WHEATLEY HOMES SOUTH LIMITED
BOARD MEETING

Wednesday 7 February 2024 at 10.30am
Brasswell Office, Dumfries

AGENDA

(scrutiny panel present to discuss repairs thematic review)

1. Apologies for absence

2. Declarations of interest

3. a) Minute of meeting held on 22 November 2023 and matters arising
   b) Action list

4. Chair and Managing Director update

Main business and approvals

5. Repairs update

6. Five-year investment plan

7. Rent setting and service charges 2024/25

8. Financial projections 2024/25

9. [redacted]

10. Neighbourhood approach (presentation only)

Other business

11. Finance report

12. Performance report

13. Governance update

14. AOCB

Date of next meeting - 13 March 2024

Report

To: **Wheatley Homes South Board**

By: **Danny Lowe, Director of Group Repairs, Investment and Compliance**

Approved by: **Frank McCafferty, Group Director of Repairs and Assets**

Subject: **Repairs update**

Date of Meeting: **07 February 2024**

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1. Purpose

1.1 To provide the Board with an update on the following:

- progress with repairs service enhancements;
- ongoing customer engagement to inform future service enhancements; and
- an update on the revised repairs budget forecast for 2023/24.

2. Authorising and strategic context

2.1 Under its Terms of Reference 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.

2.2 Our repairs service enhancements support us in achieving our strategic outcome: *developing a customer-led repairs service*.

3. Background

3.1 As part of the strategy workshop last March, the Board discussed the work underway to continuously improve our repairs service based on a wide range of customer insight. This was set within the wider context of Board discussions on how we use customer insight to drive Board discussions and make associated service changes.

3.2 It was agreed at the workshop that the refined approach and focus responded clearly to the views of tenants, and we should reflect this in our strategy, with strong Board oversight of delivery during this year.

4. Discussion

Service enhancements

4.1 Tenant feedback has consistently indicated that communication and improvement of the management of complex repair works (reducing the number of visits to complete a repair) are key priorities which impact how satisfied they are with the service.

Our response to this focused on two areas:

- Introducing a new digital communication tool, 'Book It, Track It, Rate It' to improve communication; and
- Better monitoring of customer experience, to identify areas for improvement.

Customer communication and satisfaction

4.2 Book It, Track It, Rate It was introduced to all of our appointed repairs on 06 November 2023. Since then, the feedback to date on the 'Track It' functionality has been positive, with customers indicating that the text message reminders and updates have improved 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. Since Book It, Track It, Rate It went live we have received 1,124 customer ratings with an average score of 4.6/5, the equivalent of 92%. The response rate to feedback links shared is 15.6%.

4.4 This represents strong satisfaction levels since the introduction of Book It, Track It, Rate It from a gradually increasing return rate.

4.5 In parallel to the rollout, we have continued to undertake call backs on a random sample of completed repairs via the CFC. We have completed 559 surveys year to date and achieved an average satisfaction level of 95%.

4.6 Our Annual Return on the Charter repairs satisfaction levels are high and has increased from 83.1% in April to 88.3% for the rolling 12-month period, from 1943 responses.

Other Service Improvement Activity

4.7 The new Repairs, Investment & Compliance service delivery model is now fully embedded with the start of 13 new trade operatives and 6 apprentices (3 x Joiner 1 x Heating Engineer 1x Roofer 1x Business Administrator). This has bought a number of benefits;

- Improved management of the void workstream as the works are undertaken by the in-house service;
- Overall reduction in costs of delivery of the void workstream;
- Improvements in the quality of the void works being delivered due to these being delivered through the in-house service rather than through 3rd party sub-contractors in some cases;
- Increased resilience across our repairs service, whilst these operatives are allocated to the void team, the resources can be deployed to meet the service needs across the repairs service if required; and

- Local employment opportunities through the additional trades posts and apprenticeships.

4.8 We have had a focus on reducing our non-emergency repairs timescales which had risen to an average of 8.4 days in P9. Actions have been identified to improve the completion timescales, particularly in reducing the overdue repairs which has been impacted due to the transition from the external voids support to the internal team. This transition commenced in June 2023 with the new operatives commencing in August 2023, and during this period the void service was supported by resources from the repairs team.

4.9 We are working to reduce the timescales as a priority and to address this the following actions have been taken;

- A full audit of our van stocks has been undertaken to ensure they are meeting the needs of the service and first time fix;
- Working with our material supplier, Stark, to provide faster delivery times for long lead time parts such as heating parts of Daikin boilers;
- Working with Housing and CFC colleagues in implementing ‘Repair not Replace’ business rules to reduce the work content caused by complex repairs with a corresponding reduction in time;
- Ensuring that capital works are not being categorised as repairs, e.g. new kitchens; and
- Improved monitoring and managing of sub-contractors and closing down repairs timeously on completion.

4.10 Improving communications around complex repairs was also identified as a priority improvement area and this was also highlighted by the Group Scrutiny Panel in their findings from the recent thematic review of repairs and which is referenced later in this report.

4.11 To address this issue Trade Team Leaders (TTL’s) and Planners have daily meetings to discuss ongoing job management and complex repairs. A key part of this daily engagement is an agreed approach to communication with the customer is agreed. This provides clarity within our teams on what the customer is being told and who is responsible for that communication and will provide customers with accurate information on a regular basis on job progression.

Damp, Mould and Condensation

4.12 Responding promptly to reported issues in relation to damp, mould and condensation in our homes remains a priority for the Repairs Service.

4.13 In response to the tragic death of 2 year old 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.

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

4.15 There are seven proposals within Awaab's Law and having assessed our processes against the proposals we would comply and, in most cases, improve 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 complete repairs required within 15 days.

4.16 There is one area of improvement we plan to undertake to draw from these proposals, specifically, the provision of a written summary of findings from the initial visit. To address this, we will develop and implement a written report to be issued to customers from April 2024.

Customer Engagement and Insight

4.17 Our refreshed Group Scrutiny Panel selected repairs as the subject for its first thematic review which recently concluded. Members from the Panel, including a WHS customer's, formed a thematic review group which looked at the recently updated Group Repairs and Maintenance Policy Framework. The thematic group welcomed the service improvement and agreed that communications would be the focus of this; the customers then scrutinised the end-to-end customer repairs journey, from the initial report through to completion.

4.18 As part of their work the Panel visited the Customer First Centre to meet with call handlers and managers and they also met with frontline repairs teams, including operatives and managers be updated on improvements that are being made. The thematic review group have now developed a final report which makes recommendations on how we can continue to improve the service; we will continue to work with them over the first half of 2024 to deliver these. Panel members will be presenting the findings to the Board from the scrutiny around repairs communication.

Demand and budget position

4.19 Levels of customer demand for repairs has continued to remain high throughout 2023/24. Job numbers increased significantly over 2022/23 and continue to remain high over 2023/24.

4.20 Due to the continued increased demand of the repairs service in the first quarter of this financial year has contributed to the increase of £145k spend. Although the demand and complexity of jobs continued to December 2023 with a reported total additional spend of £368k for responsive repairs only for the 9 months.

4.21 An element of the additional spend has been covered through the management of the cyclical maintenance programme and compliance which has reduced the total repairs spend to report a position £808k favourable to the budget for the period to 31 December 2023.

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4.22 We have analysed the recent 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. 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 is over our 7 day target at 8.37 days. In the context of our repairs policy, we aim to deal with routine appointed non-emergency repairs in 15 working days.

4.23 The positive impact following the implementation of additional control measures can be seen in Q3 of 2023/24 with a decrease in the responsive repairs spend as the controls were fully embedded. The repair/renewal principle has started to generate savings compared to earlier financial periods with the principle of repair only where possible has been carried out combined with the training provided by City Building maintenance staff to undertake more cosmetic repairs than a standard replacement of the full component. To accommodate the additional repair costs in 2023/24 some items in our core capital programme has been deferred, as well as utilising forecast underspends in other budget lines.

4.24 The 2024/25 Business Planning process has fully taken into account the current run rates in responsive repairs and also the control measures implemented in 2023/24. The forecast financial outturn for responsive repairs for 2023/24 have been used as the base cost for the budgets. A further increase for inflation and stock movement has also been taken into account for the 2024/25 financial year and beyond to ensure there is adequate provision in the budgets to meet the repairs demand. The investment programme has included the reprofiling of the spend, following the deferment in 2023/24 to accommodate the increase in responsive repairs.

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 and feeding back on their experience.

5.3 Customer insight is also gathered through the feedback from the random telephone surveys carried out through the CFC and from the customer satisfaction surveys issued on completion of repairs.

5.4 The Group Scrutiny Panel has been reestablished and has recently concluded the first thematic review.

5.5 The thematic group has also reviewed the updated Group Repairs and Maintenance Policy Framework. The thematic group welcomed the service improvements that are underway and highlighted some points of clarification required for the Policy which have been addressed.

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6. Environmental and sustainability implications

6.1 Using the Dynamic Route Scheduler (DRS) we ensure trade operatives are not travelling unnecessarily thereby reducing and limiting Co^2 emissions.

6.2 Our material supplier, Stark, are obligated to source materials sustainably.

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. The planned projects for service improvement are either complete or being delivered to target completion dates.

8. Financial and value for money implications

8.1 The repairs improvement plan implemented will ensure there is an embedded process to deliver value for money to customers and prevent further deferment of investment spend in future years.

9. Legal, regulatory and charitable implications

9.1 There are no direct legal, regulatory or charitable implications.

10. Risk Appetite and assessment

10.1 Our agreed risk appetite against the outcome, investing in existing homes and environments, ranges from open in relation to operational delivery to cautious in relation to finance/value for money. 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 Equalities was a key theme from the thematic review of repairs as customers identified the importance of: having a clear and consistent mandate process; the comprehensive and effective use of preference notes by staff to ensure any required reasonable adjustments are followed; and staff being appropriately trained in terms of equality, diversity and inclusion.

11.2 We have undertaken an equality impact assessment (EIA) particularly focussed on repairs reporting as per our Repairs and Maintenance Framework; this focuses on age, disability and race as identified characteristics which may face barriers in accessing our repairs service. Insight from a specific Customer Voice survey has informed the assessment. We also undertook an EIA specifically on our RSL medical adaptation process, again with age, disability and race being identified as the most impacted characteristics. Progress with actions identified from the EIAs will be monitored to help ensure our service is delivered in an inclusive manner.

11.3 We are also undertaking an EIA on Damp, Mould and Condensation. In recognising that language could be a potential barrier to some customers in reporting cases of dampness and mould, we are updating the information for this on our websites which can be translated into most languages, and we are introducing translated leaflets in languages based on analysis our translation and interpretation data and our 2022 customer equality data survey. For the west, including Loretto, the current top languages are Arabic, Polish, Urdu, Romanian and Kurdish. Notwithstanding, all of our published information is available upon request at no extra cost in a translated or alternative format such as large print, braille, or audio CD.

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 Good progress has been made in improving our repairs service in the focus areas identified in the March 2023 report to board. Book it, Track it, Rate it has now implemented improving communication and providing excellent information and feedback. This has had a positive impact on the level of customer service and has increased customer satisfaction.

12.3 We will continue to focus on continually evolving and improving our repairs service, taking into account customer feedback, insight and direct engagement with our Group Scrutiny Panel.

12.4 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 revised repairs budget forecast for 2023/24.

LIST OF APPENDICES

Wheatley Homes South

Report

To: Wheatley Homes South Board

By: Danny Lowe, Director of Group Repairs, Investment and Compliance

Approved by: Frank McCafferty, Group Director of Repairs & Assets

Subject: Five-year Capital Investment Plan

Date of Meeting: 07 February 2024

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1. Purpose

1.1 To seek Board approval for our five-year capital investment plan for the period 2024-29.

2. Authorising and strategic context

2.1 Under its Terms of Reference we are responsible for the approval of our five-year investment plan ("investment plan").

2.2 Investment in existing homes is a key component of the "Making the most of our homes and assets" strategic theme in our five-year strategy, in particular the strategic outcome of investing in existing homes and environments. It also supports the wider strategic ambition in our 2021-26 Strategy to reduce carbon emissions from our existing homes.

3. Background

3.1 Our 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 as well as intelligence from our responsive repairs programme, customer priorities via local engagement activities and knowledge of our stock from housing and asset management staff.

3.2 The plan is reviewed and updated annually ensuring it remains agile to reflect changing customer expectations, emerging regulatory requirements, and new group strategic investment objectives. Work is on-going currently to develop a group asset management strategy which will provide an overarching framework for future asset investment related decision making and planning.

4. Discussion

Overall programme

4.1 Our five-year plan includes a core programme budget of £38.7m, which will be directed towards major property and environmental improvement works. In addition, the programme includes £21.6m for improvements and capitalised repairs to void properties, £3.1m to support the delivery of major medical adaptations to help customers remain independent in their homes for longer, and £8m for staff to support the delivery of the programme. The total capital programme over the next five years equates to £71.5m.

4.2 Our 2021-26 strategy committed to delivering £86.7m capital expenditure in our existing homes. In 2021/22 through an accelerated programme, we delivered £38m of investment in our customers' homes, in 2022/23 we invested £19.2m and we forecast a spend of £17.7m in 2023/24. Within the next two years of the current five-year programme, we will invest a further £26.5m in our customers' homes. The total capital expenditure programme equates to £101.4m of investment to improve our homes.

4.3 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. Our investment plan outlines our commitment to deliver on these priorities with the programme content falling within three broad themes:

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

4.4 Further details of the programme that make up these themes is provided at Appendix 1. The figures in Appendix 1 and below are before on-costs unless otherwise stated.

Warm homes

4.5 This theme encompasses our energy efficiency and internal modernisation programmes. We plan to invest £19.5m over the next five years in improving the energy efficiency of our homes. These measures will include window replacements, wall insulation and the commencement of a programme to upgrade existing fossil fuel reliant heating systems with low and zero-carbon alternatives.

4.6 In addition to the £19.5m of energy efficiency measures being invested we will be carrying out a whole house retrofit and investing a further £3.3m (match funded by Scottish Government's Social Housing Net Zero fund) for 122 low efficiency and high-carbon intensity homes across the region. These measures include the installation of External wall insulation, Air Source Heat Pumps, Solar PV and Battery Storage technology.

4.7 Our planned programme of 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 at present through its planned Social Housing Net Zero Standard. This standard will replace the current Scottish Government's Energy Efficiency Standard for Social Housing ("EESSH2").

4.8 The proposals in SHNZS include separate fabric efficiency targets and requirement for properties to have a net zero heating sources by 2045. An estimate of how our properties perform currently in relation to the fabric efficiency requirement that is expected to be required by 2033 in SHNZS is shown below.

Architype (Meeting 120kWh/m^2/yr)	**WHS**
Houses	Pass: 50% Fail: 50%
Sandstone Tenements	Pass: 39% Fail: 61%
Flats	Pass: 76% Fail: 24%
Overall	Pass: 55% Fail: 45%

4.9 As part of developing our asset strategy, we will identify suitable measures to reach the required fabric efficiency under SHNZS for our stock.

Quality Homes

4.10 Maintaining excellent internal housing quality standards is essential in ensuring that our homes are modern and desirable. Our investment plan includes for the installation of over 555 new kitchens. This programme will include a combination of reactive replacements in both void and occupied properties, where there has been previous no access or refusals.

Wheatley Care Portfolio

4.11 Our updated investment plan includes £225k of improvements to our core stock assets where Wheatley Care services are provided. This five-year programme has been informed by a condition survey undertaken by our RIC Investment Team in the summer of 2022. This was further supplemented through engagement with the site-based care teams to understand staff and customer priorities and the sequence of the programme has been profiled on that basis.

4.12 The planned work will predominantly focus on the improvement of common areas and community spaces including redecoration, new flooring and furniture, improved lighting and the upgrade of communal kitchen and bathroom facilities. Environmental improvements will also feature with new bin storage provision and new fencing and paths included. Further detail on this programme can be found in appendix 1.

Safe Homes

4.13 Our investment plan places a strong emphasis on ensuring our homes remain safe and secure, supporting Group's Fire Prevention and Mitigation Framework. Over the five years of our investment plan, we will deliver improvements across a range of Home Safety related programmes encompassing:

- Domestic wiring upgrades where required through our periodic electrical inspection regime; and
- Installation of Thermostatic Mixer Taps for our most vulnerable customers.

4.14 Our Safe Homes programme includes the upgrade of smoke and heat detection; we completed this programme in 2022 for all of our assets. We will continue to promote and publicise our wider annual compliance programmes as part of our 'Home Safe' campaign.

4.15 Our investment plan 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 to help keep people safe. Measures include enhanced smoke/heat detection, portable fire suppression systems, fire retardant blankets and stove guards.

Great Neighbourhoods

4.16 We are committed to investing in our wider communities through the improvement of our common areas and environments. Maintaining the "kerb appeal" 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.

4.17 Our investment plan will help to support the delivery of our 'Keep Scotland Beautiful' environmental quality standard through works to improve controlled entry, common areas and environments.

Mould and Damp

4.18 We recognise the negative impact that damp and mould can have on our customers' health and quality of life and this has led to the development and introduction of enhanced processes and procedures across the Group.

4.19 Our investment plan includes a number of energy efficiency measures including new heating systems, energy efficient door and window installations and targeted mechanical ventilation upgrade works. Environmental sensors are also being installed through this plan.

Year 1 programme (2024/25)

4.20 Our capital programme in Year 1 (2024/25) of the five-year plan has a total value of £15.4m. This includes £8.8m for major property improvements, £4.1m for capitalised repairs and improvements in void properties, £1m for major medical adaptations and £1.5m for staff supporting the delivery of the programme.

Customer Engagement

4.21 Our aim is to increase customer participation in future investment planning decisions, both in relation to the type and timing of investment, putting customers firmly in control of their homes.

4.22 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 pop-up local events, from customer satisfaction surveys, rent consultations and the input of locality directors and housing teams, reflecting the views coming from customers in local communities.

Stronger Voices Investment Programme

4.23 Our investment plan includes our 'Stronger Voices' budget in support of this framework, which will deliver £192k 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 investment commitments. The content of this programme will be informed exclusively by our tenants working with our frontline housing teams. This programme is in addition to over £22.4m, already allocated to deliver current customer priority investment work programmes such as new windows, heating, kitchens, bathrooms, common area improvements and environmental, £800K of this allocation will be aligned to stronger voices through the individual work streams.

Environmental and sustainability implications

4.24 The Scottish Government have set ambitious targets for the reduction of carbon footprint and the country's green agenda and response to climate change. We plan to deliver £22.9m (including Net Zero works) of energy efficiency improvements over the life of the five-year plan, focusing on investments which also responds to priorities raised by customers.

4.25 The measures in our Net Zero programme alone will reduce Co_2 emissions by 481 tonnes and raise the energy performance rating of the homes to EPC B from their current levels of D and E. The planned inclusion of electric and air source heat pumps will mean the properties are net-zero and the inclusion of EWI, solar and battery storage will help reduce energy costs for customers.

4.26 Year 1 (2024/25) investment work has an anticipated carbon reduction value of 157 tonnes CO_2, which contributes towards the overall group annual target of 6000 tonnes CO_2 resulting from investment in our homes. This analysis shows the following anticipated CO_2 reduction impact across core programme investment activities in Year 1 (2024/25). Each new energy efficiency measure installed also provides an uplift to the property EPC score.

Element of Programme	CO_2 reduction in tonnes	EPC score improvement
Gas Heating	6.3 tCO_2	+ 0 points
Windows	7.4 tCO_2	+ 9 points
EWI	143.4 tCO_2	+ 10 points

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. Now, we will look to provide more interactive and convenient methods for the customer to inform investment in their homes.

7.2 We have phased out whitemail customer satisfaction surveys with individual investment project satisfaction surveys now carried out by text.

