023 Total £'000 |
|--|------------------------------------|--|---------------------------------|---------------------------------|
| Rent receivable net of service charges | 46,593 | 1,267 | 47,860 | 46,308 |
| Service charges | 297 | 8 | 305 | 311 |
| Gross income from rents and service charges | 46,890 | 1,275 | 48,165 | 46,619 |
| Less rent losses from voids | (509) | (14) | (523) | (597) |
| Net income from rents and service charges | 46,381 | 1,261 | 47,642 | 46,022 |
| Grants released from deferred income | 5,470 | 149 | 5,619 | 3,624 |
| Other Revenue Grants | 6,257 | 170 | 6,427 | 3,346 |
| Total turnover from affordable letting activities | 58,108 | 1,580 | 59,688 | 52,992 |
| Management and maintenance administration costs | (10,814) | (294) | (11,108) | (10,802) |
| Service costs | (228) | (6) | (234) | (141) |
| Planned and cyclical maintenance including major repairs costs | (2,716) | (74) | (2,790) | (3,688) |
| Reactive maintenance costs | (11,493) | (311) | (11,804) | (11,273) |
| Bad debts – rents and service charges | (461) | (13) | (474) | (161) |
| Depreciation of affordable let properties | (12,661) | (344) | (13,005) | (12,153) |
| Operating costs from social letting activities | (38,373) | (1,042) | (39,415) | (38,218) |
| Operating surplus from social lettings | 19,735 | 538 | 20,273 | 14,774 |
| Operating surplus from social lettings for the previous reporting period | 14,383 | 391 | 14,774 | |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)**

5. Particulars of turnover, operating costs and operating surplus from other activities

| | Supporting People Income £'000 | Other Income £'000 | Total Turnover £'000 | Operating Costs £'000 | 2024 Operating Surplus /(deficit) £'000 | 2023 Operating Surplus /(deficit) £'000 |
|---|---|--------------------------|----------------------------|-----------------------------|---|---|
| Wider role | - | 769 | 769 | (1,379) | (610) | (1,939) |
| Investment property activities | - | 615 | 615 | - | 615 | 650 |
| Support activities | 148 | - | 148 | (68) | 80 | 56 |
| Organisation restructuring | - | - | - | (164) | (164) | (221) |
| Environmental grants | - | - | - | - | - | 992 |
| Other income | - | 1,605 | 1,605 | - | 1,605 | 923 |
| Depreciation | - | - | - | (280) | (280) | (267) |
| Total from other activities | 148 | 2,989 | 3,137 | (1,891) | 1,246 | 194 |
| Total from other activities for the previous reporting period | 134 | 2,755 | 2,889 | (2,695) | 194 | |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024 (continued)****6. Board members' emoluments**

Board members received £700 (2023: £646) by way of reimbursement of expenses. No remuneration is paid to board members in respect of their duties.

7. Key Management Emoluments

Key management personnel are employed by another Wheatley Group subsidiary and perform an executive management role across all subsidiaries in the Wheatley Group. The total emoluments payable to Wheatley Group key management personnel are disclosed in the Wheatley Housing Group consolidated financial statements. The Company pays a share of the costs of these personnel which includes employer pension contributions and benefits in kind.

| | 2024 | 2023 |
|--|--------------|--------------|
| | £ 000 | £ 000 |
| Aggregate emoluments payable to key management (excluding pension contributions and benefits in kind) | 117 | 145 |

During the periods the key management's emoluments (excluding pension contributions) fell within the following band distributions:

| | | |
|---|---|---|
| More than £nil but not more than £10,000 | - | - |
| More than £10,000 but not more than £20,000 | 1 | 4 |
| More than £20,000 but not more than £30,000 | 5 | 3 |
| More than £40,000 but not more than £50,000 | - | - |

The key management are defined for this purpose as the Chief Executive and the Group Executive team in post at 31 March 2024. Emoluments include relocation expenses where appropriate.

The senior officers are eligible to join the Strathclyde Pension Fund and employer's contributions are paid on the same basis as other members of staff. Pension contributions of £22k (2023: £27k) were paid for the Chief Executive and the Group Executive team in post at 31 March 2024.