8. Financial and value for money implications

8.1 In accordance with the Group's Value for Money statement the investment programme 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 planning process and Stronger Voices approach helping to inform the development and content of our investment programmes;
- **Quality of life** - Our investment plan helps 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; 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 programme of £38.7m is contained within the overall £71.5m five-year investment plan as set out in the 2024/25 financial projections.

9. Legal, regulatory and charitable implications

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

10. Risk Appetite and assessment

10.1 The Board's agreed 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". This risk appetite is mirrored here in relation to the Investment programme.

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 programme will deliver over £38.7m of planned improvements in our property portfolio over the next five years.

12.2 The continuing focus of our programme is on delivering improvements that contribute the greatest value to our tenants and communities, with over 58% of our core programme geared towards known customer priority investment.

12.3 Customers will continue to shape our investment plans through our £192k Stronger Voices programme and we will empower housing officers to make investment decisions at the front line that delight our customers through our £187k Think Yes for Investment programme.

12.4 Our investment plan will support the objectives of our sustainability framework, specifically around the decarbonisation of our fossil fuel-heated property portfolio and improving fabric energy efficiency.

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

13. Recommendations

13.1 The Board is asked to approve our five-year capital investment plan 2024-2029.

LIST OF APPENDICES:
Appendix 1: Five-Year Capital Investment Plan 2024-29

Appendix 1: WHS Five-Year Capital Investment Plan 2024-29

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**

Over the next five years **£38.7m** will be invested in our homes and communities. Output projections for some of the **key** investment work streams **over the next five years** are shown below:

Heating

The Heating programme has a total value across the five years of **£6.2m**. The programme consists of **£1.2m** for reactive gas boiler replacements where existing boilers breakdown and cannot be repaired.

Low-rise fabric

The Low-Rise Fabric (LRF) programme consists of the provision of External Wall Insulation (EWI) and fabric component replacements such as fascias, soffits and guttering. We have made provision of **£7.7m** over the next 5 years.

Kitchen, Bathroom (KBT)

We plan to invest **£6.5m** in new kitchens and bathrooms over the next 5 years. The programme also includes investment of **£1.1m** in new efficient and effective mechanical extractor fans benefitting up to **965** customers and **£1.1m** environmental sensors benefiting **950** customers over the next 5 years. The programme phasing will be informed using data intelligence to identify trends from our repairs service which will help to identify problematic house types.

Windows and Doors

We plan to spend **£6.3M** on window replacements over the next 5 years, benefitting **665** customers. The programme will include ad hoc, reactive installations where we have previous been refused access in addition to planned lifecycle replacements.

Environmental

We will invest **£1.2m** in improving the environment within our communities over the next 5 years. The programme will include backcourt improvements for tenement stock including new bin storage provision and paths. We will also seek to deliver more customer priority investment with the commencement of a programme of fencing, steps and path renewals across our main door properties supported by our cyclical maintenance programme.

Common Works

We have allocated **£1.9M** to deliver common area improvements encompassing investment such as common close painter work and foyer upgrades

EESSH2

We currently await the outcome of the Scottish Government's review of the current EESSH2 standard, expected later in 2023. Our investment plan makes provision of **£22.9M,** (including the Net Zero project) to facilitate the delivery of energy efficiency investment interventions designed to thermal performance of our assets.

Fire Safety

£295k has been allocated over the 5-year plan to fund enhanced fire safety measures for our most vulnerable customers including stove guards and fire-retardant bedding packs.

Stronger Voices

We are committed to putting our customers in control of investment decisions, which affect their homes and communities. We have allocated **£192k** to deliver customer driven investment works over the next 5 years. Our dedicated Stronger Voice budget will help our local housing management teams deliver on their customers' investment priorities identified through the ongoing engagement activities.

Think Yes for Investment

We introduced a new staffing facing initiative in 2022/23, which empowers our frontline housing teams to make decisions on investment that will deliver great outcomes for customers. We will continue to support this programme over the next five years with **£187k** allocated to support housing officers in instructing small improvements such as additional kitchen wall units or tiling or painting a close where they feel the work is justified and is a priority for customers.

Capital Compliance

£180k of capital compliance works will be delivered over the next five-years to ensure our homes are safe and secure and to provide assurance that we are meeting our statutory and regulatory compliance obligations.

Report

To: Wheatley Homes South Board

By: Alan Glasgow, Managing Director

Approved by: Pauline Turnock, Group Director of Finance

Subject: 2024/25 rent and service charges

Date of Meeting: 7 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
- Seeks Board approval for the 2024/25 rent, service and other charges increases.

2. Authorising and strategic context

2.1 Under the Group Standing Orders, the Group Board are responsible for agreeing the overarching parameters for rent setting. Thereafter each RSL Board agrees their own rent increase within the agreed parameters. The Group Board agreed rent setting parameters at their meeting on 20 December 2023. The Board agreed that increase options of 7.5% and 7.9% should be the basis of consultation with our tenants.

3. Background

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

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

3.2 The Board considered the first three principles as part of agreeing the 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 phone via a dedicated code.

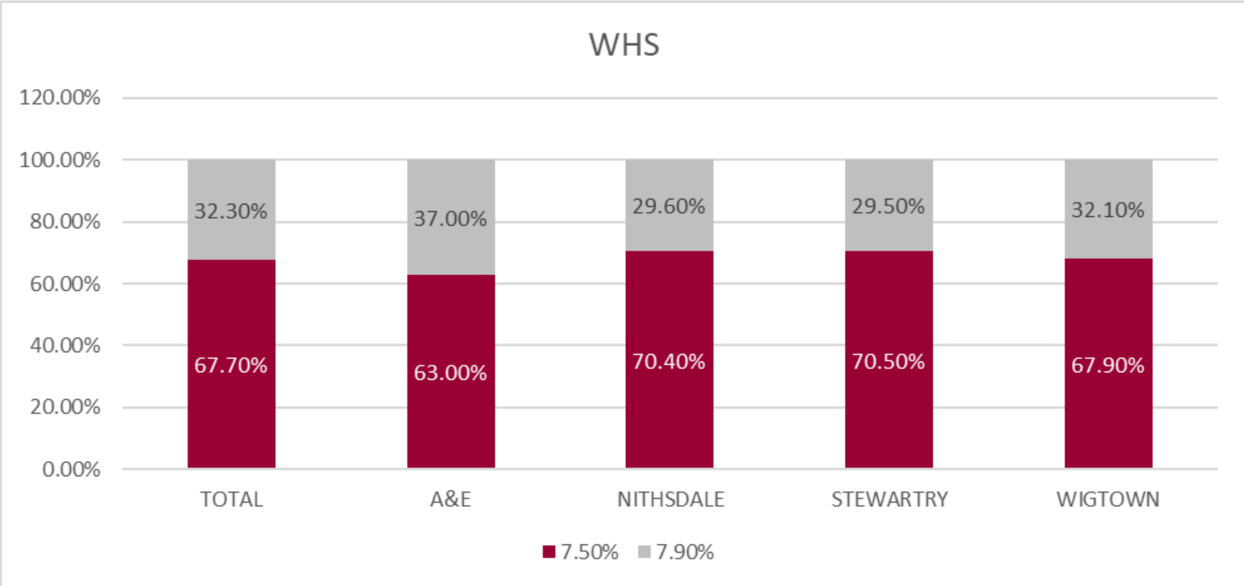
4.3. The consultation maintained the relatively high response rate from last year, with **over 1700** valid responses received as detailed below:

Table 1: WHS results

Rent options	Responses
7.5%	**1164 (67.7%)**
7.9%	**556 (32.3%)**
Total	**1720** **(2023 – 2075)**

4.4. A further breakdown of the results is set out below:

Chart 1: WHS responses



<u>Qualitative feedback</u>

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 feedback from approximately 435 customers regarding the proposals.

4.6. The most consistent themes of the feedback (over 15%) related to:

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

Where there was feedback on services or individual customer service points, being considered by service leads and where sufficient information was provided, we have already taken action.

4.7 Of the 435 respondents, a very small proportion, 27 in total, suggested that we should, or should consider, a rent freeze or no increase.

Summary

4.8 Taking into account the feedback from the consultation, it is proposed that we apply a 7.5% rent and service charge increase. As previously discussed by the Board this increase, when set within the context of the cumulative increase over 2021,2022 and 2023 being nearly 11% below inflation, still would maintain us at the lower end of our comparator group. The proposed 7.5% increase would also still see us below the cumulative inflation for the last three year by nearly 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 than ever before.

8. Financial and value for money implications

8.1 The level of rent increase proposed during the consultation included detailed analysis in 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 take into account the views of customers before making final decisions on rent levels.

11. Equalities implications

11.1 There are no equalities implications associated with this report. To support customers whose first language is not English to request a translation we also included a translation note in our current 5 top languages, informed by our translation/interpretation request data and results from the 2022 customer EDI survey.

12. Key issues and conclusions

12.1 Our consultation attracted nearly 1750 pieces of feedback/consultation responses from tenants. The proportion of respondents, at over 30%, indicating a preference for the higher rate of 7.9% on the basis of additional investment affirms the qualitative feedback that investment in existing homes is a priority for tenants.

13. Recommendations

13.1 The Board is asked to:

1) Consider the feedback received through the consultation process with tenants on our 2024/25 rent, service and other charges increase; and
2) Approve a 7.5% rent, service charges and other charges (including garages and lock ups) for 2024/25 for all tenants effective from the first Monday in April.

Report

To: **Wheatley Homes South Board**

By: **Lyndsay Brown, Director of Financial Reporting**

Approved by: **Pauline Turnock, Group Director of Finance**

Subject: **Financial Projections 2024/25**

Date of Meeting: **7 February 2024**

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1. Purpose

1.1 The purpose of this report is:
- To set out the updated financial projections for investment in assets and services over the five year period to 2029, in support of our new strategy, *Your Home, Your Community, Your Future*; and
- To seek approval of these updated financial projections, the first year forming the budget for 2024/25.

2. Authorising and strategic context

2.1 Under the terms of the Intra-Group Agreement between Wheatley Homes South ("WHS") and the Wheatley Group, as well as the Terms of Reference for this Board, the WHS Board is responsible for the on-going monitoring of performance against agreed targets, including the on-going performance of its finances.

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

3. Background

3.1 Inflation remains high and continues to have an impact on the business and our customers. The economic outlook in the UK 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. 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. Most market commentators do not expect inflation to reach the Bank of England target 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.

3.2 Forecasts for interest rates do not anticipate any reduction in the current rate of 5.25% 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 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.

3.4 Our Group funding arrangements have allowed us to grow our development programme and increase the number of new homes delivered. Our financial projections include provision for the completion of 909 new homes over the first five years, increasing to 1,368 homes over a 10 year period of which 1,362 are for social rent. Our new built programme goes towards the completion of 5,196 new homes across the RSL Borrower Group by 2029 and over 8,700 over the 10 years.

4. Discussion

4.1 More detail of the financial projections are provided in the appendix. Our strategy for 2021-2026, *Your Home, Your Community, Your Future*, forms the basis of these financial projections and address how the 5 key themes of the strategy will be achieved.

4.2 Included in the projections is provision for the continuation of investment in our services and assets:

- Over the five-year period the business plan includes provision for investment of £71.5m in our existing housing stock;
- Our new build programme includes gross development spend of £207.6m projected over the five year period and the completion of 903 social rent properties and 6 mid-market properties; and
- Management and overhead costs decrease over the five year period from £2,769 per unit in 2024/25 to £2,542 in 2028/29. These efficiencies create capacity within WHS to fund the debt required to meet our new build ambitions and invest in services for our customers.

The financial highlights under each theme of our strategy are set out below:

Delivering Exceptional Customer Experience

4.3 Our strategy seeks to deliver exceptional customer experience while maintaining affordable rent levels for our tenants.

- Feedback from tenants continues to emphasise how important the repairs service is for our customers. We will continue to seek repairs service improvements through the use of technology following the successful launch of 'Book-it, Track-it, Rate-it' in 2023/24. This improves communications around repairs appointments and provides us with the ability to capture real time feedback on service quality from customers;
- A new telephony system was introduced in 2023/24 across our Customer First Centre 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 further improve the customer experience; and
- These projections include funding to support our contribution of £5.6m 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 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.

Making the most of our homes and assets

4.4 The projections include funding to deliver 903 new homes for social rent and 6 homes for mid-market rent over the five years. A total of £207.6m of gross funding for the new build programme has been reflected over the period 2024 to 2029. This is assumed to be supported by grant income of £120.4m. A provision for the demolition of 427 properties has also been included to support regeneration of our communities.

4.5 Total investment of £71.5m in our existing homes has been included within our five year forecasts. 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.

4.6 During the first five years of the plan £68m has been earmarked for responsive and planned repairs, which takes cognisance of the increased costs of repairs driven by higher demand and price inflation. This funding will assist with the upkeep and maintenance of our stock.

4.7 The financial projections include a provision of £0.4m over the five-year period for customer directed investment as part of our new engagement strategy. Our Customer Voice and Think Yes for Investment funds will promote community engagement and will mean investment will be directed to the work streams our customers value most.

Changing lives and communities

4.8 The financial projections demonstrate our commitment to changing the lives of our tenants and the wider communities in which we operate. This will be achieved through:

- Funding of £1.9m to the Wheatley Foundation ("The Foundation") included in the first 5 years of the financial projections. The Foundation use this to deliver services to our customers including welfare benefits advice, employability advice, our furniture up-cycling Homes Comforts scheme as well as our Eat Well service which delivers food parcels for 6 weeks to tenants most in need and My Great Start for new tenants; and
- As part of focus on tackling poverty and the cost-of-living challenges facing our customers, funding has been assumed in the Foundation to extend the Helping Hand Fund. This fund helps our customers who are facing financial hardship with rent.

Developing our shared capacity

4.9 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. Through our contribution to Wheatley Solutions, our financial plan helps fund a continued focus on staff development in a technology enabled workplace, in our leadership and graduate programmes.

4.10 We will open our new office in Stranraer in 2026/27 providing a modern and efficient workplan in the west of the region.

4.11 Further provisions for investment in IT will provide staff with the technology they need to continue to work in our hybrid environment.

Enabling our ambitions

4.12 In order to achieve our ambitious strategy, we must demonstrate a strong and stable financial performance. This will ensure we continue to achieve a strong credit rating and attract funding at low rates of interest. The financial statements presented below demonstrate our improving financial performance and position over the next five years.

4.13 The detailed financial projections and assumptions are provided in the appendices to this report. A summary Statement of Comprehensive Income is shown in Figure 1.

Figure 1: Statement of comprehensive income

Statement of Comprehensive Income	2024/25	2025/26	2026/27	2027/28	2028/29
Net Rental Income	50,546	52,469	55,446	59,370	62,838
Other Income	21,714	13,315	36,172	23,570	28,881
Grant Income (HAG, Adaptations and SHNZ)	1,129	1,157	1,188	1,308	1,338
	73,389	**66,942**	**92,806**	**84,248**	**93,056**
Management Costs	(13,394)	(13,790)	(12,869)	(13,965)	(14,255)
Repair and Maintenance Costs	(13,095)	(13,255)	(13,508)	(14,056)	(14,563)
Demolition and ER/VR	(523)	(428)	(581)	(591)	(163)
Bad Debt	(488)	(65)	(66)	(68)	(70)
Depreciation	(1,056)	(1,083)	(1,155)	(1,245)	(1,325)
Operating Expenditure	**(15,441)**	**(16,768)**	**(17,811)**	**(19,369)**	**(20,967)**
Investment Property Valuation Movement	120	121	122	123	124
Operating (Deficit)/Surplus	**29,511**	**21,672**	**46,938**	**35,077**	**41,838**
Operating Margin (%)	*40%*	*32%*	*51%*	*42%*	*45%*
Finance Costs	(7,387)	(7,593)	(8,003)	(9,082)	(9,925)
Housing Property Valuation Movement	(13,591)	(14,278)	(25,655)	(30,449)	(34,352)
Total Comprehensive Income	**8,533**	**(198)**	**13,280**	**(4,454)**	**(2,439)**

Our annual rent and service charge consultation exercise has now been concluded and is reported to the Board separately. The financial projections incorporate the proposed 7.5% increase in rent and service charge levels in April 2024.

Management and overhead costs decrease over the 5 year period from £2,769 per unit in 2024/25 to £2,542 in 2028/29. These efficiencies create capacity within fund the debt required to meet our new build ambitions and invest in services for our customers.

Over the five-year period presented, WHS's Total Comprehensive Income fluctuates due to property valuation movements and grant recognition on completed units. Over the five year period total comprehensive income is £14.7m.

4.14 Our Statement of Financial Position, set out below, shows a strong net asset position which improves over the first 5 years of the projections. The delivery of new social housing properties will help to strengthen our net asset base. Figure 2 shows the projected change in the Statement of Financial Position over the five-year period to 2028/29.

Figure 2: Statement of Financial Position

Statement of Financial Position	2024/25	2025/26	2026/27	2027/28	2028/29
Housing & Investment Properties	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 (includes LT deferred income)	(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**
Total Reserves	**288,904**	**288,706**	**301,986**	**297,532**	**295,093**

The value of housing assets increases by £78.9m over the five years. The new build programme is funded by debt (and grant subsidy) which increases £56.2m over the same period. This additional debt and asset value results in a growth in net assets of £14.7m (equal to total comprehensive income) over the period.

4.15 Figure 3 shows the cash position over five years – the net movement in cash reflects our borrowing requirements from WFL1 in line with new build expenditure. Our borrowing levels are, however, sustainable and fully funded within our financial projections.

Figure 3: Cash flows generated

Cash Flow	2024/25	2025/26	2026/27	2027/28	2028/29
Net Rental Income	55,871	53,087	56,014	59,949	63,365
Operating Expenditure	(27,336)	(27,371)	(26,853)	(28,506)	(28,873)
Net Cash from Operating Activities	**28,535**	**25,716**	**29,161**	**31,444**	**34,491**
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)**
Finance Costs (Cash)	(6,475)	(6,821)	(7,656)	(8,661)	(9,784)
Working Capital Movements	(478)	(257)	0	0	0
Loan Drawdowns	6,741	11,625	23,801	21,454	23,075
Loan Repayments / Transfer	0	0	(6,926)	(7,193)	(6,589)
Net Cash from Funding Activities	**(213)**	**4,546**	**9,219**	**5,601**	**6,703**
Net Movement in Cash	**0**	**0**	**0**	**0**	**0**

The capital expenditure in year 1 includes £3.3m of Social Housing Net Zero works, which are fully funded by the Scottish Government. The cash received is shown in Grant Income.

As there is a time lag between expenditure and the generation of additional rental income, our finance costs increase before we realise the benefit of additional rents from new build properties. Upon completion of the new build programme debt repayments will commence, reducing the associated finance costs, thereby improving the cash position.

As shown above we will generate sufficient income from operating activities to fund investment and finance costs with the level of cover increasing as rental income is earned from completed new build properties.

4.16 Key financial covenants are assessed at RSL borrower group level, however we must continue to ensure that we and the other subsidiaries within the Group meet certain financial parameters. These include ensuring that a sufficient operating margin is generated and that there is sufficient cashflow strength and asset cover to support our level of debt. This ensures WFL1, as the RSL treasury vehicle is able to meet its external funding conditions. There are two key ratios that we consider:

- Revenue Surplus less Capital Investment (earnings before interest, tax, depreciation and amortisation with major investment spend taken into account) over net interest payable is the ratio used by the Group to assess whether sufficient surplus is generated to fund our activities, maintain the housing stock and cover interest payments. This interest cover ratio should be >1; and
- The loan to value ratio (outstanding loans net of cash divided by 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: [redacted]

4.17 As shown above we will generate sufficient income from operating activities to fund investment and finance costs.

4.18 [redacted]

5 Customer Engagement

5.1 This report relates to our financial projections and therefore there are no direct customer engagement implications.

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 Revised financial projections and key financial indicators are summarised in section 4 above and in Appendix 1. These financial projections, once approved, will be submitted as part of the wider RSL borrower group financial projections to the Wheatley Group Board for approval on 21 February. The figures in the first year of the projections, 2024/25, will then form the basis of the annual budget which will be presented to the WHS Board for approval in March. Performance against the budget will then be monitored through the management accounts provided to the Board throughout the year.

8.2 The financial projections incorporate cost efficiency measures, which are a key element of continuing to demonstrate value for money. These will be reflected in the annual budget and performance monitored against budget each month.

9. Legal, regulatory and charitable implications

9.1 There are no specific legal implications arising from the revised financial projections. Implementation of specific actions identified in these projections may have legal implications and specific legal input will be sought as part of any business case approval process for these actions.

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”.

11. Equalities impact

11.1 There are no equalities implications arising from this report.

12. Key issues and conclusions

12.1 This paper presents the business plan for the five year period to 31 March 2029.

13. Recommendation

13.1 The Board is requested to:

1) Approve the updated financial projections for investment in assets and services over the five-year period to 2029; and
2) Agree that the projected 2024/25 figures form the basis of next year's annual budget which will be presented to the Board for final approval in March.

LIST OF APPENDICES

Appendix 1: WHS 2024/25 Financial Projections

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

Wheatley Homes South Financial Projections
2024/25

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	2023/24	Forecast 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 <u>New Build Programme</u>

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) <u>IT Capital Investment</u>

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 – Interest rate assumptions

Interest	2024/25	2025/26	2026/27	2027/28	2028/29
Interest Payable (Group Funding)	4.90%	5.00%	5.00%	5.00%	5.00%
Interest Receivable	1.00%	1.50%	2.00%	2.00%	2.00%

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.

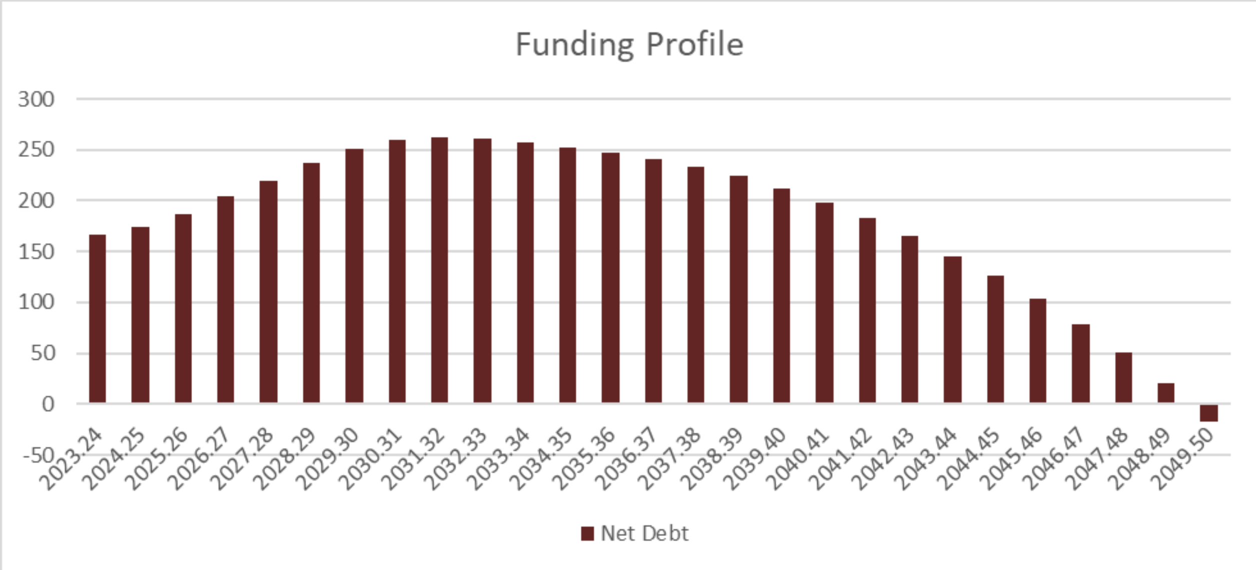
Net Cash from Funding Activities
Finance Costs (Cash) reflects the interest due on our loan with WFL1 and on our existing facilities with THFC and Allia. Interest on the Allia facilities is rolled up onto the outstanding debt and settled at the capital repayment date so are excluded from cash interest 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 <u>Asset cover</u>

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:

[redacted]

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 Homes South Board

By: Lyndsay Brown, Director of Financial Reporting

Approved by: Pauline Turnock, Group Director of Finance

Subject: Finance Report

Date of Meeting: 7 February 2024

1. Purpose

1.1 The purpose of this report is to provide an overview of the management accounts for the period to 31 December 2023 and Q3 forecast. It also seeks the Board's approval for the discharge of units at Summerhill, Dumfries, and the subsequent granting of new assets for security against one of our loans.

2. Authorising and strategic context

2.1 Under the terms of the Intra-Group Agreement between Wheatley Homes South and the Wheatley Group and this Board's Terms of Reference, our Board is responsible for the ongoing monitoring of performance against agreed targets. This includes the on-going performance of our finances.

2.2 Under the Group Standing Orders and the Terms of Reference contained therein, the Board is responsible to approve loan agreements, covenant returns and granting of security. Raising additional funding and ensuring our existing financing arrangements are fit for purpose ensures we have the financial resources to enable our ambitions to deliver new energy-efficient affordable homes.

3. Background

3.1 The results for the year to 31 December are summarised below:

	Year to Date (Period 9)		
	Actual £'000	**Budget £'000**	**Variance £'000**
Turnover	43,271	42,680	591
Operating expenditure	(31,055)	(32,302)	1,247
Operating surplus	**12,216**	**10,378**	**1,838**
Operating margin	*28%*	*24%*	
Net interest payable	(4,959)	(4,588)	(371)
Surplus	**7,257**	**5,790**	**1,467**
Net Capital Expenditure	**13,247**	**16,277**	**3,030**

3.2 Our 2012 loan with The Housing Finance Corporation (THFC) is secured against some of our housing assets. 47 of the 78 units at Summerhill, Dumfries approved for demolition are secured to THFC. We have THFC consent to demolish the Summerhill units conditional on new security being put in place to ensure we remain compliant with the terms of their loan.

4. Discussion

4.1 Year to date – Period 9

A statutory surplus of £7,257k is reported for the year to 31 December 2023, £1,467k favourable to budget driven by a strong letting performance and lower operating expenditure. Key points to note:

- Within income, net rental income is £150k higher than budget, with a void loss rate of 0.6% vs 1.2% in budget. Rental income is £65k unfavourable due to the timing of properties cleared for demolition. Other grant income is £469k favourable than budget mainly due to additional adaptation grant claimed of £396k (with higher corresponding spend in investment). In addition to adaptations, higher than budgeted renewable heat incentive (RHI) grant and care grant funding was also received; and
- Operating expenditure is £1,247k favourable to budget driven by lower spend against budget across the majority of expenditure lines including total repairs costs:
  - Total employee costs (direct and group services) are £147k favourable to budget. The savings include vacant positions some of which are linked to the ERVR programme and lower than budgeted overtime;
  - Total running costs (direct and group services) are £18k favourable to budget, reflecting the timing of spend which has provided capacity for higher than budgeted insurance costs. Group recharges are £27k favourable to budget with saving made across a number of departments in Solutions; and
  - Repair costs are £808k favourable to budget. Within this, 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. There is no impact to our legislative obligations by deferring these costs. A repairs improvement plan which includes mitigating actions has been put in place to manage responsive repairs spend.
- The investment income is £8,481k lower than budget mainly 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 reprofiling the core programme to accommodate higher spend on capitalised voids and grant funded adaptation works (which have compensating additional grant income). Void works are now being undertaken by a new in-house team who have been in place since June 2023, this new approach is having a positive effect with a reduction in average cost per job; and
- New Build expenditure is £10,805k under budget driven primarily by the timing of spend on Curries Yard and Springholm.

4.2 Q3 2023/24 Full Year Forecast

	Full year 2023/24		
	Forecast £k	**Budget £k**	**Variance £k**
Turnover	64,521	66,876	(2,355)
Operating expenditure	(43,248)	(43,469)	222
Operating surplus	**21,273**	**23,407**	**(2,134)**
Operating margin	*33%*	*35%*	
Net interest payable	(6,572)	(6,024)	(548)
Surplus	**14,701**	**17,383**	**(2,682)**
Net Capital Expenditure	**22,698**	**25,950**	**(3,252)**

The forecast reflects the results in the year to date as well as expected results for the remaining 3 months of the year. The forecast statutory surplus of £14,701k is £2,682k adverse to budget. The key driver for the variance to budget is the timing of the recognition of the grant income for works funded by Social Housing Net Zero (SHNZ) grant and lower gift aid from Wheatley Developments Scotland.

An underlying surplus of £4,839k is forecast which is £888k unfavourable to budget. The variance is driven by increased interest payable and higher capitalised voids.Key points to note:

- Rental income is lower by £90k driven by timing of properties cleared for demolition with letting performance continuing to be strong yielding lower void rent loss;
- Other grant income is £2,477k lower than budget following the reprofiling of the SHNZ project to 2024/25, due to delays accessing the Scottish Power Energy Network, which is partly offset by additional adaptation income (both with the corresponding impact in investment works);
- Other income is £687k lower than budget due to reduced gift aid from WDS linked lower development spend, this is an intra group transaction and has a nil effect in the wider RSL borrower group;
- Expenditure includes an increase of £245k for demolition costs and increased running costs of £100k for higher insurance charges. This is offset by lower than budgeted bad debts, £240k, with the forecast taking a conservative approach to future performance;
- Repairs costs are projected to show and overall net reduction of £152k due to £270k of compliance works being rescheduled to 2024/25. All compliance work is still within the required legislative framework;
- Within net capital expenditure, investment income is £11,600k lower than budget due to the reprofiling of the development programme and the SHNZ project, partly offset by higher adaptation income. This links through to investment works which are £1,840k lower than budget and includes reprofiling of SHNZ works to 2024/25. The forecast out-turn includes increased costs of £837k on capitalised voids; and
- The new build programme has reduced by £12,351k. Spend on Johnstonebridge and Corsbie Road have reduced by £3,843k and £4,224k respectively because of planning permission delays. This spend has been deferred to 2024/25.

4.3 It is our aim to manage the forecast variations to budget on individual lines within the parameters of the overall budget for 2023/24. The Q3 forecast presented to the Board has been prepared on a prudent basis. The delays to the SHNZ works results in a full year out-turn which is £2,682k adverse to budget. After adjusting for non-cash items and including investment in our existing properties we continue to report a strong level of underlying surplus of £4,839k. The forecast variations to budget are managed within the overall parameters of the RSL Borrower Group budget for 2023/24 of which South is part. The RSL borrower group continues to remain compliant with covenants.

4.4 Security discharge and new charging exercise

As part of our regeneration plans, we previously agreed to proceed with the demolition of 47 properties at Summerhill. We are now due to progress with the demolition works and require to release the existing lender security on the properties affected. Replacement assets are required to be charged to THFC to ensure ongoing compliance with the loan terms. We have identified 68 unsecured units in Newton Stewart, with an equivalent loan security value to be replacement security with details set out in the following table:

Street name	No. of Units
BARNS COURT	8
CORVISEL AVENUE	4
CORVISEL COURT	4
CORVISEL ROAD	1
MANSEFIELD PLACE	35
PRINCES AVENUE	4
PRINCES STREET	7
PRINCES TERRACE	3
QUEEN STREET	2

4.5 Required property due diligence is well progressed with our external lawyers Pinsent Masons and a valuation report will be updated by JLL closer to completion of the charging exercise (anticipated by financial year end).

4.6 The board is asked to approve the Summerhill units to be released and the Newton Stewart units to be charged as security against our THFC loan by way of the appended Board Minute and Officer’s Certificate. The draft form of standard security and certificate of title are held in the reading room on Admincontrol for review.

5. Customer Engagement

5.1 This report relates to our financial reporting and therefore there are no direct customer implications arising from the Finance 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 the Finance Report.

8. Financial and value for money implications

8.1 The statutory surplus for the period to 31 December 2023 is £1,467k favourable to budget. Delivery of our cost efficiency targets is a key element of continuing to demonstrate value for money. The underlying result for the year to December 2023 is £1,715k favourable to budget driven lower void rent loss, lower spend across expenditure and an overall reduction in investment spend.

8.2 The Q3 forecast shows a statutory surplus of £14,701k, £2,682k adverse to budget driven by the deferral of SHNZ grant income to 2024/25, reduced gift aid from Wheatley Development Scotland and increased interest payable. The Q3 forecast reports a high-level underlying surplus of £4,839k, this is £888k unfavourable to budget driven by increased interest payable and higher capitalised voids.

9. Legal, regulatory and charitable implications

9.1 There are no direct legal, regulatory and charitable implications arising from the Finance Report.

9.2 In respect of the security exercise, we have been assisted on the security exercise by the property legal team at Pinsent Masons. THFC have engaged Addleshaw Goddard for advice in this matter.

9.3 We are required to notify the Scottish Housing Regulator on certain disposals, including by way of granting security over social rent units. This will be done following the completion of the new charging exercise.

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.

10.3 Our risk appetite in respect of development is "open", which is defined as willing to choose the option "*most likely to result in successful delivery while also providing an acceptable level of reward*".

11. Equalities implications

11.1 There are no equalities implications arising from the Finance Report.

12. Key issues and conclusions

12.1 This report presents the financial performance for the period to 31 December 2023 and Q3 forecast for 2023/24.

12.2 The security discharge and subsequent charging exercise for 68 units in Newton Stewart is required to enable the demolition of the Armour Drive units in Summerhill, Dumfries and to ensure we remain compliant with the asset cover requirements of the THFC loan.

13. Recommendations

13.1 The Board is requested to:

1) Note the Finance Report for the period to 31 December 2023 and Q3 forecast at Appendix 1; and
2) Approve the discharge of 47 units at Summerhill, Dumfries, and the granting of security over 68 units at Newton Stewart in connection with our THFC loan.

LIST OF APPENDICES:

Appendix 1: Period 9 – 31 December 2023 Finance Report
Appendix 2: [redacted]
Appendix 3: [redacted]
Appendix 4: [redacted]
Appendix 5: [redacted]

Period to 31 December 2023

Finance Report

1) Operating statement – Period to 31 December 2023

OPERATING STATEMENT	Period to Dec 2023 Actual £ks	Period to Dec 2023 Budget £ks	Period to Dec 2023 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**

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.

1b) Underlying surplus – Period to 31 December 2023

Key highlights :

- The 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 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.
- For the period to December 2023, an underlying surplus of £5,510k has been generated which is £1,715k favourable to budget. The variance is driven lower void rent loss, lower spend across expenditure and a small reduction in investment spend.

Underlying Surplus - Period to 31 December 2023

	YTD Actual £ks	YTD Budget £ks	YTD Variance £ks	FY Budget £ks
Net Operating surplus	12,216	10,378	1,838	23,407
add back:				
Depreciation	10,935	10,935	0	14,581
less:				
Grant income	0	0	0	(4,977)
Net interest payable	(4,959)	(4,588)	(371)	(6,024)
Total expenditure on Core Programme	(12,683)	(12,931)	248	(19,535)
Underlying surplus	5,510	3,795	1,715	7,452

2) In House Repairs Service – Period to 31 December 2023

In House Repairs	YTD			
	Actual £ks	Budget £ks	Variance £ks	Full Year Budget
INCOME				
Internal Subsidiaries	8,026	8,921	(895)	11,934
External Customers	238	320	(82)	426
TOTAL INCOME	**8,264**	**9,240**	**(976)**	**12,360**
COST OF SALES				
Staff Costs	3,354	3,975	621	5,300
Materials	1,998	2,175	176	2,900
Subcontractor & Other Costs	1,635	1,800	165	2,400
TOTAL COST OF SALES	**6,987**	**7,950**	**962**	**10,600**
GROSS PROFIT	**1,276**	**1,290**	**(15)**	**1,760**
Margin %	15%	14%	2%	14%
Overheads	**1,269**	**1,320**	**51**	**1,760**
NET PROFIT / (LOSS)	**8**	**(30)**	**38**	

Key Comments:

- Income for the in house repairs service is £976k lower than budget. External customers income represents Home Group income generated in the period to 31 December 2023.
- Savings in staff costs is due to timing of recruitment for the new structure. The budget assumed this would be in place May however the recruitment was completed in July.
- Subcontractor and material costs are favourable to budget following the implementation of the repairs improvement plan.

3) Repairs and Investment – Period to 31 December 2023

Revenue Repairs and Maintenance	YTD			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
Reactive	6,740	6,595	(145)	8,820
Gas planned maintenance	699	878	179	1,178
Landscaping and cyclical maintenace	452	633	181	857
Compliance	578	1,133	556	1,505
(Profit) / Loss on IHR	(8)	30	38	-
TOTAL	**8,462**	**9,270**	**808**	**12,360**

Core Investment Programme	To 31 Dec 2023			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
Investment programme grant income				
Aids and Adaptations	801	405	396	459
Social Housing Net Zero	5,408	5,408	-	10,375
Total	**6,210**	**5,813**	**396**	**10,834**
Investment programme spend				
Core Programme	1,627	2,976	1,350	3,791
Capitalised repairs	669	663	(6)	876
Social Housing Net Zero	5,408	5,408	-	9,975
Capitalised Voids	3,328	2,521	(807)	3,076
Adaptations	801	405	(396)	540
Capitalised Staff	850	957	107	1,277
Total	**12,683**	**12,931**	**248**	**19,535**
Net Investment Spend	**6,473**	**7,118**	**644**	**8,701**

Repairs

Repairs and maintenance costs are £808k favourable to budget.

- Reactive repairs are £145k adverse to budget driven by higher material costs and demand. A number of mitigating actions and business rules have been put in place to bring repairs spend within forecast spend.
- Gas planned maintenance, landscaping and cyclical maintenance and compliance expenditure were all favourable to budget due to the reprofiling and timing of spend against budget. All compliance work is still within the required legislative timeframe.

Investment

Net investment in our existing homes after taking account of fully funded SHNZ and adaptations work was £6,473k, which is £644k lower than budget.

- Core programme is £1,350k lower than budget due to the reprofiling of the investment programme against budget.
- Capitalised voids are higher than budget. Void work was brought in house during June 2023. The average cost per void is decreasing which will reduce the full year overspend.
- While adaptations are £396k higher than budget these are fully funded as per the grant income section above.

4) New Build – Period to 31 December 2023

Development Name	Status	Contractor	YTD - P9 Actual	YTD - P9 Budget	YTD - P9 Variance	Full Year Budget
Nursery Avenue	Completed	McTaggart	34	59	25	59
Eastriggs	Completed	Ashleigh	3	38	35	38
Curries Yard	On Site	CCG	8,907	9,582	675	11,404
Springholm	On Site	Ashleigh	5,505	8,718	3,213	10,218
Johnstonebridge	Feasibility	Ashleigh	86	3,026	2,939	4,436
Corsbie Road	Feasibility	McTaggart	359	2,273	1,914	4,592
Ashwood Drive	Feasibility	Ogilvie	56	189	133	536
Thornhill	Feasibility	CCG	186	27	(159)	191
Lochans	Feasibility	TBC	1	2,122	2,121	2,563

[redacted]

Total Social Rent			**16,129**	**26,932**	**10,803**	**37,321**
Capitalised Staff			874	876	2	1,168
Capitalised Interest			-	-	-	296
Total New Build Investment			**17,003**	**27,808**	**10,805**	**38,785**
Grant Income			**11,141**	**20,019**	**(8,877)**	**23,592**
Net New Build Cost			**5,861**	**7,789**	**1,928**	**15,194**
Grant Income Completions (recognised in OPS)			**-**	**-**	**-**	**4,977**

Development spend at end of December 2023 totalled £17,003k, against a budget of £27,808k, a variance of £10,805k to budget due to delays in development works. Similarly, the grant income received of £11,141k was £8,877k less than budget. The grant income received was for Curries Yard and Springholm, which will be recognised in the operating statement when the units are handed over.