Key management personnel in the year were as follows:

| | |
|------------------|---|
| Steven Henderson | Group Chief Executive |
| Hazel Young | Group Director of Housing and Property Management |
| Laura Pluck | Group Director of Communities |
| Pauline Turnock | Group Director of Finance |
| Anthony Allison | Group Director of Governance and Business Solutions |
| Frank McCafferty | Group Director of Assets and Repairs |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)**

8. Employees

| | 2024 | 2023 |
|---|--------------|--------------|
| | No. | No. |
| The average monthly number of full-time equivalent persons employed during the year was | 285 | 287 |
| The average total number of employees employed during the year was | 292 | 292 |
| | £'000 | £'000 |
| Staff costs (for the above persons) | | |
| Wages and salaries | 11,357 | 10,542 |
| Social security costs | 1,130 | 1,098 |
| Pension costs | 1,041 | 932 |
| | 13,528 | 12,572 |

9. Gain on disposal of fixed assets

This includes net income from the sale of one social rent property and land owned by WH South.

| | 2024 | 2023 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Net proceeds from disposal of fixed asset | 630 | - |
| Value of assets disposed | (271) | - |
| Gain on sale of fixed assets | 359 | - |

10. Finance income

| | 2024 | 2023 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Bank interest receivable on deposits in the year | 188 | 22 |
| | 188 | 22 |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)**

11. Finance charges

| | 2024 | 2023 |
|------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Interest on loans | 3,145 | 2,732 |
| Interest on intragroup loans | 3,073 | 2,509 |
| Amortisation of loan premium | (52) | (52) |
| Other financing costs | 307 | 118 |
| | <u>6,473</u> | <u>5,307</u> |

Other financing costs include commitment, non-utilisation fees and the amortisation of transaction costs of the Company's funding arrangements.

12. Auditor's remuneration

The remuneration of the auditor (excluding VAT) is as follows:

| | 2024 | 2023 |
|-------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Audit of these financial statements | 85 | 85 |
| Other services | - | - |
| | <u>85</u> | <u>85</u> |

13. Financial commitments

Capital commitments

All capital commitments were as follows:

| | 2024 | 2023 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Expenditure contracted for, but not provided in the financial statements | 14,390 | 22,993 |
| Expenditure authorised by the Board but not contracted | - | - |
| | <u>14,390</u> | <u>22,993</u> |

Capital commitments are funded through a combination of grant received from the Scottish Government in relation to our new build programme, operating surplus generated by the WHS, and private funding.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)**

13. Financial commitments (continued)

Operating leases

At 31 March WHS had total commitments under non-cancellable operating leases as follows:

| | 2024 | 2023 |
|--|-------------------------------|-------------------------------|
| | Land and Buildings | Land and Buildings |
| | £000 | £000 |
| Operating lease payments due: | | |
| Within one year | 800 | 160 |
| In the second to fifth years inclusive | 404 | 23 |
| Over five years | - | - |
| | <u>1,204</u> | <u>183</u> |

Lease commitments include the timing of the full payment due under contract as required by FRS 102. WHS's social housing properties are held under operating leases and are tenanted under cancellable operating lease conditions. As such, no disclosure of tenant leases under FRS 102 section 20.30 is made.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)**

14. Tangible fixed assets

Social Housing Properties

| | Social Housing Properties £'000 | Housing Under Construction £'000 | Total £000 |
|-----------------------------------|--|---|-----------------------|
| Valuation | | | |
| At 1 April 2023 | 406,868 | 16,688 | 423,556 |
| Additions | 17,207 | 25,302 | 42,509 |
| Disposals | (977) | (230) | (1,207) |
| Transfers | 10,788 | (10,788) | - |
| Revaluation | 568 | - | 568 |
| At 31 March 2024 | <u>434,454</u> | <u>30,972</u> | <u>465,426</u> |
| Accumulated Depreciation | | | |
| At 1 April 2023 | - | - | - |
| Charge for year | (12,319) | - | (12,319) |
| Disposals | 250 | - | 250 |
| Revaluation | 12,069 | - | 12,069 |
| At 31 March 2024 | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Book Value - Valuation | | | |
| At 31 March 2024 | <u>434,454</u> | <u>30,972</u> | <u>465,426</u> |
| At 31 March 2023 | <u>406,868</u> | <u>16,688</u> | <u>423,556</u> |
| Net Book Value – Cost | | | |
| At 31 March 2024 | <u>277,588</u> | <u>30,870</u> | <u>308,458</u> |
| At 31 March 2023 | <u>262,639</u> | <u>16,586</u> | <u>279,225</u> |

Total WHS expenditure on repairs and capital improvements in the year on existing properties was £31.8m (2023: £34.2m). Of this, repair costs of £14.6m (2023: £15.0m) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £17.2m (2023: £19.2m) shown as additions to core stock on the Statement of Financial Position.