- ***Currie's Yard (SR/89):*** Spend is below budget as progress at the beginning of the year was slower than anticipated due to a delay in road permissions which has now been resolved. Handovers of 18 homes in January 2024 and 17 following by end of March 2024.
- ***Springholm (SR/47):*** Construction started in May 2023, later than budgeted, resulting in lower spend in the year to date. It is on site and progressing well. Full grant claim anticipated for 2023/24.

[redacted]

5) Balance Sheet – Period to 31 December 2023

	31 December 23		31 March 23	
Fixed Assets				
Social Housing Properties		442,166		423,556
Other Fixed Assets		2,318		1,406
Investment Properties		12,154		12,154
		456,638		437,116
Current Assets				
Stock		1,038		954
Rent and service charge arrears	3,262		3,022	
less: provision for rent arrears	(1,091)		(930)	
Prepayments and accrued income	5,828		3,360	
Other debtors	3,055		3,198	
Total Debtors		11,054		8,650
Due from other group companies		580		68
Cash & Cash Equivalents		3,465		3,405
		16,137		13,078
Creditors: within 1 year				
Trade Creditors	(1,418)		(967)	
Accruals	(5,901)		(7,458)	
Deferred income (Grant)	(5,619)		(6,599)	
Prepayments of Rent and Service Charge	(972)		(884)	
Other Creditors	(611)		(554)	
Total Creditors		(14,521)		(16,463)
Amounts due to Group Undertakings		(5,388)		(5,022)
		(19,909)		(21,485)
Net Current Liability		**(3,772)**		**(8,407)**
Long Term Creditors				
Long term loans		(162,164)		(158,164)
Loan interest		(4,905)		(4,108)
Deferred Income		(18,749)		(6,645)
Other provisions		(88)		(88)
Pension				
Net Assets		**266,960**		**259,704**
Capital and Reserves				
Share Capital				
Revenue Reserve		122,649		115,393
Revaluation Reserve		144,311		144,311
Shareholders' funds		**266,960**		**259,704**

Key Comments:

The balance sheet reported reflects the 31 March 2023 year end statutory position, including any year end audit adjustments.

- **Fixed assets** of £457m – representing new build works less depreciation of existing assets.
- **Stock** relates to stock for the in-house repairs team and materials on site related to the investment program.
- **Debtors –** net rent and service charge arrears are marginally higher driven by timing of rents received.
- **Accrued income** – This includes new build grant income, aids and adaptations and the SHNZ investment grant claim.
- **Other debtors** includes capital asset recharge £2.8m.

- **Creditors: within 1 year** Includes
  - Trade creditors are higher than 31 March 2023 driven by timing of supplier payments.
  - Accruals includes £1.4m of investment works (CBG), £1.8m Design and Build costs due to WDSL, £0.5m THFC loan interest, £0.3m materials and £0.3m fleet accruals.
  - Grant income received is deferred until the completion of new build properties. The £5.6m relates to 31 units expected to complete in 2023/24.

- **Long-Term Creditors** relate to
  - Capital loans of £162m, including WFL1, Allia and THFC loans.
  - The roll up of accrued interest on Allia loans is not payable until the end repayment date of the loan. £4.9m has been accrued since the drawdown of the loans.
  - Grant income received is deferred until the completion of new build properties. The balance relates to Curries Yard, Catherinefield and Thornhill which are all expected to complete in 2024/25 onwards.
  - Provision of £88k relates to the remaining balance made for dilapidation liabilities for offices.

6) Q3 Forecast 2023/24

Operating statement	Full Year 2023/24 Q3 Forecast £k	Budget £k	Variance £k
INCOME			
Rental Income	47,765	47,855	(90)
Void Losses	(310)	(568)	257
Net Rental Income	**47,454**	**47,287**	**167**
Grant Income	5,619	4,977	642
Other Grant Income	9,259	11,736	(2,477)
Other Income	2,189	2,876	(687)
Total Income	**64,521**	**66,876**	**(2,355)**
EXPENDITURE			
Employee Costs - Direct	5,640	5,715	75
Employee Costs - Group Services	3,970	4,038	68
ER / VR	340	340	0
Direct Running Costs	2,629	2,529	(100)
Running Costs - Group Services	2,118	2,150	32
Revenue Repairs and Maintenance	12,208	12,360	152
Bad debts	411	651	240
Depreciation	14,581	14,581	0
Demolition	1,350	1,105	(245)
TOTAL EXPENDITURE	**43,248**	**43,469**	**222**
OPERATING SURPLUS / (DEFICIT)	**21,273**	**23,407**	**(2,134)**
Interest Payable	(6,572)	(6,024)	(548)
STATUTORY SURPLUS / (DEFICIT)	**14,701**	**17,383**	**(2,682)**

Investment	Full Year 2023/24 Q1 Forecast £k	Budget £k	Variance £k
Total Capital Investment Income	**22,825**	**34,425**	**(11,600)**
Investment Works	17,695	19,535	1,840
New Build	26,434	38,785	12,351
Other Capital Expenditure	1,394	2,056	662
TOTAL CAPITAL EXPENDITURE	**45,523**	**60,376**	**14,853**
NET CAPITAL EXPENDITURE	**22,698**	**25,950**	**3,252**

Key highlights :

Statutory surplus of £14,701k is £2,682k unfavourable to budget driven by the reduction of Social Housing Net Zero (SHNZ) grant income as a result of reprofiling works to 2024/25, lower Wheatley Development Scotland (WDS) gift aid income and increased interest payable.

- Rental income is £90k below budget with demolition properties coming off rent debit earlier than expected.
- Void losses are £257k favourable to budget with the forecast maintaining a conservative approach to future performance.
- Grant income £642k higher due to 35 units completing at Curries Yard in 2023/24 vs 31 units in the budget.
- Other grant income is £2,477k lower than budget due to reprofiling of SHNZ project to 2024/25, partly offset by additional adaptation income (both with corresponding spend in investment works).
- Other income is £687k lower than budget due to lower gift aid from WDS (linked to lower New Build spend) and lower garage and lock up rental income to align with Q3 actuals.
- Employee costs (direct & group) are expected to be £143k lower than budget driven by staff vacancies in the budgeted structure.
- Running costs (direct & group) are prudently forecast to be £68k higher than budget to account for higher than budgeted insurance costs.
- Revenue repairs and maintenance are £152k lower than budget. Responsive repairs have been uplifted by £118k with cyclical and compliance spend being reduced by £270k to account for a reprofiling of the programme.
- Bad debts are £240k lower than budget with the forecast maintaining a conservative approach to future performance.
- Demolition costs have increased by £245k reflecting increased tender demolition costs, and property buy backs delayed from 2022/23.
- Interest payable is £548k higher than budget linked to a higher variable rates than assumed in the budget.
- Investment income is £11,600k lower than budget due to the reprofiling of the various development projects and the SHNZ project, partly offset by higher adaptation income.
- Investment works are £1,840k lower than budget. This includes reprofiling of some of the SHNZ works to 2024/25. This is offset by increased costs on capitalised voids, £837k, driven by higher costs in Q1. Adaptations are £505k higher, however £405k of the increase is funded.
- The new build programme has reduced by £12,406k due to reprofiling of various developments. Johnstonebridge and Corsbie Road have reduced by £3,843k and £4,224k respectively due to planning permission delays with spend deferred to 2024/25.

7) Underlying surplus – Q3 forecast 2023/24

Key highlights :

- The forecast Operating Statement (Income and Expenditure Account) 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 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.
- The Q3 forecast show an underlying surplus of £4,839k which is £888k unfavourable to budget. The variance is driven by increased interest payable and higher capitalised voids.

WH South Underlying Surplus/ (Deficit) - Q3 Forecast 23/24			
	Forecast £ks	**Budget £ks**	**YTD Variance £ks**
Net Operating surplus	21,273	23,407	(2,133)
add back:			
Depreciation	14,581	14,581	0
less:			
Grant income	(5,619)	(4,977)	(642)
Gift aid	(1,129)	(1,724)	595
Net interest payable	(6,572)	(6,024)	(548)
Total expenditure on Core Programme	(17,695)	(19,535)	1,840
Underlying surplus / (deficit)	4,839	5,727	(888)

Wheatley Homes

South

Wheatley Homes South

Report

To:	**Wheatley Homes South Board**
By:	**Alan Glasgow, Managing Director**
Approved by:	**Pauline Turnock, Group Director of Finance**
Subject:	**Performance Report**
Date of Meeting:	**7 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 Quarter 3.

2 Authorising and strategic context

2.1 Under our Terms of Reference, the Board is responsible for monitoring performance against agreed targets.

2.2 We measure progress with the implementation of our five-year strategy via the Group Performance Management Framework ("PMF").

2.3 The Group Board agreed an updated programme of strategic projects and performance measures and targets at its meeting in April 2023. Our Board subsequently agreed its specific performance measures and targets at its meeting on 24 May 2023.

3 Background

3.1 This report outlines our performance against targets and strategic projects 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 as part of the Annual Return on the Charter 2023/24.

3.3 This report also now includes the new Customer First Centre ("CFC") measure based on customer satisfaction with calls. The CFC Customer Satisfaction ("CSAT") score asks customers to score the CFC on a 1-5 scale.

4 Discussion

4.1 The following sections present a summary of key measures and strategic projects. Strategic measures can be found in Appendix 1 and Strategic projects are found in Appendix 2.

Delivering Exceptional Customer Experience

Customer First Centre

4.2 The CFC is now firmly established as a core part of our operating model, with the key measure for the CFC recognised as the CSAT score.

4.3 The new cloud-based telephone system 'STORM' successfully completed its launch across the CFC in November. 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.

4.4 The CFC are carrying out a review by call enquiry type in order to establish what the true average handle time is to achieve a 90% FCR. This is in conjunction with work from Vanguard in reviewing customer contacts and re-designing the key processes in getting an improved customer outcome.

4.5 Year-to-date results as of the end of quarter 3 including CSAT, Webchat and other performance measures still monitored and are presented in Table 1:

Table 1

Measure	2023/24		
	Value YTD	Target	Status
WHS - CSAT score (customer satisfaction)	4.4	4.5	
WHS - % calls answered <30 seconds (Grade of Service)	73.92%	Contextual	N/A
WHS - Average waiting time (seconds)	64.51	Contextual	N/A
WHS - Call abandonment rate	5.91%	5%	
Group - % first contact resolution at CFC (Customer Service Advisors)	85.94%	90%	
Group – Percentage of CFC customer interactions that are passed to Housing and Lowther staff for resolution	7.01%	<10%	
Group - Email % responded to within 48 hours	100%	100%	
Group - Webchat % first contact resolution	100%	Contextual	N/A

4.6 Our overall CFC CSAT score is 4.4 at the end of quarter 3, the same as at the score end of quarter 2. 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.

4.7 In quarter 3, there has been an improvement in performance for Grade of Service; YTD now means almost 74% 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. YTD all abandonment rate has improved from 6.02% and is now 5.91%, just above the 5% target, with quarter 3 at 5.64%. YTD average wait time improved from 68.48 seconds to 64.51 seconds, with quarter 3 being 55.58 seconds.

4.8 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 o call and the time customers are waiting for their call to be answered.

4.9 The Group resolved 85.94% of calls handled at first contact for the year to date, with performance at over 86% for December. The My Repairs Team continue to deal with more complex repairs calls and, while this means CSAs 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.

4.10 CFC performance is monitored and reviewed daily by the resource planning and operations leads. Key areas of focus remain on ensuring our call handling times balance resolution and efficiency and increasing the amount of ‘call handling’ hours available.

Complaints Handling

4.11 Our performance on the Charter measure for average time for a full response to complaints was within target for both stage 1 and stage 2 complaints. Year to date performance in 23/24 shows a significant improvement in average days compared to performance in 2022/23. This has been achieved despite an increase in the volume of complaints. This increase in volume is consistent across our RSLs and consistent with information from the 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

4.12 The Scottish Public Services Ombudsman (SPSO) measure at Table 3 below, shows the percentage of complaints responded to within timescale. For stage 1, our performance is now at 94.40% against the target of 95%. Performance in quarter 3 was above target for the first time this year at 96.36%; this represented 4 stage 1 complaints that missed target.

4.13 In total 100% of stage 2 complaints have been dealt with in timescale through the year. As shown in table 3 below, SPSO requires that the measure 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.

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%

4.14 A range of work has been done to ensure that timescale performance is improved. This includes earlier reminder triggers and quicker resolution timescales for Stage 2 complaints along with weekly touchdowns at staff VMBs to highlight complaints. As a result, the year-to-date performance has been significantly remained steady by quarter 3 results with 100% of Stage 2 responses within timescale, consistent with the previous quarter.

4.15 Additional training on written and verbal communication 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 these are comprehensive and empathetic with the aim of reducing the need for customers to raise stage 2 complaints.

Tenancy Sustainment

4.16 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.

4.17 We continue to support our new customers to sustain their tenancies and to deliver strong performance in both the Scottish Housing Regulator's Charter measure and our revised indicator, the revised measure excludes deaths and transfers to other homes in the Group. In particular we work closely with Dumfries and Galloway Council (DGC) to support new customers referred by them.

4.18 We have again improved sustainment for both indicators in the third quarter; our revised YTD is exceeding target and we are currently only 9 of 794 new lets short of target for the Charter measure. Tenancy Sustainment is a key focus of Dumfries & Galloway Council Homeless Service and we are involved in reviewing the current approach including looking at refocusing the Prevention Theme and joint actions around Tenancy Sustainment.

Table 5

Tenancy Sustainment	Charter YTD	2023/24 Target	Revised YTD	2023/24 Target
WHS	86.90%	88%	89.78%	89%

Making the Most of Our Homes and Assets

New Build Programme

4.19 Our target is to deliver a total of 31 new Social Homes in 2023/24. No handovers were due year to date to the end of quarter 3.

4.20 Despite a recommendation for approval from the Planning Officer, the DGC Planning Committee refused the planning application for the Leswalt development on 13 December 2023. We are considering options for next steps, including a further review of the suitability of the existing permission and potential to raise an appeal against the decision.

4.21 35 Social Rent units will be handed over at Curries Yard; 18 were handed over in January and 17 will be handed over March.

Volume of Emergency Repairs

4.22 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%.

4.23 Emergency repair numbers are 1,392 less than the same point in 2022/23, a variance of -12.72%. This is above target and an improvement on the -2.83% in quarter 2.

Table 6

Completed emergency repairs	YTD 22/23	YTD 23/24	Variance
WHS	10,944	9,552	-12.72%

4.24 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 38.99% of all our completed repairs (emergency and non-emergency). This is an improvement on 43.89% at the same point last year.

Repairs Timescales

4.25 Our average time taken for emergency repairs is 2.67 hours at the end of quarter 3, well within the 3-hour target. This has increased very slightly from 2.65 hours at quarter 2 and compares favourably to our average of 2.91 hours in 2022/23 and is better than the Scottish average of 4.2 hours.

4.26 The table below shows our average time taken for non-emergency repairs is 8.37 days, above this year’s target of 7 days; this is the slightest increase (0.01) compared to 8.36 days at quarter 2.

Table 7

Repairs completion timescales (Charter)	Emergency (hours)		Non-emergency (days)	
	Target	YTD Value	Target	YTD Value
WHS	3.00	2.67	7.0	8.37

4.27 Our non-emergency timescales increased from 8.06 days last quarter as a consequence of completing a number of overdue repairs. These had been impacted due to the resource required during the transition from the external voids support to the internal team. This transition commenced in June 2023 with the new operatives commencing in August 2023 and during this period the void service was supported by resources from the repairs team.

4.28 We are working to reduce timescales as a priority; to address this the following actions have been taken:

- A full audit of our van stocks has been undertaken to ensure they are meeting the needs of the service and first time fix;
- Working with our material supplier, Stark to provide faster delivery times for long lead time parts such as heating parts of Daikin boilers;
- Working with Housing and CFC colleagues in implementing 'Repair not Replace' business rules to reduce the work content caused by complex repairs with corresponding reduction time;
- Ensuring that capital works are not to be categorised as repairs, e.g. new kitchens; and
- Improved monitoring and managing of sub-contractors and closing down repairs timeously on completion.

4.29 In the context of our Repairs and maintenance policy, we aim to deal with routine appointed non-emergency repairs in 15 working days.

Right First Time

4.30 Right first-time performance to the end of quarter 3 is under the 90% target at 88.3%; an improvement on the position reported last quarter (88.05%) and remains better than the Scottish average of 87.8% in 2022/23.

Table 8

Percentage of repairs right first time (Charter)	2022/23	2023/24 YTD	Target	
WHS	91.09%	88.30%	90%	

Repairs Satisfaction

4.31 To the end of December, we are on target for repairs satisfaction at 88.37%. This is an improvement from the 2022/23 year-end figure of 83.2% and 97.23% reported last quarter. This measure is based on 1943 survey responses in the 12 months to the end of December. 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 our repairs satisfaction.

Table 9

Repairs Satisfaction	Current value	2023/24 Target	
WHS	88.37%	90%	

Rate It

4.32 'Book It, Track It, Rate It' aims to improve visibility and communication during the repair journey. The Rate It element was launched in November providing an opportunity for customer feedback on repair appointments.

4.33 For the year to date following the launch, the Rate It score is 4.7/5 (from 939 responses, representing 15.65% of the feedback links generated to all customers with contact information).

Responsive repairs: Damp and mould

4.34 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 line. We currently have 25 live cases, 96% are within the 15 day timescale.

	Category			
Total Cases Completed in Month	No Mould Found	3 (Mild)	2 (Moderate)	1 (severe)
218	11	184	23	0

4.35 Our strategic measure is to complete mould repairs in 15 days. We have completed 97.58% of mould repairs in 15 days year to date, against a target of 90%.

Medical Adaptations

4.36 Time to complete medical adaptations has further improved and within the 25 day target year to date, with the average days to complete at 24.48 compared to 34.79 for the same quarter last year. We have completed 447 adaptations, an increase from 99 from the previous quarter, and currently have 1 household waiting.

Table 11

Medical Adaptations (Charter)	Current Households Waiting	Number Completed YTD	Average Days to Complete YTD	Target
WHS	1	447	24.48	25

Gas Safety

4.37 We continue to be 100% compliant position for gas safety, with no expired gas certificates.

Compliance

4.38 We have made good progress; all of our 202 relevant properties are compliant with Legionella assessment requirements. At the end of quarter 3 we had carried out safety inspections on all our passenger and domestic lifts.

4.39 At the end of quarter 3, we continue to have had no newly expired electrical certificates since quarter 4 2022/23 and we are making excellent progress with the inspection of the EICRs due to expire before 31st March 2024 with only 3 outstanding properties, lower than at the same point last year (8).

Changing Lives and Communities

Peaceful Neighbourhoods

4.40 Our 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.

4.41 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 produce data on antisocial behaviour incidents.

4.42 Using the updated methodology, the number of tenancies categorised as Peaceful increased slightly this quarter from 75.98% to 76.38% at the end of quarter 3. The in-month result also increased slightly from 73.63% in November to 73.67% in December. We also continue to perform better than the target of 69%.