Additions to core stock in the year of £17.2m in the year include:

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)****14. Tangible fixed assets (continued)**

£11.4m for component additions including:

- £2.0m on external wall finishes;
- £6.0m on new energy efficient heating systems;
- £0.1m on kitchens;
- £0.2m on bathrooms
- £1.8m on structure and roofs; and
- £1.3m on windows and doors.

The remaining balance of £5.8m of additions to existing properties not associated with a specific component includes £4.8m on void improvements and £1.0m of medical adaptations.

Additions to housing under construction include capitalised interest costs of £1,006k (2023: £388k). Interest has been capitalised at the weighted average interest cost for the WHS of 4.64% (2023: 3.90%).

The valuation of social housing properties is separated into two categories, namely those retained for letting and those properties which form part of the Company's demolition programme, as detailed in the Company's 30-year Business Plan for 2024/25. The demolition programme identifies 433 (2023: 446) properties for demolition over the next few years, with no long-term investment expenditure associated with these properties. Demolition programme stock has a negative valuation for accounting purposes due to the impact of demolition costs on the EUV-SH calculation, and so is held at £nil on the Statement of Financial Position as under FRS 102 there is no constructive obligation at the date of the Statement of Financial Position to provide for these costs. Retained stock for letting has been valued at £434.5m. Housing under construction, with a NBV of £31.0m, is not included within this total.

Social housing properties have been valued by Jones Lang LaSalle Limited, an independent professional adviser qualified by the Royal Institution of Chartered Surveyors ("RICS") to undertake valuations. This valuation was prepared in accordance with the appraisal and valuation manual of the RICS at 31 March 2024 on an Existing Use Valuation for Social Housing ("EUV-SH"). Discount rates between 5.75-7.00% have been used depending on the property archetype (2023: 5.75-7.00%). The valuation assumes a real rental income growth of 0.5% for the first year, followed by long-term real rental growth of 1.0% per annum for the Social Rented units, in line with the Association's 30-year Business Plan. Both mid-market and full market rent properties are assumed at a long-term real rental income growth of 0.50% throughout. The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

Included in core stock are 966 garages and 1,200 parking sites owned by WHS held at a value of £3,995k (2023: £3,875k). These have been valued at market value subject to tenancy ("MV-T"), the Directors consider the difference between EUV-SH and MV-T for these properties to be immaterial.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)**

14. Tangible fixed assets (continued)

The number of units of accommodation (excluding unlettable voids) held by the Company at 31 March is shown below:

| | 2024 | 2023 |
|---|---------------|---------------|
| Social Housing | | |
| General needs | 9,824 | 9,790 |
| Supported housing | 272 | 272 |
| Housing held for long-term letting | <u>10,096</u> | <u>10,062</u> |
| Housing approved/planned for demolition | 176 | 185 |
| Total Units | <u>10,272</u> | <u>10,247</u> |

15. Other Tangible Fixed Assets

| | Office Property £'000 | Furniture, fittings & Equipment £'000 | Total £'000 |
|-------------------------------------|-----------------------------|--|----------------|
| Valuation | | | |
| At 1 April 2023 | 300 | 5,136 | 5,436 |
| Additions | 17 | 732 | 749 |
| Revaluation | (17) | - | (17) |
| At 31 March 2024 | <u>300</u> | <u>5,868</u> | <u>6,168</u> |
| Accumulated Depreciation | | | |
| At 1 April 2023 | - | 4,030 | 4,030 |
| Charge for year | 20 | 260 | 280 |
| Revaluation | (20) | - | (20) |
| At 31 March 2024 | <u>-</u> | <u>4,290</u> | <u>4,290</u> |
| Net Book Value | | | |
| At 31 March 2024 | <u>300</u> | <u>1,578</u> | <u>1,878</u> |
| At 31 March 2023 | <u>300</u> | <u>1,106</u> | <u>1,406</u> |
| Net Book Value - cost | | | |
| At 31 March 2024 | <u>786</u> | <u>1,578</u> | <u>2,364</u> |
| At 31 March 2023 | <u>789</u> | <u>1,106</u> | <u>1,895</u> |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)**

16. Investment properties

| | Properties held for market rent £'000 | Commercial properties £'000 | Total £'000 |
|--|--|--|------------------------|
| Valuation | | | |
| At 1 April 2023 | 11,604 | 550 | 12,154 |
| Additions at cost | 28 | - | 28 |
| Revaluation taken to operating surplus | (572) | (28) | (600) |
| At 31 March 2024 | 11,060 | 522 | 11,582 |
| Net Book Value | | | |
| At 31 March 2024 | 11,060 | 522 | 11,582 |
| At 31 March 2023 | 11,604 | 550 | 12,154 |

Market rent properties were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, JLL on 31 March 2024.

The number of properties held for market rent by the Company at 31 March was:

| | 2024 | 2023 |
|-----------------------------------|-------------|-------------|
| Mid Market Rent Properties | | |
| Total Units | 101 | 101 |

17. Stock

| | 2024 £'000 | 2023 £'000 |
|-------------------|-----------------------|-----------------------|
| Materials on site | 76 | 414 |
| Van stocks | 821 | 540 |
| | 897 | 954 |

Materials on site relates to items held but not yet installed into housing properties as part of the investment programme.

Van stocks are repairs materials for use by the in-house repairs service and are held at average cost.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)**

18. Debtors

| | 2024 | 2023 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Arrears of rent & service charges | 3,116 | 3,022 |
| Less: Provision for bad and doubtful debts | (1,285) | (930) |
| | <u>1,831</u> | <u>2,092</u> |
| | | |
| Prepayments and accrued income | 2,139 | 3,360 |
| Other debtors | 3,847 | 3,199 |
| Due from other group companies | 252 | 68 |
| | <u>8,069</u> | <u>8,719</u> |

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

19. Creditors: amounts falling due within one year

| | 2024 | 2023 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Trade creditors | 2,353 | 967 |
| Accruals | 2,174 | 7,458 |
| Deferred income | 16,417 | 6,599 |
| Rent and service charges received in advance | 990 | 884 |
| Tax and social security | 437 | 417 |
| Other creditors | 270 | 138 |
| Due to other group companies | 6,501 | 5,022 |
| | <u>29,142</u> | <u>21,485</u> |

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

20. Creditors: amounts falling due after more than one year

| | 2024 | 2023 |
|------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Bank loans | 79,885 | 78,772 |
| Due to other group companies | 92,500 | 83,500 |
| Deferred income | 3,967 | 6,645 |
| | <u>176,352</u> | <u>168,917</u> |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)**

20. Creditors: amounts falling due after more than one year (continued)

Bank lending facility

Borrowing arrangements are in place via a Group facility consisting of bank and capital markets debt, secured on charged properties belonging to each of the RSLs within the Wheatley Housing Group. This facility was made up of a committed facility of £672.8m from a syndicate of commercial banks, two committed facilities totalling £270.7m from the European Investment Bank, £300.0m raised through the issue of a public bond, £264.0m private placement loan notes with BlackRock Real Assets and M&G Investment Management, a £50.0m facility with Barclays, a £35.0m facility with RBS, and £75.0m charitable bonds via Allia Social Impact Investments. This provided total facilities of £1,667.5m for RSLs within the Wheatley Group to develop new housing.

This facility is provided through Wheatley Funding No. 1 Ltd, a wholly owned subsidiary of the Wheatley Housing Group Limited, with WHS having access to an intra-group facility of £92.50m, secured on its housing stock. Interest in the year has been charged at 4.73% (2023: 4.15%).

WHS has a £40.0m external loan with The Housing Finance Corporation Limited (“THFC”) which is repayable in October 2043. In addition, there are four unsecured loans in place with Allia Social Impact Investments Limited, with maturity dates in December 2026, February 2028, February 2029 and March 2035.

Wheatley Homes South has secured a portion of its housing stock (£203.3m) against this facility. At 31 March 2024, 53% (£227.1m) of WH South’s housing properties remained unsecured.