4.43 Consideration will be 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

4.44 We set a Strategic Result to reduce accidental dwelling fires (ADFs) by 10% by 2025/26. We had three ADFs during the last quarter. Our year to date total is six accidental dwelling fires which is a reduction on the 13 we had to the same period last year.

Table 12

Number of recorded accidental dwelling fires	2023/24 YTD	2022/23
WHS	6	19

4.45 Our additional strategy measure aims to ensure 100% of applicable properties have a current fire risk assessment in place. This continues to be achieved.

Table 13

Fire Risk Assessments	2023/24 YTD	Target
The percentage of relevant premises - with a current fire risk assessment in place	100%	100%

4.46 Year to date to the end of quarter 3 there were eight fire risk assessments in relevant premises and care sites (Temporary Accommodation) undertaken that generated 46 actions. Of these fires risk assessments, five were completed in quarter 3. By the end of quarter three, 100% of those actions have been closed.

Table 14

FRA Actions	Raised	Complete	Open-Ongoing	3rd Party	Overdue
WHS	**46**	**46**	**0**	**0**	**0**

Reducing Homelessness

4.47 We have provided 294 homes to homeless households this year to date. Our % of relevant lets made to homeless applicants to the end of December has increased to 46.07% from the 40.65% reported at the end of quarter 2 (relevant lets exclude mutual exchange, transfers and LivingWell lets for which we are limited to let to homeless applicants). We continue to work closely with Dumfries & Galloway Council to increase this percentage over the coming months.

Table 15

RSL	2023/24 Number of lets to homeless applicants (ARC) - YTD	2022/23 Number of lets to homeless applicants (ARC) – full year
WHS	294	409

Jobs and Opportunities

4.48 Over 230 children within our households have now been supported through Foundation programmes so far, this financial year. This significantly exceeds the target of 25 for this quarter.

4.49 Year to date, the Wheatley Works staff have supported 43 jobs, training and apprenticeship opportunities within our households. 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 quarter 4 which will promote the jobs, training and apprenticeship services available to our customers.
- Housing and the Foundations teams working more collaboratively. Plans for this include 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 16

Indicator	Target (YTD)	Current Performance YTD	2022/23
WHS - Number of vulnerable children benefiting from targeted Foundation programmes	25	239	327
WHS - Total number of jobs, training places or apprenticeships created by Wheatley Group including Wheatley Pledge	79	43	128

Developing our Shared Capability

Sickness Absence

4.50 We are currently outperforming the 3% sickness target at 2.49% year to date. This is an improvement on the position at the end of quarter 2 (2.61%).

Table 191

Sickness Rate	Target	2023/24 YTD	2022/23
WHS	3%	2.49%	2.19%

4.51 The main reason for absence across quarter 3 was Stress/Anxiety– accounting for 39% in October, 42% in November and 51% in December. Analysis of Stress/Anxiety cases for quarter 3 shows that Non Work Related Stress accounted for 71% of all these absences. Non Work Related Stress absences cases are supported via referral to our Employee Assistance Programme and use of Individual Stress Risk Assessments (ISRA). In addition, the Academy offer support to help staff members with a range of issues via a number of e-learning modules including Stress Awareness, Personal Resilience and Mental Health Awareness.

4.52 In December 2023, the Employee Relations team 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.

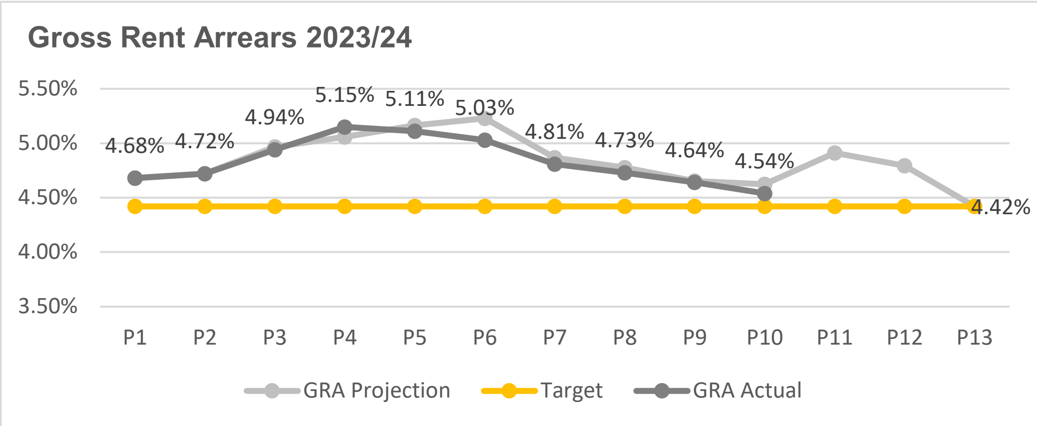
4.53 December also saw the Wellbeing team focus on finalising content and dates for a number of workshops to be rolled out in the first quarter of the calendar year. These include Supporting Staff Through Bereavement, Financial Wellbeing and Stress & Anxiety workshops.

4.54 From January 2024, The Employee Relations team will deliver further “HR Essentials” workshops across all Wheatley Group subsidiaries for new, existing, and newly promoted managers.

Gross Rent Arrears (GRA)

4.55 Our current GRA at quarter 3 of 4.54% is an improvement on the 4.81% reported at the end of quarter 2. We have seen an improving result for 6 periods in a row this year at quarter 3, we are better than the 4.62% projected for this time of the year and only 0.12 above our year-end target of 4.42%. While we are performing better than projection for this point in the year, arrears management remains a priority and we do expect further improvement by the end of this financial year.

Chart 1



4.56 We continue to focus on maximising income with a targeted approach to support customers in arrears and we also work closely with the joint prevention working group with DGC Homeless and Welfare Benefit Team. In addition to the Rent Refresh Thinking Yes Together sessions that took place in quarter 3, a Wheatley Homes South Income Together session took place in November 2023, highlighting external agencies that can also support our customers with regard to maximising their income and reducing arrears. This was strongly attended by some internal support teams as well as colleagues from the Department for Work and Pensions (DWP) and One Parent Families Scotland.

4.57 To ensure we remain on track to meet our year-end target and in order to continue to drive the necessary performance levels, we have enhanced our income action plan to focus on year-end income, targeting higher arrears patches with visits, utilising CFC and GDRT to make out of hour and weekend calls along with increasing our wrap around support to customers.

4.58 In the past period, there has been a strong focus for Housing Officers on escalation of cases, including a focus on rejected Direct Debits as soon as they are returned. There was a strong drive to support customers who typically don't pay in the lead up to Christmas with these customers all having a visit or contact made to support them which has had a positive outcome with payments to clear arrears and affordable payment plans made.

Average Days to Re-Let (Charter)

4.59 Our average time to re-let has improved from 12.25 days reported to the end of Quarter 2 to now 11.47 days for the current year-to-date, better than the target of 16 days.

Table 202

Average days to re-let (Charter)	2023/24 YTD		2023/24 Target	2022/23 Results
WHG	11.47		16	12.31

Summary of Strategic Project Delivery

4.60 A full update on progress with strategic projects is attached at Appendix 2. The following table summarises the current status of projects.

Table 213

Complete	On track	Slippage	Overdue
1	3	2	2

4.61 One project completed during Q3:

- *Group wide implementation of Roll out Book it, Track it, Rate it*.

4.62 The following projects which are currently slipping and impact on us:

- *My Voice – real time customer feedback reporting*. The key service pillars are being onboarded to complete by the end of February 2024 with the project on track for 31st March.

4.63 The following projects which impact on us are currently overdue:

- *Implement Group sustainability framework* - recently proposed revisions to the required energy efficiency of our properties make it more appropriate to report on progress against our sustainability strategy after the year-end.
- *Interest cover covenant revision* – delayed due to external interdependencies, which were highlighted as a contingency when agreeing to the project.

5 Customer engagement

5.1 We have several strategic projects that facilitate opportunity 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 drawn 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 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, which we have done.

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 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 have strong performance against our targets for 2023/24 in several key areas including complaint timescales, emergency repair timescales, medical adaptation completion timescales, ASB resolved, sickness absence and average days to re-let. Continued areas of focus include arrears and non-emergency repair timescales.

13 Recommendations

13.1 The Board is asked to note the contents of this report.

LIST OF APPENDICES:
Appendix 1: Strategic Results Dashboard
Appendix 2: Strategic Projects Dashboard

Appendix 1 - WHS Board - Delivery Plan 23/24 - Strategic Measures

1. Delivering Exceptional Customer Experience

Measure	2022/23	YTD 2023/24		
	2022	2023		
	Value	Value	Target	Status
Average time for full response to all complaints (working days) - overall	5.27	4.94		
Average time for full response to all complaints (working days) - Stage 1	3.84	3.62	5	
Average time for full response to all complaints (working days) - Stage 2	17.96	12.95	20	
% new tenancies sustained for more than a year - overall (ARC)	86.83%	86.9%	88%	
Group - % of first contact resolution at CFC	88.99%	85.94%	90%	
Group - Call abandonment rate	4.72%	5.43%	5%	
Group - Percentage of CFC customer interactions that are passed to Housing and Lowther staff for resolution	6.15%	7.01%	10%	
Group - % calls answered <30 seconds (Grade of Service)	76.79%	69.17%		
Group - Average waiting time (seconds)	57.64	59.63		
WHS - CFC Abandonment Rate	7.7%	5.91%	5%	
WHS – CFC Grade of Service	75.43%	73.92%		
WHS - Average Wait Time (seconds)	97.5	64.51		

2. Making the Most of Our Homes and Assets

	2022/23	YTD 2023/24		
Measure	2022	2023		
	Value	Value	Target	Status
Reduce the volume of emergency repairs by 10% by 2025/26 (target -3.34% for 2023/24)	Apr-Dec 22/23 10,944	Apr-Dec 23/24 9,552	-12.72%	
Reduce the volume of emergency repairs to less than 30% of overall reactive repairs	43.89%	38.99%	35%	
Average time taken to complete emergency repairs (hours) – make safe	2.91	2.67	3	
Average time taken to complete non-emergency repairs (working days)	7.02	8.37	7	
% reactive repairs completed right first time	91.09%	88.3%	90%	
Number of gas safety checks not met	0	0	0	
% of tenants who have had repairs or maintenance carried out in last 12 months satisfied with the R&M service	83.15%	88.37%	90%	
% stock compliant with SHQS	86.25%			
Average time to complete approved applications for medical adaptations (calendar days)	32.87	24.48	25	
% Planned repair spending	41.3%	40.69%	60%	
% Reactive repair spending	58.7%	59.31%	40%	
New build completions - Social Housing	37	0	0	
Number of HSE or LA environmental team interventions	1	0	0	
Group - Number of open employee liability claims	13	12		
Group - Number of days lost due to work related accidents	464	488.5		
Number of new employee liability claims received	0	0	0	

3. Changing Lives and Communities

Measure	2022/23	YTD 2023/24		
	2022	2023		
	Value	Value	Target	Status
% ASB resolved	100%	100%	98%	
% Lets Homeless Applicants - overall (ARC)	57.44%	46.01%		
% Relevant lets to Homeless Applicants	58.14%	46.07%		
Number of lets to homeless applicants	409	294		
WHS - Total number of jobs, training places or apprenticeships created including Wheatley Pledge	128	43	79	
Group - % of our customers live in neighbourhoods categorised as peaceful	68.5%	76.38%	69%	
Group - 100% of relevant properties have a current fire risk assessment in place	100%	100%	100%	
Number of accidental fires in workplace	0	0	0	
Number of accidental dwelling recorded by Scottish Fire and Rescue	19	6		

4. Developing Our Shared Capacity

Measure	2022/23	YTD 2023/24		
	2022	2023		
	Value	Value	Target	Status
% Sickness rate	2.19%	2.49%	3%	

5. Enabling Our Ambitions

Measure	2022/23	YTD 2023/24		
	2022	2023		
	Value	Value	Target	Status
% lettable houses that became vacant	7.91%	8.38%	8%	
% court actions initiated which resulted in eviction - overall	17.07%	53.33%		
Average time to re-let properties	12.31	11.47	16	
Gross rent arrears (all tenants) as a % of rent due	4.62%	4.54%	4.42%	

Appendix 2 - WHS 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		60%	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 Group
				02. CBG IT integration – Boxi reporting system implementation	31-Oct-2023	Yes	
				03. WHS DRS upgrade	31-Oct-2023	Yes	
				05. Servitor and DRS fully implemented -East	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 - Rate It launched on the 6th November in WHS
				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
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 complete end 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 under way and due to be complete for 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	
Lochside regeneration	31-Mar-2024		33%	01. Community engagement on Masterplan	31-Oct-2023	Yes	Progress against 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
				02. Draft Masterplan revised following community engagement	28-Feb-2024	No	
				03. Masterplan update to WHS and WDSL Board	31-Mar-2024	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
							on track to be finalised in Q4 of 2023/24 ahead of submission to DGC.
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 end June 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		83%	01. Deliver workshop with key people involved in Neighbourhood tools and scoring mechanisms to map out roles and remit	31-May-2023	Yes	Approach to Neighbourhood being presented at this Board.
				02. Develop a technical guidance document around application of tools and the scoring mechanisms within the neighbourhood assessment	30-Jun-2023	Yes	
				03. Trial and test the neighbourhood assessment, including customer engagement, in one neighbourhood within WHG	31-Jul-2023	Yes	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				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	No	
[redacted]							

Wheatley Homes South

Report

To: Wheatley Homes South Board

By: Stephen Wright, Director of Governance

Approved by: Anthony Allison, Group Director of Governance and Business Solutions

Subject: Governance report

Date of Meeting: 07 February 2024

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1. Purpose

1.1 To update the Board, seeking approval where appropriate, on the following governance-related matters:
- Group Code of Conduct;
- Governing Body Member Expenses and Allowances Policy;
- Board Member CPD Programme; and
- Board Agenda Planner 2024

2. Authorising and strategic context

2.1 Under the Group Standing Orders the approval of any Group policies as well as the Group Code of Conduct is reserved to the Group Board. Our Board is responsible for overseeing the implementation of any such relevant group policies and frameworks.

2.2 Our Board is responsible for overseeing and implementing our recruitment, succession plan and professional development programme. This approach ensures that we have Board Members with the skills and experience required to effectively govern our Board and in turn supports us to achieve each of our strategic outcomes and regulatory duties.

3. Background

3.1 The Group Board approved an updated Group Code of Conduct and Group Governing Body Member Expenses and Allowances Policy at their meeting on 20 December 2023.

3.2 Following the completion of the Group Board appraisals process, the Group RAAG Committee approved a rolling 3-year CPD programme at their meeting on 20 December 2023.

3.3 Our Board receives annual governance reporting as well as updates to each meeting, as required. This report addresses our forward planning for the year (both meeting dates and proposed business).

4. Discussion

Group Code of Conduct for Governing Body Members

4.1 At its meeting in December 2023 the Group Board agreed to adopt an updated Code, on the recommendation of the RAAG Committee. The new Code follows the Scottish Federation of Housing Associations ("SFHA") model and aligns us with the wider sector.

4.2 We have made some minor revisions to the SFHA model to reflect the Group dynamic, for example, that not all subsidiaries are RSLs. The Group Board has approved the implementation of the Code from 1 April 2024, with recertification taking place annually in August each year (from August 2025).

4.3 A copy of the Code is attached for review at Appendix 1a, together with supplementary guidance at Appendix 1b. The Code also refers to a protocol to be used in the event of a breach. Although we have had no breaches of our Code in recent years, we have taken the opportunity to prepare a breach protocol to provide clarity in the event of any future issues. The protocol (Appendix 1c) is also based on the SFHA model, with amendments that acknowledge the role of our Group RAAG Committee in investigating any alleged breach of the Code.

4.4 Any material feedback from our Board that may give rise to any changes will be taken back to the RAAG Committee for consideration and an onward recommendation to the Group Board.

Governing Body Member Expenses and Allowances Policy

4.5 The Group Board has reviewed the Governing Body Expenses and Allowances Policy (Appendix 2). Overall, the Group Board was satisfied that the policy remains fit for purpose and only minor updates were required, for example, to strengthen the wording in relation to our Freedom of Information obligations and update the compensatory payments for loss of earnings to match the living wage.

4.6 The current Competency Framework and Continuous Professional Development Programme was developed in partnership with the Institute of Directors and recognises the importance of the skills, knowledge and experience of Board members as significant determinants of the quality and effectiveness of governance.

4.7 The principles and competencies within the Competency Framework remain relevant and there are no material changes proposed to this.

4.8 The Group RAAG Committee has approved a rolling 3-year Board Member CPD programme which is attached at Appendix 3a.

4.9 Our CPD Programme runs over a rolling 3-year period. We have focussed the CPD programme for 2024 on some of the newer and emerging areas, where there is a need for Board members to have the opportunity to further develop and keep their skills and knowledge up to date.

4.10 There are some areas where it is helpful to have refresher training for those who wish to receive it, such as in relation to financial reporting. We have therefore proposed a CPD event in the lead-up to considering our annual accounts in August.

4.11 The CPD programme for 2024 is set out in Appendix 3b and will focus on the subject areas set out below. Details about each of the events are provided in the appendix, including a recommendation about whether these are mandatory or optional. Given the subject matter, in most cases we have recommended that these are mandatory. To support attendance, we have offered date or venue options:

- Role of a non-Executive
- Equality, Diversity and Inclusion (EDI)
- Cyber Security
- Financial reporting

<u>MyAcademy on-line portal</u>

4.12 We will extend access to our in-house learning portal, MyAcademy, to our Board Members. Board Members will be able to access on-line training courses at their convenience. A number of the courses provided cover matters that would be beneficial for Board members, to provide a greater understanding of some of the duties that are placed on us as well as our Group approach.

4.13 In addition to the courses referred to above on EDI and Cyber Security, we have courses on social media awareness, data protection and freedom of information. We are also developing training on business ethics and our core legal and regulatory duties.

<u>Governing our Group</u>

4.14 Taking into account the enhanced CPD, we propose to hold two *Governing our Group* events during 2024. The main event would be by way of a conference held in late April, in preparation for our strategy workshops. The event would feature senior figures from the housing and related sectors, including an economic outlook from Fraser of Allander Institute or other similar organisation.

4.15 The above reflects the feedback from our Board members, who felt a 'State of the Nation' style event would be most productive. The second event would be our annual social event, the festive lunch, on 18 December.

4.16 Having an annual Board agenda planner enables the Board to have an understanding of and to directly influence Board activity for the year ahead. The annual planner will remain responsive to business need but will be maintained on AdminControl for the Board's visibility. The annual board agenda planner is attached at Appendix 4.

5. Customer engagement

5.1 There has been no customer engagement required for 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 implications associated with this report.

8. Financial and value for money implications

8.1 The cost of our CPD programme will be met from our existing budgets. Where possible, we will draw on the CPD offered by suppliers where this is already included as a benefit within our procurement frameworks.

9. Legal, regulatory and charitable implications

9.1 Under the SHR's Standards of Governance Financial Management there is a requirement for "*The governing body... to have the skills and knowledge they need to be effective*".

9.2 The proposals in the report support us to achieve this, by ensuring we have opportunities for our Board members to continually develop the skills and knowledge required to govern our business.

10. Risk appetite and assessment

10.1 There is no single risk appetite covering the matters in this report; however across our related strategic outcomes/risk categories, our risk tolerance for legal/compliance ranges from cautious to averse; reflecting our preference of low inherent risk with limited potential for reward vs avoidance of risk and uncertainty with a priority for tight management controls and oversight.

10.2 Our succession plan, our appraisal process and our continuous professional development programme are significant controls that support risk mitigation.

10.3 The proposals set out in the report seek to support us in assessing risk that could impact on our compliance with the SHR's Standards of Governance and Financial Management.