Borrowings are repayable as follows

| | 2024 | 2023 |
|--|----------------|----------------|
| | £’000 | £’000 |
| In less than one year | - | - |
| In more than one year but less than five years | 14,118 | 12,028 |
| In more than five years | 158,267 | 150,244 |
| | <u>172,385</u> | <u>162,272</u> |

Deferred income

Analysis of deferred income

| | New Build Grant £’000 | Other grant income £’000 | Total £’000 |
|---|--------------------------------------|---|------------------------|
| Deferred income as at 1 April 2023 | 13,227 | 17 | 13,244 |
| Additional income received | 12,776 | - | 12,776 |
| Released to Statement of Comprehensive Income | (5,619) | (17) | (5,636) |
| Deferred income as at 31 March 2024 | <u>20,384</u> | <u>-</u> | <u>20,384</u> |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)**

20. Creditors: amounts falling due after more than one year (continued)

| Deferred income to be released to the Statement of Comprehensive Income: | 2024 | 2023 |
|---|---------------|---------------|
| | £'000 | £'000 |
| In less than one year (note 19) | 16,417 | 6,599 |
| In more than one year but not less than five years | 3,967 | 6,645 |
| In more than five years | - | - |
| | <u>20,384</u> | <u>13,244</u> |

Financial instruments

| Financial assets: | 2024 | 2023 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| <u>Measured at amortised cost:</u> | | |
| Debtors and accrued income | <u>8,069</u> | <u>8,719</u> |
| Total | <u>8,069</u> | <u>8,719</u> |

| Financial liabilities: | 2024 | 2023 |
|---|----------------|----------------|
| | £ 000 | £ 000 |
| <u>Measured at amortised cost:</u> | | |
| Creditors, accruals and deferred income | 33,109 | 28,129 |
| Bank loans | <u>172,385</u> | <u>162,272</u> |
| Total | <u>205,494</u> | <u>190,401</u> |

21. Provisions for liabilities and charges

| | Dilapidations | Total |
|-------------------|----------------------|--------------|
| | £'000 | £'000 |
| At 1 April 2023 | 88 | 88 |
| Utilised | (18) | - |
| Added in the year | <u>101</u> | <u>-</u> |
| At 31 March 2024 | <u>171</u> | <u>88</u> |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)**

22. Related party transactions

Members of the Management Board are related parties of the Company as defined by FRS 102.

The WHS retains a register of members' interests. The following interests in related parties are required to be declared:

Tenant Board Members

The following members were tenants of Wheatley Homes South during the year and have/had tenancy agreements that are on the Company's normal terms and they cannot use their positions to their advantage.

Mr Michael Greaves-MacIntosh

Mr Hugh Martin

Mr John McCraw

Transactions entered into with members, and rent arrear balances outstanding at 31 March 2024 are as follows:

| | 2024 £'000 |
|--|-----------------------|
| Rent charged during the year | 14 |
| Arrear balances outstanding at 31 March 2024 | - |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024
(continued)**

23. Cash flow analysis

Cash flow from operating activities

| | 2024 | 2023 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Surplus for the year | 14,996 | 8,844 |
| <u>Adjustments for non-cash items:</u> | | |
| Depreciation of tangible fixed assets | 12,599 | 11,768 |
| Decrease in trade and other debtors | 650 | 48 |
| Decrease in trade and other creditors | (2,076) | (2,616) |
| Decrease/ (increase) in stock | 58 | (259) |
| <u>Adjustments for investing or financing activities:</u> | | |
| Government grants utilised in the year | (5,636) | (4,032) |
| Interest payable | 6,525 | 5,359 |
| Interest received | (188) | (22) |
| Amortisation of loan | (52) | (52) |
| Loss on investment activities | 600 | 795 |
| Increase / (decrease) in valuation of office property | (3) | 44 |
| Loss on component disposals | 686 | 652 |
| Gain on sale of fixed assets | (359) | - |
| Net cash inflow from operating activities | 27,800 | 20,529 |

24. Ultimate parent organisation

The Company is a “wholly owned” subsidiary undertaking of Wheatley Housing Group Limited, a company limited by guarantee and registered in Scotland.

The only group into which the results of the Company are consolidated is Wheatley Housing Group Limited. The consolidated financial statements of Wheatley Housing Group Limited may be obtained from the registered office at Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

SUPPLEMENTARY INFORMATION

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Banker

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