11. Equalities implications

11.1 The allowances within the Governing Body Expenses and Allowances Policy such as covering childcare, carers and loss of earnings are designed to be as inclusive as possible. Additionally, the specific allowance for tenant members was introduced to ensure no individual was disadvantaged or out of pocket in undertaking their role.

12. Key issues and conclusions

12.1 Our proposed new Group Code of Conduct is both streamlined and in line with the wider housing sector in Scotland. Any material feedback from our Board that may give rise to any changes to the Conduct will be taken back to the RAAG Committee for consideration and an onward recommendation to the Group Board.

12.2 Our updated expenses policy helps to ensure we have a clear framework for reimbursing Board members.

12.3 Our Competency Framework and Professional Development Programme will help us to ensure we have the skills and knowledge to effectively govern our Group. An additional benefit of the re-introduction of the CPD programme will be the opportunity for Board members to engage with fellow Board members within other subsidiaries in the Group.

12.4 Board planning, both in terms of personnel as well as annual business, is a key strength and helps us to ensure that we have effective arrangements in place to achieve our strategic objectives.

13. Recommendations

13.1 The Board is asked to note the contents of the report.

LIST OF APPENDICES

Appendix 1a:	Group Code of Conduct
Appendix 1b:	Group Code of Conduct: Guidance
Appendix 1c:	Group Code of Conduct: Breach Protocol
Appendix 2:	[redacted] available here
Appendix 3a:	Rolling Board Member CPD Programme
Appendix 3b:	2024 Board Member CPD Programme
Appendix 4:	2024 Board Agenda Planner

Code of Conduct for Governing Body Members

We will provide this code on request at no extra cost translated or in large print, in Braille, on tape on in another non-written format

Approval body	*Wheatley Housing Group Board*
Date of approval	*20 December 2023*
Review Year	*2026*
Customer engagement required	*No*
Trade union engagement required	*No*
Equality Impact Assessment	*No*

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3. How the Code is structured 3

4. The Principles 4

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1. Introduction

1.1 We attach the greatest importance to ensuring that high standards of governance and ethical behaviour are demonstrated by all of our people and in all of our activities.

1.2 This Code of Conduct sets out the requirements and expectations which are attached to your role as a Governing Body member. You have a personal responsibility to uphold the requirements of this Code. You cannot be a member of the Governing Body if you do not agree to adopt this Code of Conduct. To confirm that you understand its requirements and accept its terms, you must review and sign this Code annually.

1.3 As a Group whose Parent is a Registered Social Landlord ("RSL"), we are required to adopt and comply with an appropriate Code of Conduct. This Code is based on the Model Code of Conduct produced by the Scottish Federation of Housing Associations. The Scottish Housing Regulator ("SHR") has confirmed that this Code fully complies with its Regulatory Standards.

1.4 This Code of Conduct is an important part of our governance arrangements. Members of a Governing Body are responsible for ensuring that they are familiar with the terms of this Code and that they always act in accordance with its requirements and expectations. Governing Body Members must always ensure their actions accord with the legal duties and any applicable regulatory guidance.

1.5 If a member of the Governing Body appears to have breached any part of this Code, the matter will be investigated in accordance with the approved Group protocol. A breach of this Code may result in action being taken by the Governing Body to remove the member(s) involved.

2. Who the Code applies to

2.1 This Code of Conduct applies to all elected, appointed and co-opted members of our Group Governing Body, its sub-committees and members of the Governing Bodies of any Wheatley Group subsidiary organisation and/or their sub-committees.

3. How the Code is structured

3.1 The Code is based on the seven principles which are recognised as providing a framework for good governance. They demonstrate honesty, integrity and probity.[1]

3.2 Each principle is described, as it applies to the activities of a governing body and its Governing Body Members, and supporting guidance is offered for each to provide more explanation of the Code's requirements. The guidance is not exhaustive, and it should be remembered that Governing Body Members are responsible for ensuring that their conduct at all times meets high standards.

[1] Committee for Standards in Public Life 1994, Nolan Principles on Standards in Public Life

4. The Principles

4.1 The seven principles and what they mean for the purposes of this Code are:

- **A.** **Selflessness**
- **B.** **Openness**
- **C.** **Honesty**
- **D.** **Objectivity**
- **E.** **Integrity**
- **F.** **Accountability**
- **G.** **Leadership**

A. Selflessness

You must act in the best interests of the organisation you are a governing body member of at all times and must take decisions that support and promote our strategic plan, aims and objectives. Members of the Governing Body should not promote the interests of a particular group or body of opinion to the exclusion of others.

A.1 I will always uphold and promote the organisation's aims, objectives and values and act to ensure their successful achievement;

A.2 I will exercise the authority that comes with my role as a governing body member responsibly;

A.3 I will accept responsibility for all decisions properly reached by the Board/Committee (or a sub-committee or working group with appropriately delegated responsibility) and support them at all times, even if I did not agree with the decision when it was made;

A.4 I will consider and respect the views of others;

A.5 I will not seek to use my position inappropriately to influence decisions that are the responsibility of staff; and

A.6 I will not seek to use my influence inappropriately or for personal gain or advantage or for the benefit of someone to whom I am closely connected[2] or their business interests.

[2] As defined in the Group Policy on Payments, Benefits, Gifts and Hospitality"

B. Openness

You must be transparent in all of your actions; you must declare and record all relevant personal and business interests and must be able to explain your actions.

B.1 I will use my best endeavours and exercise reasonable skill and care in the conduct of my duties;

B.2 I will avoid any situation that could give rise to suspicion or suggest improper conduct;

B.3 I will declare any personal interest(s) and manage openly and appropriately any conflicts of interest; I will observe the requirements of our Conflicts of Interest Policy. I will keep my entry in the Register of Interests complete, accurate and up to date. I will make an annual statement to confirm my declarations are accurate;

B.4 I will not accept any offers of gifts or hospitality from individuals or organisations which might reasonably create – or be capable of creating – an impression of impropriety or influence or place me under an obligation to these individuals or organisations. I will comply with the Group policy on Payments, Benefits Gifts and Hospitality Policy or equivalent;

B.5 I will ensure that, in carrying out my role as a Governing Body member, I am informed about and take account of the views, needs and demands of tenants and service users;

B.6 I will ensure that the organisation is open about the way in which it conducts its affairs and positive about how it responds to requests for information; and

B.7 I will not prevent people or bodies from being provided with information that they are entitled to receive.

C. Honesty

You must ensure that you always act in the best interests of the organisation and that all activities are transparent and accountable.

C.1 I will always act honestly and in good faith when undertaking my responsibilities as a Governing Body member;

C.2 I will use my experience, skills, knowledge and judgement effectively to support our activities;

C.3 I will ensure that decisions are always taken and recorded in accordance with our Rules and procedures;

C.4 I will ensure that the organisation has an effective whistleblowing policy and procedures to enable, encourage and support any staff or Governing Body member to report any concerns they have about possible fraud, corruption or other wrongdoing;[3]

C.5 I will report any concerns or suspicions about possible fraud, corruption or other wrongdoing to the appropriate senior person within the organisation in accordance with our whistleblowing policy;

C.6 I will comply with all policies and procedures regarding the use of our funds and resources[4] and I will not misuse, contribute to or condone the misuse of these resources;

C.7 We forbid all forms of bribery, meaning a financial or other advantage or inducement intended to persuade someone to perform improperly any function or activity. I will neither accept from nor give bribes or any other inducement to anyone. I will comply with our policy on anti-fraud and bribery and will report any instances of suspected bribery or corruption within the organisation or any of its business partners; and

C.8 I will ensure that neither I nor someone closely connected to me receives or is seen to receive preferential treatment relating to any services provided by the organisation or its contractors/suppliers. I will declare all interests openly and ensure they are effectively managed to demonstrate this.

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[3] These concerns might include, but are not confined to, suspected fraud, dishonesty, breach of the law, poor practice, non-compliance with regulatory requirements, misconduct, breach of this code.

[4] Resources include people, equipment, buildings, ICT, funds, knowledge, stationery, transport

D. Objectivity:

You must consider all matters on their merits; you must base your decisions on the information and advice available and reach your decision independently.

D.1 I will ensure that the decisions that I take are consistent with our aims and objectives and with the relevant legal and regulatory requirements (including those of the Scottish Housing Regulator, the Office of the Scottish Charity Regulator, the Financial Conduct Authority and the Care Inspectorate);

D.2 I will prepare effectively for meetings and ensure I have access to all necessary information to enable me to make well-informed decisions;

D.3 I will monitor performance carefully to ensure that the organisation's purpose and objectives are achieved, and take timely and effective action to identify and address any weaknesses or failures;

D.4 I will use my skills, knowledge and experience to review information critically and always take decisions in the best interests of the organisation, our tenants and our service users;

D.5 I will ensure that our organisation seeks and takes account of additional information and external/independent and/or specialist advice where necessary and/or appropriate;

D.6 I will ensure that effective policies and procedures are implemented so that all decisions are based on an adequate assessment of risk, deliver value for money, and ensure the financial well-being of the organisation; and

D.7 I will contribute to the identification of training needs, keep my knowledge up to date, and participate in ongoing training that is organised or supported by us.

E. **Integrity**:

You must actively support and promote our values; you must not be influenced by personal interest in exercising your role and responsibilities.

E.1 I will always treat my Board colleagues our staff, our customers and partners with respect and courtesy;

E.2 I will always conduct myself in a courteous and professional manner; I will not, by my actions or behaviour, cause distress, alarm or offence;

E.3 I will publicly support and promote our decisions, actions and activities; I will not, by my actions or behaviour, compromise or contradict the organisation, its activities, values, aims or objectives. I will notify the Chair quickly if I become aware of any situation or event that I am associated with which could affect our reputation;

E.4 I will fulfil my responsibilities as they are set out in the relevant role description(s); I will maintain relationships that are professional, constructive and that do not conflict with my role as a governing body member;

E.5 I will comply with, support and promote our policies relating to equality, diversity and human rights as well as uphold our whistleblowing and acceptable use policies;

E.6 I will respect confidentiality and ensure that I do not disclose information to anyone who is not entitled to receive it, both whilst I am a member of the Board and after I have left;

E.7 I will observe and uphold the legal requirements and our policies in respect of the storage and handling of information, including personal and financial information;

E.8 I will not make inappropriate or improper use of, or otherwise abuse, our resources or facilities and will comply with our policies and procedures regarding the use of our funds and resources; and

E.9 I will not seek or accept benefits, gifts, hospitality or inducements in connection with my role as a member of our Governing Body (other than where permitted by the policy), or anything that could reasonably be regarded as likely to influence my judgement. I will not benefit, or be perceived to benefit, inappropriately from my involvement with the organisation and will comply with our policies on the matter.

F. Accountability

You must take responsibility for and be able to explain your actions, and demonstrate that your contribution to our governance is effective.

F.1 I will observe and uphold the principles and requirements of applicable regulatory frameworks, and gain assurance that relevant statutory and regulatory guidance and our legal obligations are fulfilled;

F.2 I will ensure that we have effective systems in place to monitor and report our performance and that corrective action is taken as soon as the need is identified;

F.3 I will contribute positively to our activities by regularly attending and participating constructively in meetings of the Board**,** its committees and working groups;

F.4 I will participate in and contribute to an annual review of the contribution I have made to our governance;

F.5 I will not speak or comment in public on our behalf without specific authority to do so;

F.6 I will co-operate with any investigations or inquiries instructed in connection with this Code whilst I am a governing body member and after I have left;

F.7 I recognise that the Governing Body as a whole is accountable to its customers and I will demonstrate this in exercising my judgement and in my decision-making; and

F.8 I will always be courteous and polite and behave appropriately when acting on our behalf.

G. Leadership:
You must uphold our principles and values and lead the organisation by example.

G.1 I will ensure that our strategic aims, objectives and activities deliver good outcomes for our customers. I will make an effective contribution to our strategic leadership;

G.2 I will ensure that our aims and objectives reflect and are informed by the views of our customers.

G.3 I will always be a positive ambassador for the organisation.

G.4 I will participate in and contribute to the annual review of the Governing Body's effectiveness and help to identify and attain the range of skills that we need to meet our strategic objectives.

G.5 I will not criticise or undermine the organisation or our actions in public.

G.6 I will not criticise staff in public; I will discuss any staffing related concerns privately with the Chair and/or Senior Officer.

G.7 I will not harass, bully or attempt to intimidate anyone.

G.8 I will not use social media to criticise or make inappropriate comments about the organisation, its actions or any member of the Board staff or other partners.

G.9 I will not act in a way that could jeopardise our reputation or bring us into disrepute.[5]

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[5] This includes activities on social media, blogs and networking sites.

5. Declaring and Managing Personal Interests

5.1 Where you have a personal, business or financial interest in any matter that is relevant to our activities or is being considered (or is likely to be considered), or you know that someone to whom you are closely connected has such an interest, you must declare it promptly and record it in our Register of Interests.

5.2 It is your responsibility to keep your Register of Interests complete, accurate and up to date.

6. Breach of this Code

6.1 Each member of the Governing Body has a personal and individual responsibility to promote and uphold the requirements of this Code. If any member of the Governing Body believes that they may have breached the Code or has witnessed or has become aware of a potential breach by another member, they should immediately bring the matter to the attention of their Chair.

6.2 Alleged breaches of the Code of Conduct must be reported to the Company Secretary and Group Chair. In the case of a subsidiary, the alleged breach should be reported to the Chair of the subsidiary in the first instance (where appropriate). Any alleged breaches of this code shall be investigated by the Group Remuneration, Appointments, Appraisal and Governance Committee. The procedure for dealing with alleged breaches is described in the Breach protocol.

6.3 Each member of the Governing Body has a duty to co-operate with and contribute to any investigation relating to the Code of Conduct

7. Acceptance

I have read and understood the terms of this Code of Conduct and I agree to uphold its requirements in all my activities as a member of our Governing Body. I am aware that I must declare and manage any personal interests. I agree to review all relevant Registers regularly to ensure that all entries relating to me are accurate. I understand that, if I am found to have breached this Code of Conduct, action will be taken by the Governing Body which could result in my removal.

Name……………………………………………………………………

Date……………………………………………………………………

Supporting Guidance to the Code of Conduct for Wheatley Group governing body members

This Guidance has been prepared for governing body members of the Wheatley Group and its subsidiaries, to support the adoption of our Code of Conduct (the Code). All governing body members must sign the Code of Conduct when they are elected, co-opted or appointed, and then on an annual basis thereafter. References throughout this Code of Conduct to 'we', 'us' and 'our' mean Wheatley Housing Group Limited and any of its subsidiary undertakings (including Wheatley Homes Glasgow, Wheatley Homes East, Wheatley Homes South, Loretto Housing, Lowther Homes, Wheatley Care, Wheatley Foundation, Wheatley Solutions)

We attach the greatest importance to ensuring that high standards of governance and ethical behaviour are demonstrated by all of our people and in all of our activities. Our Code of Conduct sets out the requirements and expectations which are attached to your role as a governing body member. You have a personal responsibility to uphold both the spirit and the requirements of our Code.

Our Code of Conduct is an important part of our governance arrangements. It is supported by the Role description which describes your responsibilities as a governing body member. You are responsible for ensuring that you are familiar with the terms of the Code and that you always act in accordance with its requirements and expectations. Governing body members must always ensure their actions accord with the legal duties of the company and with regulatory guidance. You must also ensure you are familiar with any policies which are linked to this code.

As Registered Social Landlords (RSLs), Wheatley Housing Group, Wheatley Homes Glasgow, Loretto Housing, Wheatley Homes East and Wheatley Homes South are required to adopt and comply with an appropriate Code of Conduct[1]. Our Code is based on the Model Code of Conduct produced by the Scottish Federation of Housing Associations (2021), which the Scottish Housing Regulator (SHR) has confirmed fully complies with its regulatory requirements. The provisions of the Code are based on good governance. We have extended the Code to apply to all entities within our group.

You cannot be a member of a governing body if you do not agree to adopt our Code of Conduct. To confirm that you understand its requirements and accept its terms, you must review and sign the Code annually.

Each year, following the AGM, governing body members will be asked to sign and date our Code of Conduct to confirm your commitment to the principles, requirements and expectations that it describes and to meet the requirements of our rules. A copy of our Code, showing your signature throughout your membership of the governing body will be retained by us, in accordance with our Data Protection/Privacy policy.

[1] Scottish Housing Regulator (2019) Regulatory Framework, Regulatory Standard 5.2

Our Code of Conduct applies to all elected, appointed and co-opted members of our governing body and its sub-committees and to the governing bodies of all subsidiaries and members of Wheatley Group.

Breach of the Code

If a complaint is made or concern is raised that a member of the governing body may have breached any part of our Code, the matter will be investigated in accordance with the Protocol which has been approved by the Wheatley Group Board. The protocol forms part of our governance policies and is accessible from the Director of Governance and on our Board portals.

How the Code is structured

We have adopted the Scottish Federation of Housing Associations ("SFHA") Model Code of Conduct. The Code is based on the seven principles which are recognised as providing a framework for good governance. They demonstrate honesty, integrity and probity.[2]

This guidance is offered to support the application of the Code of Conduct by providing some illustrations of the practical application of the Code's requirements. It is emphasised that the guidance is not exhaustive.

It must be remembered that governing body members are always responsible for ensuring that their conduct at all times meets the high standards that we are recognised for upholding.

The Principles of the Code

The seven principles of the Code are:

A. Selflessness

B. Openness

C. Honesty

D. Objectivity

E. Integrity

F. Accountability

G. Leadership

[2] Committee for Standards in Public Life (May 1995), Nolan Principles

The remainder of this guidance offers some illustrations of how each of the principles may be applied to your role as a governing body member. There are references throughout to the need for governing body members to 'be familiar' with the terms of policies and other documents. This does not mean that you need to know the detailed content of all the documents but rather you should be aware of their key principles and have ready access to them in the event that the detail is necessary.

A. Selflessness

This principle emphasises the importance of governing body members acting in our best interests at all times and taking decisions that will support delivery of our objectives. Although individual governing body members bring knowledge and experience to their role, you are not a representative for a specific interest or group: your experience and knowledge should inform your contribution to discussion but your decision-making should be influenced by our aims and objectives and not individual or specific interests. In practice, this means that you must always make a conscious effort to see the bigger picture and not concentrate just on the issues that are important to you.

A1 refers to upholding our values, which are included at 1.1 in the introduction of our Code.

The principle contains a commitment to always support and uphold the governing body decisions and our actions (A3): if a governing body member were to actively undermine or publicly contradict or disagree with decisions and/or actions, this may constitute a breach. E3 of the Code contains a parallel commitment: if a decision is taken by the governing body that a member fundamentally disagrees with and cannot support, it may be that resignation should be considered.

This principle is not intended to prevent a governing body member from disagreeing with a proposal during a meeting or from recording their dissent from a decision; rather it is intended to ensure that no member of the governing body actively and/ or publicly undermines the organisation. In practice, this means, for example, that you should not question in public why a decision was taken or criticise the organisation. It is only if a governing body member actively undermines or disagrees with a decision or action that a breach of the Code may arise. A similar provision is contained in the Code of Conduct for staff.

A4 specifies that governing body members will always be respectful to others: this means, among other things, that you must uphold and be familiar with our policies relating to Equalities and Human Rights and Dignity at Work. This requirement relates to all of your engagements with governing body colleagues and staff, tenants and customers, partners and agents. In practice, this means listening to and considering other views and respecting opinions even if they are very different from your own. It also applies to wider conduct: E1, E2 and E3 are specific about the responsibilities of governing body members to ensure that they do not bring the organisation into disrepute.

The Code stresses that governing body members should not stray into operational matters or seek to use their influence (A6) inappropriately or for personal gain. This means that governing body members should always refer individual matters relating to themselves or someone they know or in which they have an interest to the relevant member of staff or to the Director of Governance for onward delegation.

B. Openness

This principle sets the framework for ensuring that, in all of our activities and in all your actions, transparency and openness are evident. In practice, this means that you must identify and declare all personal interests which are relevant to our work and to your role with us. You must be familiar with the process for declaring interests and you must make sure that the Register of Interests is accurate and up to date at all times. You must ensure that you are well informed about our policy on declaring interests, which forms part of our EPB (Entitlements, Payments and Benefits) Policy (B3).

You must always be careful and cautious about how your actions may be viewed by others and take care to avoid anything which could compromise or embarrass you or us (B2). In practice, this means that you cannot accept gifts or hospitality that are not permitted by our Payments, Benefits, Gifts and Hospitality policy.

B5 reflects the requirements of SHR's regulatory standard 2 by emphasising the importance of governing body members being well-informed about the needs and priorities of tenants. In practice, this may include considering information from Tenant Scrutiny groups, monitoring tenant satisfaction and landlord performance data, offering/considering insight provided from individual governing body members' experiences of their landlord. governing body members should use this information to inform their consideration of the business that is brought to the governing body.

Some of our group are covered by the requirements of the Freedom of Information (Scotland) Act. For our RSLs, the SHR's Regulatory Framework requires them to be open and accountable for what they do[3]. As a member of a governing body, you are responsible for ensuring that we comply with these legal and regulatory requirements: in practice, this means monitoring our compliance and ensuring that we communicate openly and respond effectively to tenants, customers, regulators, funders and partners.

The governing body should oversee a culture of openness throughout the organisation – in our communications, access to our website, engagement with tenants and customers and willingness to provide information and answer questions. In practice, this means working on the basis that information will be made available unless there is a good reason for it being withheld. At the same time, you must also ensure that confidentiality is respected (B6 and B7 require that information is made available but E6 also requires that confidentiality must be ensured). This means that it is important for governing body members to be involved in agreeing the policy framework that supports how we categorise information.

[3] Regulatory Standard 2 (SHR Regulatory Framework 2019)

C. Honesty

This principle emphasises the importance of always acting honestly and in good faith in undertaking your role as a governing body member; it also supplements the principle of Openness. To uphold this principle, you should ensure that you are familiar with our rules, standing orders and scheme of delegation, as well as our governance policies and procedures (C3).

C4 requires you to be aware of the terms of our Whistleblowing Policy: in practice, this means that the governing body, collectively, must be assured that the policy is fit for purpose (SHR has issued Statutory Guidance on Whistleblowing) and that there is regular training provided for governing body members and staff on its terms. Governing body members must also ensure that there are effective procedures in place for whistleblowing allegations to be made and investigated, with adequate safeguards in place to protect complainants. Governing body members have an individual duty to report any concerns that you may have about possible fraud, corruption or wrongdoing (C5 and C7). You must, therefore, be familiar with the terms of our Anti-Fraud, Bribery and Corruption policy. You are expressly forbidden to accept any gifts or other inducements which might create, or be capable of creating, a sense of obligation to another party.

C6 stresses your commitment to ensure that our funds and resources are used properly and for legitimate purposes. This means that decisions about what we do and how we act must fit with, amongst other things, our permitted purpose, and objectives, our business plan and the terms of our loans and grant-making authorities.

C8 further emphasises[4] your responsibility to ensure that neither you nor someone closely connected to you is seen to benefit inappropriately from your role with us and to be very open in declaring all relevant personal interests. In practice, this means ensuring that you are not involved in any decisions which personally impact or affect you or someone you are close to.

D. Objectivity

This principle is about the need to ensure that you make decisions based on an objective consideration of the information that is presented to you in reports. In practice, this means that you must be satisfied that you have access to all of the information you need to fulfil your responsibilities, whilst – at the same time – being mindful of and respecting the distinct roles of governing body members (strategic) and senior staff (operational).

D1 reflects the provisions of Regulatory Standard 1 by committing governing body members to ensuring that decisions are consistent with all legal, constitutional and regulatory requirements. This means that governing body members must be familiar with these provisions. Reports should refer and draw attention to the relevant legal, regulatory and financial constraints/conditions, with Minutes recording that these have been adequately considered.

[4] A6 and B3 are also relevant

D2 is explicit about the importance of preparing adequately for meetings – our role description contains an indication of the time that is likely to be involved in meeting preparation. Preparation includes reading all of the reports and also accessing any additional information that may be available (e.g. supplementary reports) and which you feel is necessary. This might also involve the governing body requesting that specialist or independent advice is obtained (D5 and Regulatory Standard 4.1) – and individual members being aware of when it is appropriate and/or necessary to do so (D5).

D6 describes the responsibility of governing body members to ensure that the organisation has an effective and robust framework for assessing and managing risk: this includes being satisfied about the delegation of authority, operation and reporting of e.g. the Audit and Risk sub-committee. It also relates to the operation of financial regulations and the effectiveness of financial planning, budget preparation, forecasting and reporting. Regulatory Standard 3 is relevant to this principle.

In order to be objective, governing body members must be well-informed about the organisation's business and operating environments as well as the sector and economic policy and strategy contexts. D7 commits governing body members to participate in regular training to keep their knowledge up to date. Of course, no one is expected to be an expert in everything but there is an expectation that each governing body member will help to identify their own ongoing training needs and the priorities collectively – this will be an element of the annual review of the governing body's effectiveness (as required by Regulatory Standard 6.5).

E. Integrity

This principle focuses on the importance of always acting in our best interests and actively promoting our values, aims and objectives and reflects many of the other principles in the Code.

E1 and E2 echo A4: governing body members must be respectful and courteous in all that you do: in practice, this means being prepared to 'agree to disagree' when strong opinions are held and being tolerant of views and perspectives which might be very different from your own. It also means recognising and acknowledging that what is acceptable in terms of language and conduct can change and being mindful that differences in cultures, faiths and beliefs can be very significant and sensitive.

E3 complements A3 in terms of publicly promoting and supporting us and our activities but it also includes a commitment to notify the Chair as soon as you become aware of anything that might compromise us or our interests. In practice, this might include being associated with, for example, a community council's opposition to a planning application that we have made or being involved in something that may become public and which could embarrass us.

E4 refers to the role descriptions that we have adopted: all governing body members must be familiar with the terms of their role description and, for office bearers, there will be more than one. In practice, this principle seeks to ensure that relationships are professional: amicable and constructive with respect for the boundaries between the strategic role of the governing body member and the operational responsibilities of senior staff.

E5 complements A4 and is a specific commitment to uphold our Equality and Diversity and Whistleblowing policies: this reflects the regulatory requirement for us to have a whistleblowing policy and the Regulatory Standard that requires 'clear procedures for employees and governing body members to raise concerns or whistleblow if they believe that there has been fraud, corruption or other wrongdoing within the RSL'[5]

E6 and E7 relate to confidentiality and the importance of maintaining it. This applies to the content of reports, discussions at governing body and committee meetings and all other business that you have access to in your role as a governing body member. Upholding this principle requires you not to discuss anything that is identified as being confidential with anyone who is not entitled to the information; it also means making sure that any papers are stored securely (e.g. by means of passwords on laptops or other devices, in a locked drawer) and that on-line discussions can't be overheard (e.g. if attending a virtual meeting). In applying this principle, you must also be mindful of our duties in respect of safeguarding personal information i.e. anything from which an individual can be identified.

F. Accountability

This principle is about the importance of taking personal responsibility for your contribution to our governance. In practice, this means being active in your role as a governing body member – asking questions, critically reviewing information and monitoring performance and participating in strategy and planning events (F3).

F1 is a specific commitment to upholding legal and regulatory requirements: in practice, this means that you should feel assured and satisfied, as far as you reasonably can, that we are compliant with our legal and regulatory obligations as well as our own internally set standards. Your assurance will come from your participation in our governance – the reports, discussions, external advice and audits that you are asked to consider and which form the evidence for the governing body annual Assurance Statement (F2).

As a governing body member, you are expected to participate in an annual review of the effectiveness of your own contribution (F4) and of our overall governance (G4). As well as being a principle of the Code, this is also a regulatory requirement (Regulatory Standard 6.3, 6.3).

F6 places a responsibility on each governing body member to be assured that there is an effective process in place for appraisal of the senior management. In practice, this also means ensuring that senior management is adequately supported as well as being held to account for the achievement of both corporate and individual objectives. governing body members must also be satisfied that the annual appraisal is carried out effectively and that its outcome is reported to the governing body.

[5] Regulatory Standard 5.6

Our Scheme of Delegation identifies who is authorised to make public comments on our behalf; it is not normally appropriate for an individual governing body member to speak in public without prior agreement from the Chair. This includes, for example, accepting an invitation to contribute to a conference or event because of your role with us. The Code's principles also extend to social media activities (F7, G7).

F8 is a specific commitment to participate in and co-operate with any investigations that may be instructed relating to the Code, involving you either directly or as a witness. This obligation extends beyond your term of membership of the governing body which means that your co-operation may be requested when you are no longer a member of the governing body. It is unlikely that you would be asked to contribute to any such investigation more than two years after you have left.

F9 requires governing body members to ensure that the best interests of customers, tenants and service users guide planning and decision-making. In practice, this means being informed and taking account of the views of customers, tenants and service users in all aspects of your role and ensuring that reports contain sufficient information to give you assurance that proposals are similarly informed before you make a decision.

G. Leadership

The role of the governing body is to lead and direct the organisation to deliver good outcomes for our customers, tenants and service users[6]. This section of the Code sets out some specific expectations about that part of your role. It also stresses the importance of governing body members leading by example and making a positive and active contribution to our governance (G1, G2).

G3 echoes A3 and E3 by specifying your responsibility to be positive in your support for us and our work. In practice, this means representing us positively both when acting on our behalf and in your wider activities.

G4 complements the individual focus of F4 by being explicit that the governing body should review the overall effectiveness of its governance arrangements: this forms part of our annual review process, which also includes a review of the range of skills, knowledge and experience that the governing body collectively needs to fulfil its responsibilities. governing body members have a responsibility to contribute to the process of identifying any gaps and the best means of filling them (D7)[7].

G5 supports G3 (and A3 and E3) by being explicit that you should not criticise us, our people or our actions in public. This does not mean that you cannot be critical or raise concerns – that is a key part of your responsibility as a governing body member – but you should always be constructive and objective in your challenge and criticism, which should be expressed at meetings and in discussions and with the relevant people, in accordance with our structures and procedures.

[6] Regulatory Standard 1
[7] Regulatory Standard 6.5

G6 is a specific commitment not to criticise or undermine (or appear to undermine) members of staff (individually or collectively) in public (including to customers, tenants or partners). Any concerns which you have should be raised directly and privately with the Chair.

G7 echoes provisions regarding bullying and harassment.

G8 supplements the principle at F7 by making specific reference to social media activity: all of the provisions of the Code apply to your presence on all social media platforms.

It is essential that governing body members are not associated with anything that could compromise us or bring us into disrepute. G9 echoes the provisions that are set out at E3 and E4. In all that you do, you must be mindful of any potential negative impact on us and, if you become aware of anything that could affect us, you must bring it to the attention of the Chair quickly (E3).

Protocol for Dealing with a Breach of the Code of Conduct

1.1 This procedure sets out the arrangements that will apply to potential breaches of the Code of Conduct, which are defined as follows:

(a) Breaches of the Code of Conduct (the Code) that occur during a meeting and involve a member being obstructive, offensive or disregarding the authority of the Chair

(b) Other complaints about the conduct of a Member of the Governing Body

(c) Information that suggests that there may have been a breach of the Code by a member of the Governing Body.

1.2 A breach of the Code by a RSL governing body member is a Notifiable Event. The governing body is responsible for ensuring that the necessary notifications are made to the Scottish Housing Regulator as soon as any breach comes to light, and that the SHR's requirements (in terms of reporting the outcome of the investigation are met.

Conduct at meetings

2.1 Potential breaches that occur during the course of a meeting will normally be dealt with by the relevant Board Chair during the meeting and/or within 24 hours of the meeting. In these circumstances, the Chair may ask the member to leave the meeting or a vote may be taken to exclude the member from the rest of the meeting. After the meeting, the Chair will discuss such behaviour with the member and may require the member to apologise or take such other action as may be appropriate.

2.2 Where the Chair regards such behaviour as potentially meeting the threshold for a breach of the Code they must raise this with the Group Company Secretary and Group Chair to agree whether to refer it for investigation subsequently in accordance with the terms of this protocol. It may be the case that no one instance is a standalone breach of the Code but a pattern of behaviour in meetings represents a breach.

Other Complaints

3.1 Potential breaches of the Code may occur beyond business premises (e.g. whilst a Governing Body member is at an external meeting, a meeting with staff, attending a training event or conference or otherwise representing us, or whilst engaging in social networking). Potential breaches may also involve inappropriate conduct in relation to colleagues, staff or service users or failure to follow the requirements of an approved policy.

3.2 A potential breach of the Code, including repeated instances of poor conduct at meetings, will normally be the subject of an investigation.

3.3 Not all potential breaches will be the subject of complaints or allegations. Where they are, they do not have to be made in writing but the Chair and Group Company Secretary should ensure that there is always a written statement of the complaint or allegation that is used as the basis for the investigation.

3.4 In the event that an allegation is made anonymously, it will be considered for further investigation based on the available evidence to support the allegation. This will, where appropriate, be undertaken in conjunction with the Group Whistleblowing Policy.

Investigation of a potential breach

4.1 Allegations of a breach should normally be made to the relevant Board Chair or, where the complaint relates to the Chair, to the Group Chair or Group Company Secretary. The Chair should report the allegation to the Group Company Secretary and Group Chair, who in consultation with the Group RAAG Committee, will decide whether to take no further action, instruct an independent investigation or whether to carry out an internal investigation. No one who has any involvement in the complaint or the circumstances surrounding it will play any part in the investigation.

4.2 A potential breach of the Code which will be investigated will be notified to the relevant Governing body member and Governing Body by the Group Company Secretary within seven working days of it being agreed it will be investigated. The Governing Body Member must be notified in writing of the nature of the complaint and the arrangements proposed for investigation.

4.3 Any internal investigations will be carried out under a Terms of Reference agreed upon by the Group RAAG Committee. They will be supported in the conduct of the investigation by the Group Company Secretary.

4.4 Where the potential breach relates to the Group Chair, an independent investigation will be considered.

4.5 An independent investigation will normally be overseen by the Group Chair and one other RAAG Committee member, with support from the Group Company Secretary. In the event that the alleged breach relates to the Group Chair, the Senior Independent Director will oversee the investigation.

4.6 The Senior Independent Director and RAAG Committee, with any support they feel necessary, will brief the agreed advisor/investigator and then consider their recommendations at the end of the investigation, before reporting to the Governing Body. We will provide the investigator with a written brief that sets out the nature of the complaint and of the investigation to be carried out, as well as a timescale for completion and reporting. Investigations should not usually take more than six weeks to conclude. The advisor/investigator will normally present their report to the RAAG Committee.

4.7 The Governing Body Member whose conduct is being investigated will not be party to any of the discussions relating to the investigation. Any Governing Body Member who is the subject of a complaint is expected to co-operate with any investigation carried out. The Governing Body should agree to grant leave of absence to a member who is the subject of a complaint whilst an investigation is carried out.

4.8 A meeting of the RAAG Committee will be held to consider the report and recommendations from the investigation and to determine what action should be taken against any individual who is found to have been in breach of the Code.

4.9 The RAAG Committee will report the findings of the investigation and the proposed action to the member concerned within seven days of the meeting at which the report of the investigation was considered.

4.10 Where, following an investigation, it is concluded that a serious breach has occurred, the Governing Body may require the member to stand down from their position in accordance with the relevant constitution.

4.11 If it is proposed to remove a member the member will have the right to address the full RAAG Committee before their recommendation is made to the relevant governing body.

Action to Deal with a Breach

5.1 If, following investigation, a breach of the Code is considered to have occurred, action will be taken in response. This action will reflect the seriousness of the circumstances. It may take the form of some or all of the following:

- an informal discussion with the member concerned;
- advice and assistance on how his or her conduct can be improved;
- the offer of training or other form of support;
- a formal censure; and/or
- a recommendation of a vote to remove the Member from the Governing Body

5.2 Where the breach relates to a RSL governing body member the outcome of any investigation will be notified to the Scottish Housing Regulator.

Definitions

6.1 We will regard the following actions as likely to constitute a “serious breach” of the Code of Conduct (this list is not exhaustive):

- Failure to abide by the principle of collective responsibility regarding decisions made by the governing body;
- Failure to act in our best interests and/or acting in a way that undermines or conflicts with the purposes for which we operate;
- Support for, or participation in, any initiative, activity or campaign which directly or indirectly undermines or prejudices our interests or those of our customers, or our contractual obligations;

- Accepting a bribe or inducement from a third party designed to influence the decisions we make;
- Seeking to use the position as a governing body member to unduly influence others with the purpose of deriving personal gain (financial or non-financial); and
- Acting in an abusive way to any staff or governing body member.

Approval and Review

7.1 This protocol was approved by the Group Board on XXXX. It will be reviewed immediately following its implementation to deal with a potential breach or not later than ____ XXX, whichever is the earlier.

Wheatley Group

Making homes and lives better
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Competency Framework & Continuous Professional Development

A message from the Group Chair

At Wheatley Group we value the skills, knowledge and experience of all of our Non-Executives and recognise that they are essential in helping us to exercise good governance. We are committed to supporting our Non-Executives in retaining and developing their skills and knowledge, as well as ensuring that all our Non-Executives have a clear understanding of their role, duties and responsibilities.

We operate in a complex environment, where the focus on, and responsibilities of, our governing bodies is greater than ever. It is critical that we all have access to appropriate professional development to allow us to carry out our role effectively and continue to deliver our key duty: to protect the interests of our tenants and service users.

This Competency Framework and supporting Continuous Professional Development Programme is designed to ensure that the skills, experience and knowledge we have is the best it can be and I hope all Non- Executives use the opportunity to develop and supplement their skills and experience.

Jo Armstrong
Group Chair

Introduction

It is widely recognised that the skills, knowledge and experience of Non-Executives are **significant** determinants of the quality and effectiveness of governance. All members of the Wheatley Housing Group are strongly committed to excellence in governance and a key element of this is our Non-Executive professional development programme.

We have worked in partnership with the Institute of Directors to develop a Non-Executive Director Competency Framework which clearly sets out the Group's expectations of Non-Executive Directors.

To support the Framework, we have developed a Continuous Professional Development (CPD) programme which is fully aligned with the Framework.

The Framework and associated CPD for our Non-Executives has a wide range of benefits for both the Group and for individual Non-Executives, including:

- Governing bodies and their members constantly updating their skill sets;
- Demonstrating the Group and its Non-Executives 'commitment to self-development';
- Enabling the Group and Non-Executives to address skills gaps; and
- Governing bodies and their members are confident they are up to date on their key duties and responsibilities.

Non-Executive Director Competency Framework

Non-Executive directorship is a skilled, demanding and challenging role. This is reflected in the legal and regulatory responsibilities that Non-Executive Directors carry individually and the expectations of regulators and stakeholders of Boards as a whole.

In recognition of this, we have worked with the Institute of Directors, the UK's longest running organisation for professional leaders, to adapt their Director Competency Framework specifically for Non-Executive Directors.

The Framework will be applied in a number of ways to support Non-Executives through the recruitment, induction and development stages, including:

- Setting clear expectations of Non Executives at the recruitment stage;
- Forming the basis of the induction process;
- Planning individual professional development plans;
- The design and delivery of Continuous Professional Development courses;
- Individual and Board appraisals; and
- Succession planning

Structure of the framework

The Framework is structured on core competencies across three dimensions:

KNOWLEDGE	SKILLS	MINDSET
The Non-Executive Director's understanding and appropriate application of essential practical and theoretical information	The experience that a Non-Executive brings to their role	The attitude and disposition that shape a Non-Executive director's responses and behaviours

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- Each competency is accompanied by a **statement of purpose** which explains its role in effective performance

- Each competency is defined by a set of standards, which are expressed in terms that are observable and assessable. The standards identify the behaviour that a Non-Executive Director should demonstrate

DIMENSION 1 - KNOWLEDGE

The Non-Executives understanding and appropriate application of essential practical and theoretical information

Corporate Governance

Purpose *Why is it important?*

Non-Executive Directors need to have the knowledge to steer the organisation towards achieving its strategic objectives while operating effectively, legally, responsibly and sustainably.

Knowledge		Standard: Non-Executive Directors should demonstrate an understanding of
Laws and Regulation	CG1	Laws and regulations applicable to the industries/sectors in which the organisation operates and how the organisation complies with them
Corporate Governance	CG2	Best practice in corporate governance, including relevant governance codes and the roles, duties, responsibilities and accountabilities of individual Non-Execs and the Board as a whole
	CG3	The organisations governance structures, processes and practices
Boardroom dynamics	CG4	Boardroom relationships, Non-Exec-Management relationship and Board composition
Ethics	CG5	Business ethics, ethical codes and ethical decision making
	CG6	Ethical policies of organisation
Risk oversight	CG7	Risk appetite and the role of risk in growth and value creations
	CG8	The structures and systems that enable your organisation to effectively identify, assess and manage risks

Board Leadership

Purpose *Why is it important?*

Non-executive directors need to understand leadership in a Board context and the impact of stakeholder relations, values and culture in effective leadership.

Knowledge		Standard: Non-Executive Directors should demonstrate an understanding of
Values	V1	The nature and purpose of organisational values and how to embed them
	V2	The values of the organisation
Culture	V3	Organisational culture and its role in performance
	V4	The existing and envisioned culture of the organisation
Leadership	V5	Good practice in Board and strategic leadership
Stakeholder Engagement	V6	The organisation's key stakeholders, approach to stakeholder engagement and the perspectives of key stakeholders

Strategy

***Purpose** Why is it important?*

The key role of the Non-Executive Director is setting the strategic direction of the organisation. A thorough knowledge of the strategy development process is required to create and implement effective strategies

Knowledge		Standard: Non-Executive Directors should demonstrate an understanding of
Vision	ST1	The need for a clear vision and purpose to guide the strategy
	ST2	The organisation's vision and purpose and how it adds value in the context of its sector(s)
Strategy development	ST3	Models and methods of strategic analysis, option evaluation and creating an organisational strategy
	ST4	The organisation's strategic objectives and current strategy
	ST5	The organisation's current political, economic, social and technological environment and implications for the existing strategy and future direction
Strategy implementation and change	ST6	The factors involved in successful strategy implementation and organisational change

Finance

***Purpose** Why is it important?*

Non-Executive directors need to understand how to assess the organisation's financial position and performance and be sure that it is sustainably financially viable

Knowledge		Standard: Non-Executive Directors should demonstrate an understanding of
Financial reporting	FN1	The collective responsibility for financial reporting
Financial health and performance	FN2	How to interpret financial statements and accounts in order to assess financial health of the organisation
	FN3	The financial performance of the organisation in the context of its strategic objectives
Sources of finance	FN4	The sources of finance available to the organisation and their relative merits and risk
Value	FN5	How to assess the financial value of an organisation and potential business opportunities

DIMENSION 2 - SKILLS

The skills and expertise Non-Executives need to undertake their role

Strategic thinking

Purpose *Why is it important?*
The ability to think strategically is the cornerstones of the Non-Executive director role.

Skill		Non-Executive Directors should be able to
Identifying opportunities and threats	SR1	Identify opportunities and threats to the organisation, taking into account the internal and external business environment
Taking a broad perspective	SR2	Offer a broad view beyond the immediate issue and own area of expertise, including short, medium and long-term perspectives
Considering impact of decisions	SR3	Identify the potential long term impact of decisions, including contingency plans and risk mitigation(s)

Analysis and use of information

Purpose *Why is it important?*
Non-Executive Directors need to be able to analyse, interpret and use information effectively to take appropriate decisions.

Skill		Non-Executive Directors should be able to
Using a range of sources	AI1	Actively seek reliable, appropriately detailed and timely information from a wide range of sources
Synthesising information	AI2	Assimilate and synthesise financial, technical and qualitative information
Evaluating and interpreting information	AI3	Consider the applicability and limitations of the information and make objective interpretations
Simplifying complexity	AI4	Simplify complex information

Decision Making

Purpose *Why is it important?*
Good decision making skills are required to arrive at a course(s) of action in a timely manner that provides a clear direction and moves the organisations forward

Skill		Non-Executive Directors should be able to
Evaluating proposals	DM1	Evaluate proposals using a range of criteria and identify their advantages and disadvantages
Handling uncertainty	DM2	Make decisions, even in the face of uncertainty or incomplete information
Taking appropriate risks	DM3	Take calculated risks in the context of the organisation's strategy and agreed risk appetite level

Communication

***Purpose** Why is it important?*

The ability to communicate effectively is essential to work successfully with others and operate as a Board.

Skill		Non-Executive Directors should be able to
Listen carefully	L1	Listen dispassionately, carefully and attentively
Communicating candidly and openly	L2	Demonstrate transparency, candidness and openness wherever possible
Communicating clearly	L3	Communicate articulately, clearly and concisely
Adapting to audience	L4	Tailor their communication style to the needs of the audience and the situation

Leadership

***Purpose** Why is it important?*

Strong leadership skills enable Non-Executive Directors to solve problems, cope with change and inspire confidence in the strategic direction of the organisation.

Skill		Non-Executive Directors should be able to
Conveying self-assurance	LS1	Display confidence, self-assurance and conviction
Taking action	LS2	Take action quickly, under pressure and in difficult circumstances where necessary
Embracing change	LS3	Show flexibility, adaptability and willingness to embrace change
Inspiring others	LS4	Inspire, support and motivate others

DIMENSION 3 - MINDSET

The Non-Executives attitudes and dispositions shape their responses and behaviours.

Ethical

Purpose *Why is it important?*

Non-Executive directors with an ethical mind set demonstrate high standards of conduct and will be better placed to serve, advocate for and represent the organisations.

Mind set		Non-Executive Directors should
Modelling values	ET1	Models the values of the organisation
Display high standards of conduct	ET2	Demonstrate behaviour which conforms to high standards of public conduct
Prioritise interests of the organisation	ET3	Place the interest of the organisation above oneself in all business matters
Identifying and managing conflicts	ET4	Proactively identify and disclose conflicts or potential perceived conflicts of interest relating to both oneself and others when they become apparent and ensure they are managed appropriately
Treating others fairly	ET5	Treat others fairly and justly

Professional

Purpose *Why is it important?*

Non-Executive directors need to bring a professional attitude and outlook to their role in order to command respect

Mind set		Non-Executive Directors should
Showing care and diligence	PR1	Maintain high standards of skill, care and diligence in professional activities
Investing in own development	PR2	Invest time in learning and professional development applicable to the role
Taking responsibility	PR3	Take responsibility for their own performance and behaviour
Acting with integrity	PR4	Act with integrity and honesty in all dealings

Strategy Orientated

***Purpose** Why is it important*?

Non-Executive directors should have the organisations strategic direction and objectives in mind as they carry out their role

Mind set		**Non-Executive Directors should**
Focus on strategic priorities	SO1	Focus on how the organisation is performing relative to overall strategic priorities
Thinking longer term	SO2	Balance focus on short term priorities with how they are likely to impact the achievement of long term goals
Vision	SO3	Have a strong focus on what the organisation can and will be in the future not just what it is now

Independent

***Purpose** Why is it important?*

Non-executive Directors need to have an independent mind set to provide the challenge and rigour required

Mind set		**Non-Executive Directors should**
Displaying independence	IN1	Be willing to disagree and take an independent stance in the face of dissenting views
Encouraging diverse views	IN2	Encourage rigorous discussion and diverse views in order to prevent and dispel 'groupthink'
Question assumptions	IN3	Adopt an inquisitive approach and be prepared to question assumptions
Ask for clarification	IN4	Ask for clarification and explanation
Challenge the status quo	IN5	Be willing to challenge the status quo and historical ways of doing things

Aware of Self and others

***Purpose** Why is it important?*

Non-Executives need to have an insight into their own emotions and behaviours as well as a sensitivity to the feelings

Mind set		**Non-Executive Directors should**
Displaying emotional control	AW1	Demonstrate an understanding of their own emotional responses and an ability to manage their emotions appropriately
Demonstrating cultural sensitivity	AW2	Demonstrate social and cultural awareness and an ability to relate well to a diverse range of people
Showing empathy and perceptiveness	AW3	Display empathy and respond appropriately and sensitively to the emotions of others
Recognising and limiting bias	AW4	Demonstrate efforts to explore, understand and limit their own biases and preconceptions as well as those of others

CONTINIOUS PROFESSIONAL DEVELOPMENT PROGRAMME

Our Continuous Professional Development Programme (“the programme”) is geared towards allowing all Non-Executives to achieve all elements of the competency framework. The programme structure has been developed based on a number of factors, including:

- Feedback from Board appraisals;
- The legal and regulatory duties of Non-Executives;
- The Group and subsidiary strategies;
- Group governance framework; and
- Good practice in corporate governance

Board induction

The Board induction is the first point of interaction between Non-Executive Directors and the Group. The core Board induction process, set out at table 1, is focussed on building the knowledge element of the competency framework.

The level of CPD activity will be at its highest during the induction process and first 12 months after appointment. The induction process contains a basic structure and will be tailored for each Non-Executive director based on their existing skills, knowledge and experience.

As part of the induction process all new Non-Executives will be expected to attend a ‘Role of the Non-Executive’ full day session delivered in house by the Institute of Directors within 6 months.

TABLE 1 - Non-Executive Director Board Induction programme structure – RSL Example
*(Tailored to reflect actual Board and individual requirements***)**

Induction Area	Key documents and reference material	Key Individual(s) : One to One meeting(s)	Key Outcome(s)
Company Structure & Governance ▪ Group structure and history ▪ Organisation legal structure ▪ Role of the Board/Board member/ Director duties ▪ Board member CPD/time commitments ▪ Senior staffing & key personnel ▪ Board procedures and practices, including: - Governance Framework, - Code of Conduct, - typical schedule of meetings - Board meeting protocols - administration of meetings eg issue of papers, submission of apologies ▪ Key Board issues eg actions from recent appraisals, particular areas of focus	▪Previous Board papers ▪ Document summary ▪Governance A-Z ▪Governing body member handbook ▪Group Standing Orders ▪Articles/Rules of Association ▪Group Structure Chart ▪Guidance for Charity Trustee OSCR ▪Code of Conduct	One to one meeting(s) with: (Company Secretary) (Chair of the Board)	Director has a comprehensive understanding of Governance and the Company structure.
Operating environment and context ▪ Sector overview ▪ Key regulators and their area(s) of focus ▪ Key issues and risks ▪ Key stakeholders ▪ Key customers ▪ Key suppliers	▪ Scottish Housing Regulator - Regulatory Framework ▪ Scottish Housing Regulator – thematic reviews and relevant guidance ▪ Social Housing Charter ▪ Corporate Risk Register and risk appetite statement ▪ Housing sector A-Z	One to one meeting(s) with: (Company Secretary) (Lead Executive)	Director has understanding of business operating context and wider sector context
Strategy and key operations specific to XXX ▪ Our strategy and vision ▪ Operating model ▪ Current business performance and key performance targets ▪ Investment priorities ▪ Development programme ▪ Stock tour	▪ 5 year Strategic Plan ▪ Annual Highlights ▪ In year performance targets ▪ Investment plan	One to one meetings with: (Lead Executive) (Managing Director) (Development Manager)	Director has a specific understanding of the key aspects of XXX

TABLE 1 - Non-Executive Director Board Induction programme structure – RSL Example
(Tailored to reflect actual Board and individual requirements)

Induction Area	Key documents and reference material	Key Individual(s) : One to One meeting(s)	Key Outcome(s)
Finance ▪ Organisation capital and funding structure ▪ Management financial reports ▪ Key accounting policies	▪ Annual Accounts ▪ Current financial projections and budget	One to one meetings with: (Finance Manager) (Group Treasurer as required)	Director has a broad understanding of financial and reporting requirements
Policy ▪ Key policies that impact directors	▪ Document Summary ▪ Group Whistleblowing policy ▪ Group Fraud Corruption and Bribery policy ▪ Group Risk Management Policy ▪ Group Treasury Management Policy ▪ Group Information Governance policies ▪ Group Health and Safety Policy ▪ Expenses policy ▪ Gifts, Hospitality, Payment and Benefits Policy ▪ Value for Money Framework ▪ Group Framework/Policy schedule ▪ Director indemnifications	One to one meetings with: (Chair) (Company Secretary) (Policy lead as required)	Director has awareness and understanding of key policies

Ongoing CPD

We recognise that the competency framework is comprehensive and wide ranging. Non-Executive Directors will have a wide and diverse range of existing skills, knowledge and experience and will have different needs within the competency framework.

We have developed a programme which maps our CPD offering with the competency framework, attached at Table 2.

In recognition that knowledge and skills require to be maintained the programme identified the frequency with which each element is undertaken. Additionally, certain Boards or Committees, by the nature of their work, will have specific additional requirements.

The programme delivers through a range of e-learning, in house sessions delivered by recognised experts and access to external events and content.

Board appraisal

All Non-Executives are subject to an annual appraisal with the Chair. The appraisal focusses on both individual performance and the performance of the Board collectively. As part of this process individuals will have the opportunity to discuss and identify their CPD priorities for the year ahead based on the programme and discuss any additional requirements at individual and Board level.

Boards may request that a CPD event (s) be arranged for them as a specific cohort.

TABLE 2 – COMPETENCY FRAMEWORK/CPD PROGRAMME MAPPING

CPD offering	Delivery partner/method	Suggested frequency	Applicability			Competencies covered
			All	Board/Committee specific	Individual	
Role of the Non-Executive (inc. good practice in corporate governance)	One day workshop delivered in-house by IoD expert tutor	As part of induction and recommended triennially thereafter	√			**CG1-5, V5, ST1, DM1, FN1, ET1-5, PR1-4, SO1-3, IN1-5**
Legal and regulatory landscape	½ day session delivered by external legal advisors	Triennially or where any major changes have applied	√			**CG1, CG5, ST5**
	E-learning	Triennially or where any major changes have applied	√			**CG1**
Housing sector briefing	½ day workshop on key policy issues in housing sector – SFHA/SHR	Annually	√			**ST5, SR1**
Good practice in corporate governance	½ day session delivered by external expert	Triennially	√			**CG2, ST1, ST5, DM1**
Financial reporting	½ day session delivered by KMPG	Triennially			√	**FN2, FN3, AI2**
Strategic thinking – Mastering the art of strategic questioning	One day workshop delivered in-house by IoD expert tutor	Triennially			√	**SR2, SR3, AI1-4, DM1, SO1**
The role of the Chair	One day workshop delivered in-house by IoD expert tutor	In preparation for taking up a Chair role			√	**V1-6, LS1-4, AW1-4**
Boardroom engagement	One day workshop delivered in-house by IoD expert tutor	Triennially			√	**CG4, CG5, PR1-4**
FCA Regulation	½ day session delivered by FCA compliance advisor	Annually		√ (Solutions)		**CG1**
	E-learning	Annually		√ (Solutions)		**CG1, AI2**
Accounting technical update	Post Committee session from external auditors	Annually		√ (Audit Committee)		**CG1**
Financial reporting	Practical guidance on reviewing and interrogating financial statements	Trienally	√			**FN1-3**
Risk Management	Annual Board workshop	Annually	√			**CG7, CG8, DM2, DM3**
Cyber Security	Facilitated by external expert	Triennially	√			**CG1, CG7, CG8**
Equality, Diversity and Inclusion (EDI)	Facilitated by Business in the Community	Triennially	√			**CG1, AW1-4**
Individual mentoring	Delivered by independent, experienced mentor	As required			√	**SR1-3, L1-4, AW1-4**

Appendix 3 – 2024 CPD programme						
Topic	**Applicability**	**Outcome**	**Provider**	**Delivery method**	**Time commitment**	**Mandatory**
Role of the non-executive (February)	New Board members; existing Board members	This course will provide knowledge and skills in identifying the attributes of an effective non-executive; understanding the legal and practical responsibilities of the role; how to contribute to an effective Board; developing strategic thinking.	Institute of Directors	In-person (Glasgow)	Full-day	Yes for new Board members
Equality, Diversity and Inclusion (May and September)	All	Knowledge and understanding of the roles and responsibilities of Board members; good practice in EDI; building an understanding of the opportunities afforded by having an effective approach to EDI.	Business in the Community	In-person (Glasgow and Edinburgh options)	1 hours	Yes
Equality, Diversity and Inclusion (May and September)	All	Understanding of equality, diversity and inclusion and what it means for us. This course covers key elements of equality, diversity and inclusion legislation.	My Academy (in house)	Online	30 mins	Yes
Cyber security (May onwards)	All	Cyber security awareness that helps reduce avoidable security incidents by measuring and improving security behaviours in ever-changing personal and work environments.	My Academy (in house)	Online	30 mins	Yes
Cyber security (May onwards)	All	Board members have a clearer understanding of the cyber security landscape as a strategic risk for the group	External advisors – NCC	In-person /online	90 minutes	Yes
Financial reporting (July/August)	All	Provides Board members with an understanding of financial reporting and how to review statutory accounts.	KPMG	In-person (Glasgow) and online	2 hours	No

Subsidiary and individual-specific training						
Topic	**Applicability**	**Outcome**	**Provider**	**Delivery method**	**Time commitment**	**Mandatory**
FCA regulation (May)	Wheatley Solutions	Information on the FCA regulation of Wheatley Solutions (WS) including details of why WS is regulated, WS key obligations, laws relevant to financial conduct.	Brodies LLP	In-person (post-Board)	1 hour	Yes
Health and social care sector outlook (April)	Wheatley Care	Knowledge of landscape and regulatory updates affecting the provision of our care services within our Group.	My Academy (in house)	In-person (pre-Board)	30 minutes	Yes
Role of the Chair	Future Chairs	This course is designed to support successor Chairs in stepping into their new roles/future roles.	IOD	In-person or online	1 day	Yes

Board Agenda Planner 2024

Meeting date	Items
13 March 2024 **Stock Tour**	2024/25 budget Home Safe building compliance update Anti-social Behaviour Policy Framework EDI Action Plan Gender Pay Gap (presentation) Finance Report Governance update Procurement strategy and policy updates
29 May 2024 **Strategy Workshop**	2023/24 year-end performance and Annual return on Charter return 2024/25 Delivery Plan and performance measures Wheatley Foundation Annual Report 2023-24 Fire prevention and mitigation update Health and Safety annual scorecard Customer Insight Acquisitions and disposals update Finance Report Risk Register Group Assurance update Governance update
21 August 2024	Refreshed 2021-26 strategy Repairs update Performance report 2023/24 Financial Statements Annual Internal Audit Report and opinion Governance report Finance report
18 September 2024 **AGM & Board Meeting**	New Build development programme: mid-year update Annual SHR assurance report Sustainability update Equality, Diversity and Inclusion update Governance update - Modern Slavery statement

Meeting date	Items
20 November 2024	2025 rent setting Customer Insight Performance and Delivery Plan Governance update Health and safety update Finance Report (inc covenant amendment) Risk register Assurance update